

## Global Leadership

---

# Diversity in Leadership: Minority and Female Representation on Fortune 250 Boards and Executive Teams

In the last decade, the business environment has become more complicated and competitive. Corporate boards and executive teams face increasing scrutiny from regulators, shareholders and corporate social responsibility advocates. As such, the topic of board composition has gained traction, and there is growing consensus that board diversity is a critical component of good corporate governance. Boards must draw upon a diverse set of competencies and knowledge if directors hope to successfully address the complex issues their companies face.

In June 2013, Russell Reynolds Associates undertook a detailed analysis of minority and female representation on Fortune 250 boards and executive teams. Our analysis included thorough reviews of the profiles of all directors sitting on the boards of the 229 publicly traded companies in the Fortune 250. The effort also included reviews of the profiles of the executives occupying four key positions at each of these firms: Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Human Resources Officer (CHRO), and General Counsel (GC).

Our findings offer a fresh (if disconcerting) portrait of the diversity of boards and leadership teams. As importantly, the results carry a number of implications for firms seeking to increase the diversity of their directors and senior officers. The key findings of our analysis are outlined within this brief.

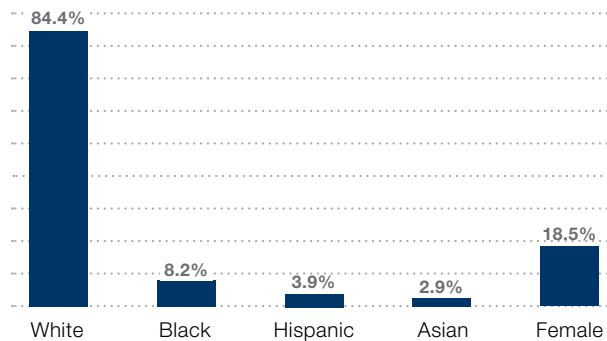
### Summary of Key Findings

1. White directors continue to hold a significantly disproportionate share of board seats on publicly traded Fortune 250 companies. Given the current age demographics of board directors, this could change in coming years. As these directors reach retirement, the pressure on boards to refresh their composition will increase.
2. Representation of Hispanic, Asian and female directors on Fortune 250 boards has grown modestly in the past year, while Black directors maintained their level of representation.
3. Since minority and female directors are less likely to conform to the classic CEO profile, boards may need to be more open-minded about the credentials they seek if they are serious about board diversity.
4. A significant share of Fortune 250 boards lack representation from specific diversity groups. Further, 17% of Fortune 250 boards are composed exclusively of White directors.
5. Visibility and scrutiny matter. Fortune 50 firms demonstrate greater representation of minority and female board directors than the smaller firms in our analysis.
6. The most diverse boards skew the average. There is a stark contrast between the 25 most and least diverse boards in the Fortune 250 in terms of minority and female representation.
7. Female and Black directors are far more likely than White directors to hold multiple Fortune 250 board seats. Further, female directors—of any ethnicity—are more likely than their male counterparts to hold multiple board seats.
8. As minority representation on boards increases, so does minority representation in the C-suite.
9. Minority and female executives are significantly underrepresented across all C-suite roles and particularly are underrepresented among CEOs and CFOs, the two positions most likely to lead to an invitation to join a board.
10. Minority executives in the CHRO and GC roles are much more likely to be recruited from the outside than their White counterparts.

# Global Leadership

**Key Finding #1: White directors continue to hold a significantly disproportionate share of board seats on publicly traded Fortune 250 companies. Given the current age demographics of board directors, this could change in coming years. As these directors reach retirement, the pressure on boards to refresh their composition will increase.**

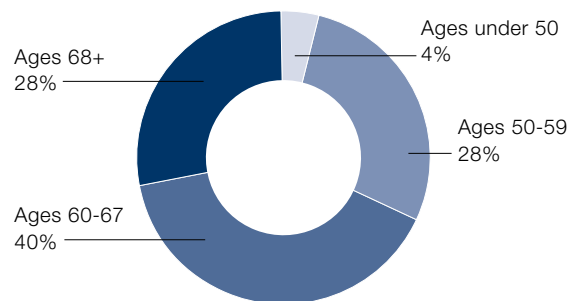
**Percentage of Board Seats Held on Fortune 250 Boards**



Group	% of Population (2012 Census data)
White	63.0%
Black	13.1%
Hispanic	16.9%
Asian	5.1%
Female	50.8%

- White directors account for 84.4% of the board seats of Fortune 250 companies.
- Compared with the overall population data, Black, Hispanic and Asian directors are all underrepresented. Female directors are significantly underrepresented.

**Age of Fortune 250 Directors**

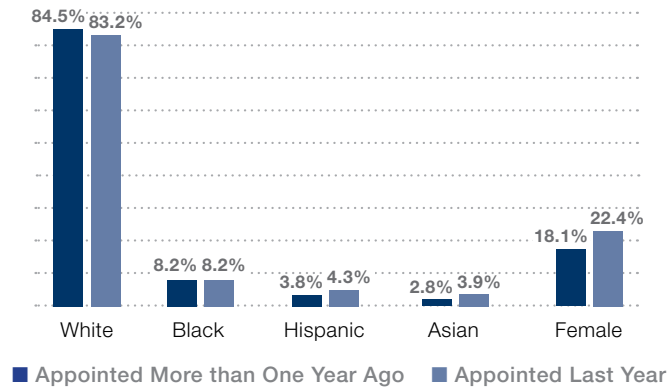


- Around 28% of board seats are held by directors age 68+ and could turn over in the next five years. As these directors reach retirement, the pressure on boards to refresh their composition will increase.
- Today, men account for 90% of the board seats held by directors age 68+. And white men account for 80% of these board seats.

# Global Leadership

**Key Finding #2: Representation of Hispanic, Asian and female directors on Fortune 250 boards has grown modestly in the past year, while Black directors maintained their level of representation.**

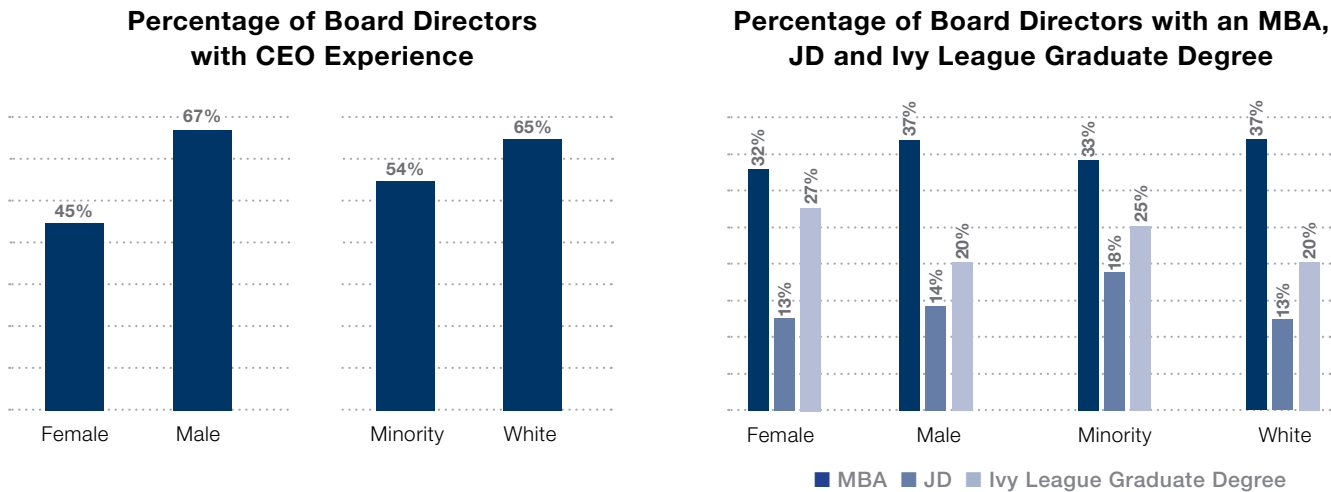
**Percentage of Board Seats Added in the Past Year and Prior to a Year Ago**



- A good indication of diversity’s momentum is to compare the percentage of different groups among Fortune 250 directors first elected more than one year ago with the percentage from each group elected within the last year. By this measure, Hispanic, Asian and female directors increased their representation in the last year, while the representation of Black directors remained flat.
- Female directors saw the largest increase in representation: Note that 22.4% of the directors elected in the last year were women; in contrast, women represent 18.1% of Fortune 250 board directors nominated more than a year ago.

# Global Leadership

**Key Finding #3: Since minority and female directors are less likely to conform to the classic CEO profile, boards may need to be more open-minded about the credentials they seek if they are serious about board diversity.**



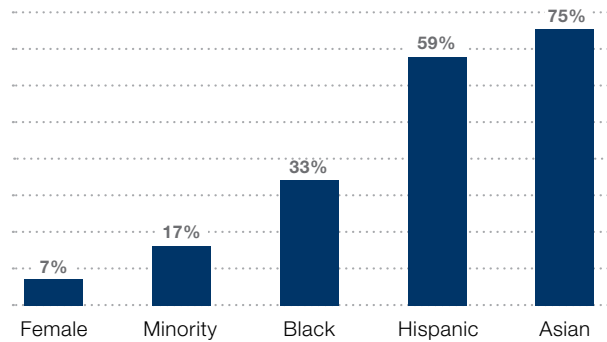
- Given the profile of the executives serving in the Chief Executive Officer role (93% of Fortune 250 CEOs are White males), it is not surprising that minority and female directors are less likely to have served as a CEO. Sixty-seven percent of male directors and 65% of White directors across the Fortune 250 are a current or former CEO. By comparison, 45% of female directors and 54% of minority directors are a current or former CEO.
- The on-paper credentials of minority and female directors, while less likely to conform to the classic CEO profile of a large-company board member, challenge the notion that boards must lower their standards in order to diversify their ranks. While minorities and females are less likely to have served as a CEO, their academic credentials (a crude but reliable proxy for raw ability) often match or exceed those of their white/male counterparts. Given that the pool of minorities and females with those credentials is large and growing, few firms can credibly claim that a severe lack of board diversity is primarily a function of talent scarcity. Instead, in most cases, it is a function of lack of interest, effort or effectiveness in recruiting diverse directors.
- Minority and female directors are on par and, in some cases, more qualified than their peers in terms of academic credentials—specifically, the attainment of MBAs, law degree or Ivy League graduate degree.
- Boards must push beyond the usual suspects and be more open-minded in defining the parameters of their pools of board ready talent. Business unit heads, regional leaders and executives with expertise in areas such as marketing, finance, human resources, government, digital or academia are all viable board candidates.

# Global Leadership

---

**Key Finding #4: A significant share of Fortune 250 boards lacks representation from specific diversity groups. Further, 17% of Fortune 250 boards are composed exclusively of White directors.**

**Percent of Fortune 250 Boards Without at Least One Director Who Is ...**

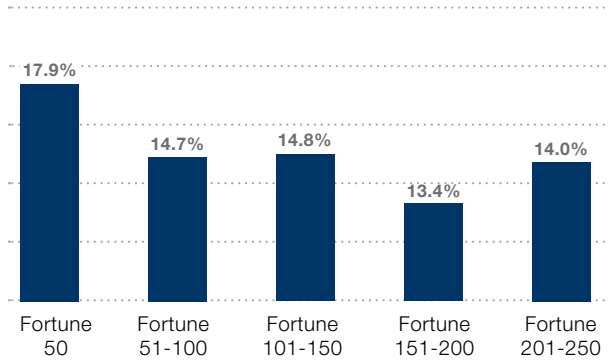


- While minorities and women have made advances in the boardroom in the past year, there are still a significant number of Fortune 250 boards lacking representation from various diversity groups.
- Perhaps most disconcerting is the fact that 17% of companies have no minority representation of any kind on their board, and 7% of Fortune 250 companies lack a single female director.
- Fully 33% of boards lack a Black director, 59% lack a Hispanic director and 75% lack an Asian director.

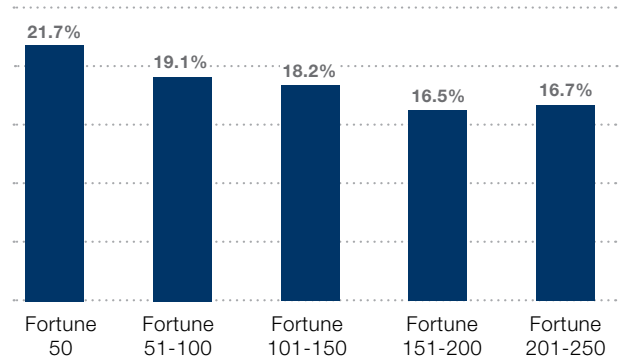
# Global Leadership

**Key Finding #5: Visibility and scrutiny matter. Fortune 50 firms demonstrate greater representation of minority and female board directors than the smaller firms in our analysis.**

**Percentage of Director Seats Held by Minority Directors**



**Percentage of Director Seats Held by Female Directors**



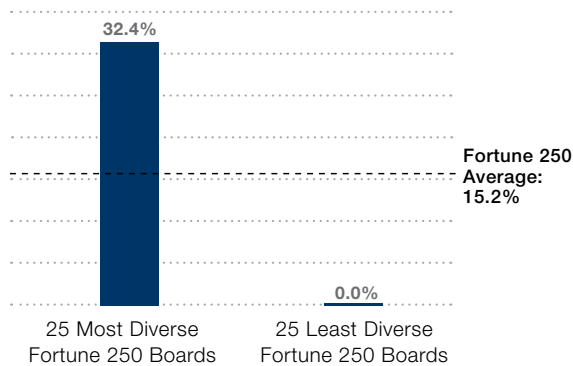
- It is not an accident that Fortune 50 companies—which operate under a particularly high level of public scrutiny—have boards with the highest levels of racial and gender diversity.
- In the case of both minority and female directors, our analysis revealed a drop in diversity beyond the Fortune 50.
- This finding suggests that a greater level of scrutiny and attention leads to better diversity outcomes. While Fortune 50 companies receive this attention naturally as a function of their size, the boards and leadership teams of smaller firms can (and should) work to generate this level of “diversity urgency” within their own organizations. As they do so, our findings suggest that their companies will be increasingly galvanized around diversity efforts—and more likely to achieve diversity goals.

# Global Leadership

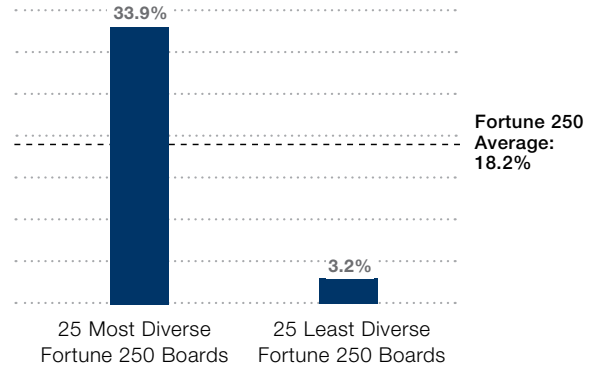
---

**Key Finding #6: The most diverse boards skew the average. There is a stark contrast between the 25 most and least diverse boards in the Fortune 250 in terms of minority and female representation.**

**Percentage of Seats Held by Minority Directors**



**Percentage of Seats Held by Female Directors**

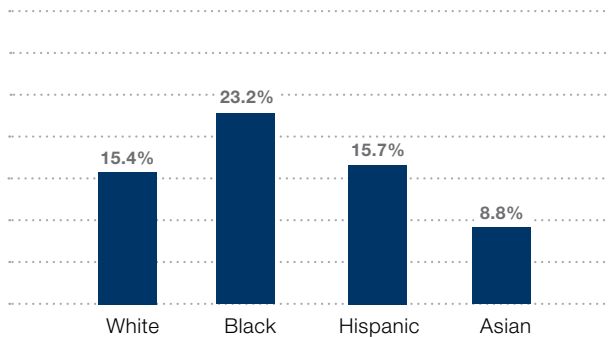


- Minority directors (including Black, Hispanic and Asian directors) account for an average of 15.2% of director seats across the Fortune 250. However, if we look at the 25 most diverse boards, we see that minority directors account for 32.4% of directors. At the other extreme, we see that there is no minority representation on the 25 least diverse boards.
- The finding is similar for female directors. While women make up, on average, 18.2% of Fortune 250 board directors, they account for 33.9% on the 25 most diverse board, and a mere 3.2% on the 25 least diverse boards.
- This finding suggests that diversity is a controllable outcome—i.e., the firms that put energy and capability behind this objective significantly outperform firms that do not. The top firms here have not cornered the market on diverse talent. And they serve as living evidence that a high level of board diversity is an eminently achievable goal.

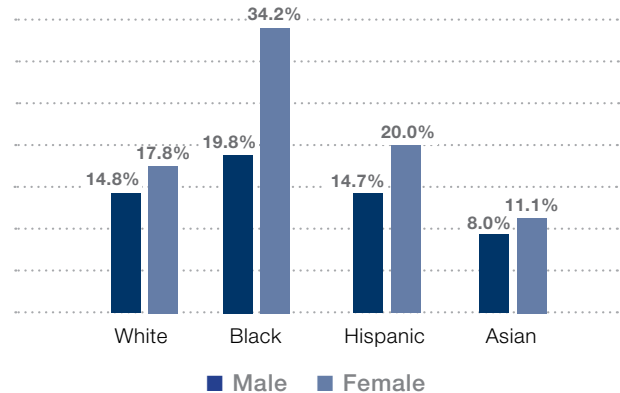
# Global Leadership

**Key Finding #7: Female and Black directors are far more likely than White directors to hold multiple Fortune 250 board seats. Further, female directors—of any ethnicity—are more likely than their male counterparts to hold multiple board seats.**

**Percentage of Fortune 250 Board Directors Holding Multiple Seats**



**Male and Female Percentage of Fortune 250 Board Directors Holding Multiple Seats**



- Black directors are more likely than White directors to hold multiple Fortune 250 board seats.
- Further, across every ethnic group, female directors are more likely than their male counterparts to hold multiple board seats.
- Black female, Hispanic female and Black male directors are the most likely to hold multiple board seats, with 34.2%, 20.0% and 19.8% of directors, respectively, holding two or more Fortune 250 board seats.
- While this is not a negative in itself, it is unsustainable in the long run. It also suggests that companies too often pursue the “usual suspects” when seeking to increase diversity on their boards. Companies must be more creative in defining the parameters of their pools of board-ready talent. Rather than an exclusive emphasis on current and former CEOs, companies should expand to consider executives with expertise in strategically important areas such as marketing, finance, human resources, government, digital or academia. Doing so will drive both board diversity and board effectiveness.

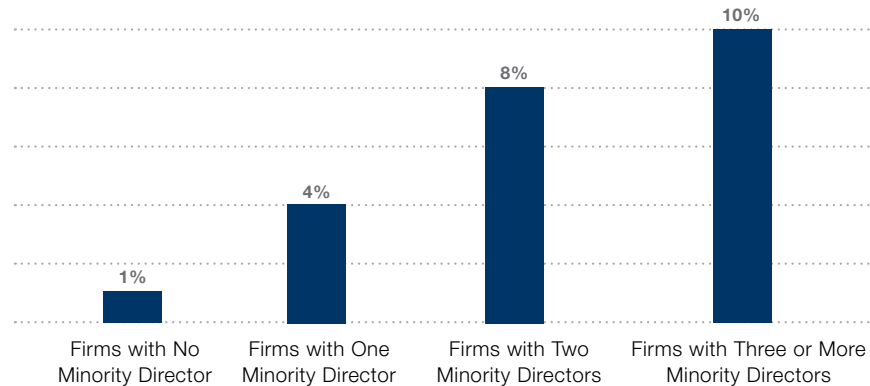


# Global Leadership

---

**Key Finding #8: As minority representation on boards increases, so does minority representation in the C-suite.**

**Percentage of C-Suite Roles Held by Minority Executives, by Number of Minority Directors<sup>(1)</sup>**



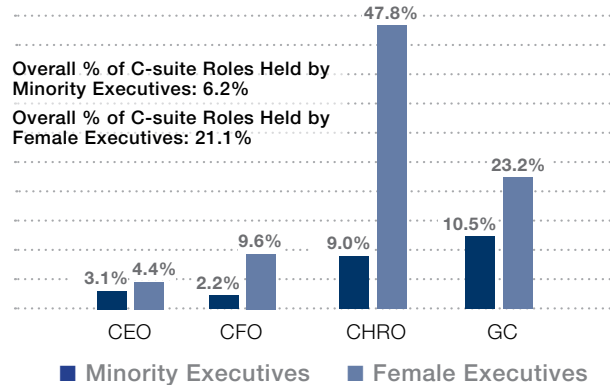
- There is a clear connection between the number of minority directors and minority executives within the same organization. At Fortune 250 companies with no minority directors, only 1% of executives are minorities. In contrast, at companies with three or more minority directors, 10% of executives are minorities.
- Diverse boards (implicitly or explicitly) hold CEOs to a higher level of scrutiny on the diversity of their executive teams. In turn, these teams become more diverse.
- Thus, getting board diversity right not only matters for governance, it also is essential for driving a greater level of diversity on executive teams.
- And, in turn, rising levels of C-suite diversity will create a virtuous circle. Given that boards typically seek C-suite executives (with a particular focus on sitting and former CEOs and CFOs) for board service, rising C-suite diversity will create a larger pool of diverse board candidates.

<sup>1</sup> Executive roles examined include Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer and General Counsel.

# Global Leadership

**Key Finding #9: Minority and female executives are significantly underrepresented across all C-suite roles and particularly are underrepresented among CEOs and CFOs, the two positions most likely to lead to an invitation to join a board.**

**Percentage of Fortune 250 C-suite Roles Held by Minority/Female Executives<sup>(1)</sup>**



- Beyond board roles, our analysis also examined the percentage of minorities and females holding key C-suite roles—CEO, CFO, CHRO and GC—across the Fortune 250.
- With the exception of females in the CHRO role, minorities and females are sorely underrepresented in all the C-suite roles we examined.
- Minorities and women particularly are underrepresented among CEOs and CFOs, the two positions most likely to lead to an invitation to join a board.
- Further, while minorities may occupy 15.2% of Fortune 250 board seats, they hold only 6.2% of the CEO, CFO, CHRO and GC roles at those companies.
- These findings suggest that rhetoric has far outpaced action in companies' efforts to increase the diversity of their executive teams. As a result, the executive teams of most firms looks (far) different from the customer populations that they serve.

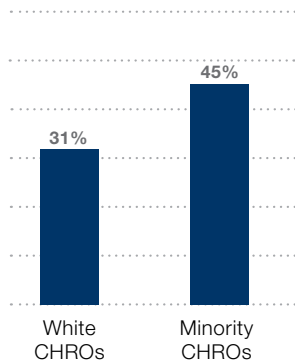
<sup>1</sup> Executive roles examined include Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer and General Counsel.

# Global Leadership

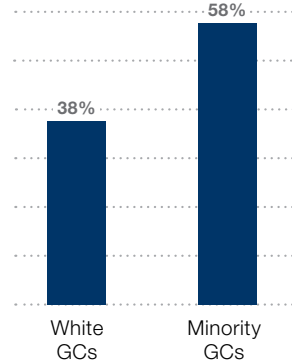
---

**Key Finding #10: Minority executives in the CHRO and GC roles are much more likely to be recruited from the outside than their White counterparts.**

**% of CHROs Recruited Externally**



**% of GCs Recruited Externally**



- Minority executives at Fortune 250 companies are more likely than their White counterparts to have been externally recruited into their roles.
- In the case of CHROs, 45% of minority executives were externally recruited. By comparison, 31% of White CHROs were externally recruited.
- For GCs, the statistics are even more startling. Fifty-eight percent of minority executives were externally recruited, compared with 38% of White executives.
- This finding indicates a broad failure in the ability of Fortune 250 companies to successfully hire and cultivate the next generation of diverse leadership. Instead, efforts to increase executive diversity begin at the eleventh hour (i.e., upon the realization of a need to fill an executive role). In these cases, companies rarely have a robust range of internal options. In contrast, progressive firms recognize that executive team diversity is largely a function of a well-thought out program to acquire and develop diverse talent at the earliest stages of their career. Given that internally promoted executives often travel a long path to a C-level role (internally promoted CEOs, for example, spent an average of 16.8 years at their firm prior to their promotions), efforts to promote diverse talent from within must start by enriching the junior ranks of management with diverse talent.

**Leadership, Succession and Search** | Russell Reynolds Associates is a global leader in assessment, recruitment and succession planning for Chief Executive Officers, boards of directors, and key roles within the C-suite. With more than 300 consultants in 42 offices around the world, we work closely with both public and private organizations across all industries and regions. We help our clients build boards and executive teams that can meet the challenges and opportunities presented by the digital, economic, environmental and political trends that are reshaping the global business environment. [www.russellreynolds.com](http://www.russellreynolds.com). Follow us on Twitter: [@RRAAonLeadership](https://twitter.com/RRAAonLeadership)

## Americas

### Atlanta

1180 Peachtree St., NE  
Suite 2250  
Atlanta, GA 30309-3521  
United States of America  
Tel: +1-404-577-3000

### Boston

One Federal Street, 25th Floor  
Boston, MA 02110-1007  
United States of America  
Tel: +1-617-523-1111

### Buenos Aires

Buenos Aires Plaza  
Manuela Sáenz 323  
Seventh Floor, Suites 14 and 15  
C1107BPA, Buenos Aires  
Argentina  
Tel: +54-11-4118-8900

### Calgary

Suite 750, Ernst & Young Tower  
440-2nd Avenue SW  
Calgary, Alberta T2P 5E9  
Canada  
Tel: +1-403-776-4192

### Chicago

155 North Wacker Drive  
Suite 4100  
Chicago, IL 60606-1732  
United States of America  
Tel: +1-312-993-9696

### Dallas

200 Crescent Court, Suite 1000  
Dallas, TX 75201-1834  
United States of America  
Tel: +1-214-220-2033

### Houston

600 Travis Street, Suite 2200  
Houston, TX 77002-2910  
United States of America  
Tel: +1-713-754-5995

### Los Angeles

11100 Santa Monica Blvd.  
Suite 350  
Los Angeles, CA 90025-3384  
United States of America  
Tel: +1-310-775-8940

### Mexico City

Torre Reforma  
Paseo de la Reforma  
115-1502  
Lomas de Chapultepec  
11000 México, D.F.  
México  
Tel: +52-55-5249-5130

### Minneapolis/St. Paul

225 South Sixth Street, Suite 2550  
Minneapolis, MN 55402-3900  
United States of America  
Tel: +1-612-332-6966

### New York

200 Park Avenue  
Suite 2300  
New York, NY 10166-0002  
United States of America  
Tel: +1-212-351-2000

### Palo Alto

260 Homer Avenue, Suite 202  
Palo Alto, CA 94301-2777  
United States of America  
Tel: +1-650-233-2400

### San Francisco

101 California Street  
Suite 2900  
San Francisco, CA 94111-5829  
United States of America  
Tel: +1-415-352-3300

### São Paulo

Edifício Eldorado Business Tower  
Av. Nações Unidas, 8.501 11°  
05425-070 São Paulo  
Brazil  
Tel: +55-11-3566-2400

### Stamford

301 Tresser Boulevard  
Suite 1210  
Stamford, CT 06901-3250  
United States of America  
Tel: +1-203-905-3341

### Toronto

Scotia Plaza, Suite 3410  
40 King Street West  
Toronto, ON  
M5H 3Y2  
Canada  
Tel: +1-416-364-3355

### Washington, D.C.

1701 Pennsylvania Avenue, NW  
Suite 400  
Washington, DC 20006-5810  
United States of America  
Tel: +1-202-654-7800

## Asia/Pacific

### Beijing

Unit 3422 China World Tower 1  
No. 1 Jian Guo Men Wai Avenue  
Beijing 100004  
China  
Tel: +86-10-6535-1188

### Hong Kong

Room 1801, Alexandra House  
18 Chater Road Central  
Hong Kong  
China  
Tel: +852-2523-9123

### Melbourne

Level 51, Rialto Towers  
525 Collins Street  
Melbourne, VIC 3000  
Australia  
Tel: +61-3-9603-1300

### Mumbai

Unit 9(A), Grand Hyatt Plaza  
Santacruz (East)  
Mumbai 400 055  
India  
Tel: +91-22-6733-2222

### New Delhi

203, Eros Corporate Tower  
Nehru Place  
New Delhi 110 019  
India  
Tel: +91-11-4603-4600

### Seoul

16F West Tower  
Mirae Asset Centre 1 Building  
26 Eulji-ro 5-gil, Jung-gu  
Seoul 100-210  
Korea  
Tel: +82-2-6030-3200

### Shanghai

Room 4504, Jin Mao Tower  
88 Century Avenue  
Pudong, Shanghai 200121  
China  
Tel: +86-21-6163-0888

### Singapore

2 Shenton Way  
#08-01 SGX Centre 1  
Singapore 068804  
Singapore  
Tel: +65-6225-1811

### Sydney

Level 40 Aurora Place  
88 Phillip Street  
Sydney NSW 2000  
Australia  
Tel: +61-2-9258-3100

### Tokyo

Izumi Garden Tower 14F  
1-6-1 Roppongi  
Minato-ku, Tokyo 106-6014  
Japan  
Tel: +81-3-5114-3700

## Europe

### Amsterdam

World Trade Center  
Tower H, 18th Floor  
Zuidplein 148  
1077 XV Amsterdam  
The Netherlands  
Tel: +31-20-305-7630

### Barcelona

Edificio Prisma  
Avda. Diagonal, 613, 2ªA  
08028 Barcelona  
Spain  
Tel: +34-93-494-9400

### Brussels

Boulevard St. Michel 27  
B-1040 Brussels  
Belgium  
Tel: +32-2-743-12-20

### Copenhagen

Kongens Nytorv 3  
DK-1050 Copenhagen K  
Denmark  
Tel: +45-33-69-23-20

### Frankfurt

OpfernTurm  
60306 Frankfurt am Main  
Germany  
Tel: +49-69-75-60-90-0

### Hamburg

Stadthausbrücke  
1-3/Fleethof  
20355 Hamburg  
Germany  
Tel: +49-40-48-06-61-0

### Istanbul

Cumhuriyet Cad. No 48  
Kat: 4/B Pegasus Evi  
Elmadag 34367 Şişli  
Turkey  
Tel: +90-212-705-3550

### London

Almack House  
28 King Street  
London SW1Y 6QW  
United Kingdom  
Tel: +44-20-7839-7788

### Madrid

Calle Miguel Angel, 11, 7°  
28010 Madrid  
Spain  
Tel: +34-91-319-7100

### Milan

Via Mascheroni, 5  
20123 Milan  
Italy  
Tel: +39-02-430-015-1

### Munich

Maximilianstraße 12-14  
80539 München  
Germany  
Tel: +49-89-24-89-81-3

### Paris

7, Place Vendôme  
75001 Paris  
France  
Tel: +33-1-49-26-13-00

### Stockholm

Hamngatan 27  
SE-111 47 Stockholm  
Sweden  
Tel: +46-8-545-074-40

### Warsaw

Belvedere Plaza  
ul. Belwederska 23  
00-761 Warsaw  
Poland  
Tel: +48-22-851-68-38

### Zürich

Löwenstrasse 28  
CH-8001 Zurich  
Switzerland  
Tel: +41-44-447-30-30