

Board Diversity

Fortune 500 Companies Move the Needle On Board Composition and Diversity

By Deborah DeHaas

As the United States becomes more diverse, forward-thinking boards of large-cap companies are determining ways to increase the number of women and minorities in the boardroom, and to be more representative of key stakeholders, including customers, employees, and investors. In a multiyear study published by the Alliance for Board Diversity (ABD) in collaboration with Deloitte, data revealed that women and minorities hold an all-time high of 34 percent of board seats among Fortune 500 companies, up from 30.8 percent in 2016. This study provides powerful metrics on the slow change of diversity in the boardroom, and may help encourage corporate boards to embrace the benefits of diverse board composition.

It is encouraging that more companies are realizing the significant benefits of having a diverse board, but the rate of progress has not been fast enough. Fortune 500 companies have 22.5 percent women and 34 percent women and minorities on their boards. At that rate, women and minorities will hold 40 percent of board representation on the Fortune 500 in 2024, four years behind the ABD's target for 2020.

Key findings for the Fortune 500 include:

- The number of Fortune 500 companies with greater than 40 percent board diversity has more than doubled, from 69 to 145, since 2012.

- African American/Black women gained 32 board seats in 2018, an increase of 26.2 percent from 2016. African American/Black men gained 26 seats in 2018, an increase of 8.5 percent from 2016.

- Hispanic/Latino men gained 21 seats in 2018, an increase of 14.3 percent from

2016. Hispanic/Latina women gained four seats in 2018, an increase of 9.8 percent from 2016.

- Asian/Pacific Islander men gained 25 seats in 2018, an increase of 20.3 percent from 2016. Asian/Pacific Islander women gained 17 seats, an increase of 38.6 percent from 2016.

The Fortune 100 continues to lead with respect to diversity in the boardroom, achieving an all-time high representation, for the study period, of 38.6 percent women and minorities holding board seats. Another significant finding is that 46 companies achieved greater than 40 percent and 75 companies achieved greater than 30 percent diverse board representation—hopefully signaling what may occur more broadly in the Fortune 500 in the future.

Key findings for the Fortune 100 include:

- In 2018, 19.5 percent of board seats were held by minorities, which is greater than the Fortune 500 (16%).

- African American/Black women and Asian/Pacific Islander women saw the largest increase in board seats: 44.8 percent (13 seats) and 30.8 percent (4 seats), respectively.

- Caucasian/White men saw a decrease of 23 seats, or 3 percent. Regardless of race, the census found an overall decrease in the number of men on boards, at 1.2 percent (11 seats lost).

- The total number of companies with greater than 40 percent board diversity increased from 33 companies in 2016 to 46 companies in 2018.

While the *2018 Missing Pieces Report* demonstrates continued progress, there is still more work to be done. Board may consider

working with management to reach a broader set of candidates, searching personal and professional networks to find individuals with a variety of skills, backgrounds, and experiences. To continue to move the needle, an ongoing focus on building a pipeline of women and minorities in key executive leadership roles can ensure there is a robust set of qualified diverse candidates for the future.

Though still a slow pace in relation to rapidly shifting demographics in the US, the shifts point toward greater diversity in America's boardrooms. This increase in diversity comes as the number of available board seats increases, with 230 new board seats added in the Fortune 500 in 2018. The bottom line is that having a diverse board can lead to better business results. Boards at all companies should consider the benefits of diverse composition, and work to expand the pool of women and minority candidates.



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