

HEIDRICK & STRUGGLES

CEO & BOARD PRACTICE



The Heidrick & Struggles Board Monitor

# APPOINTMENTS OF WOMEN TO BOARDS HIT RECORD HIGH

More than 38% of all independent board seats filled by Fortune 500 companies in 2017 went to women. That's the largest percentage of new female directors since we began tracking the figure in 2009—yet progress remains slow.

## Key findings

In 2017, Fortune 500 companies filled 358 vacant or newly created board seats with independent directors. Few leadership positions are more consequential: Fortune 500 boards oversee companies that together account for two-thirds of the US GDP, with \$12.8 trillion in revenues, \$1.0 trillion in profits, \$21.6 trillion in market value, and 28.2 million employees worldwide. That is why for the ninth consecutive year we have captured the key attributes of new appointees—their demographics, experience, and functional roles, among other factors; mapped how those attributes flowed onto boards in each industry; and identified trends in their continuing evolution. Following is what we found.

### **A record year for appointments of women but only slight improvement in gender composition of boards**

Since Board Monitor began tracking new appointees to the boards of Fortune 500 companies, we have seen nothing more striking than the upsurge in appointments of women in 2017. Of the 358 vacant or newly created board seats filled last year, 137—a little more than 38%—went to women. Those numbers represent a notable set of superlatives:

- The figure of 38% marks the highest proportion of women appointed to boards in the nine-year history of Board Monitor.
- The 2017 figure of more than 38%, versus less than 28% for 2016, is the biggest year-on-year increase we have ever recorded—a jump of more than 10 percentage points, far bigger than the next-largest such increase of a little over 3 percentage points.
- The figure of 137 appointees is the largest absolute number of female appointees in the past nine years, comfortably above the next-highest figure of 119 in 2015 and more than two and a half times as large as the low of 54 in 2010.

Nevertheless, the percentage of women on Fortune 500 boards rose only to 22.2%, up only 1.2 percentage points from the figure of 21% the previous year.<sup>1</sup>

### **Ethnic and racial diversity make modest gains**

In the aggregate in 2017, African-Americans, Hispanics, Asians, and Asian-Americans constituted about 23% of new board appointees, the highest proportion since the inception of Board Monitor, coming on the heels of the previous high of 22% in 2016.

- The share of new board appointments that went to African-Americans rose from 9% in 2016 to 11% in 2017, the largest increase ever.
- The share of new board appointments that went to Hispanics remained at 6%, the high it first reached in 2016.
- The share of new board appointments that went to Asians and Asian-Americans remained at 6%, the same as in 2016.
- One Native American was appointed in 2017, the first in the nine-year history of Board Monitor.

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<sup>1</sup> 2020 Women on Boards Gender Diversity Index, 2011–2017, 2020wob.com.

## Signs of board refreshment

In addition to this year's data showing an upsurge in appointments of women and modest gains in racial and ethnic diversity on boards, additional findings suggest that the pressure in recent years to bring new perspectives to boards may be bearing fruit:

- Almost 36% of new board appointees in 2017 had no previous board experience, up from 25% without any in 2016.
- While the total number of board seats has been declining over the past five years, from a high of more than 5,300 in 2012 to 4,747 in 2017, the percentage of seats held by newly appointed directors overall has generally been trending upward: 7.5% in 2017, 9% in 2016, and 8.5% in 2015, having never risen above 7% in previous years.
- Current and former CEOs accounted for 47% of director appointments in 2017, down from 50% in 2016, 54.4% in 2015, and well below the high of nearly 55% in 2013, suggesting that boards are beginning to look beyond their traditional first choice of CEOs to fill vacant seats.
- Some 72% of newly appointed directors in 2017 had international experience, an increase of 11 percentage points over the previous year.

## Financial experience remains in great demand

- As in the previous two years, financial services know-how was the most widely distributed career experience among newly appointed directors, representing almost 24% of their collective mix of career experiences.
- Those financial services experiences were widely distributed, with 30% of those experiences going to industrial boards, 25% to financial services boards, 19% to consumer boards, 10% to business services boards, and 10% to technology boards.
- Of all the significant career experiences newly appointed women brought to boards in 2017, 25% were in financial services, far outpacing business services, consumer, and industrial experience, each of which represented 18% of their collective career experiences.

# Observations

Based on the findings in this report and our experience working with boards, we offer the following observations:

- **Progress for women remains incremental, despite the great increase in female appointments in 2017.** Because the percentage of women overall on boards increased only slightly, it appears that most of these new female appointees were replacing women who had left their boards.
- **The modest gain in aggregate ethnic and racial diversity continues a longer-term trend in such appointments.** Over the four-year period 2009–2012, the aggregate proportion of African-Americans, Hispanics, Asians, and Asian-Americans appointees averaged under 16%. However, in the ensuing five-year period, 2013–2017, the proportion averaged almost 21%, indicating some progress.

- **The signs of board refreshment suggest that boards are beginning to acknowledge the increasing need for agility.** Now more than ever, companies must be able to spot opportunities and threats sooner, adapt and pivot faster, and recover from setbacks quickly. For boards that recognize that reality, board recruitment will increasingly mean board refreshment—continually making sure that the board is composed of diverse members whose experiences, competencies, and perspectives provide the optimal mix for overseeing the company at each point in its evolution.
- **The perennially high demand for financial experience is no longer primarily for the audit committee.** When seeking financial experience in the past, boards typically looked for classic finance skills such as expertise in capital structure. Increasingly, however, boards are looking for investment skills, an understanding of equities markets, and a firm grasp of asset management in order to be prepared for the ever-present threat of activists.

## ABOUT BOARD MONITOR

### Snapshot of 2018 findings

Produced by Heidrick & Struggles' CEO & Board Practice, Board Monitor tracks and analyzes trends in non-executive director appointments to Fortune 500 boards. Data on appointments are tracked through BoardEx, proxy filings, and corporate websites. Information about executives is gathered from publicly available sources, BoardEx, and a Heidrick & Struggles proprietary database.

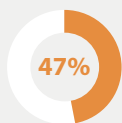
New director seats filled<sup>1</sup>

**358**

Average age

**57**

Current and former CEOs

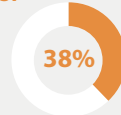


Current and former CFOs

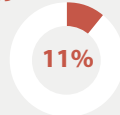


### Diversity breakdown

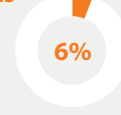
Female  
137



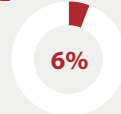
African-American  
39



Hispanic  
23



Asian/Asian-American  
22

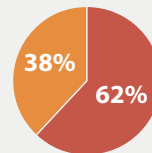


Native American  
1



### Retired vs. active

Retired executives  
137

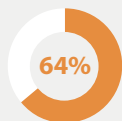


Active executives  
221

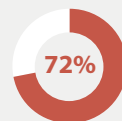
62%

### Experience

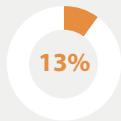
Previously served on boards



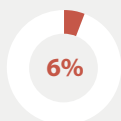
International



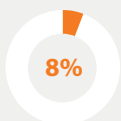
With digital or social media



In cyberrisk



In financial risk/compliance

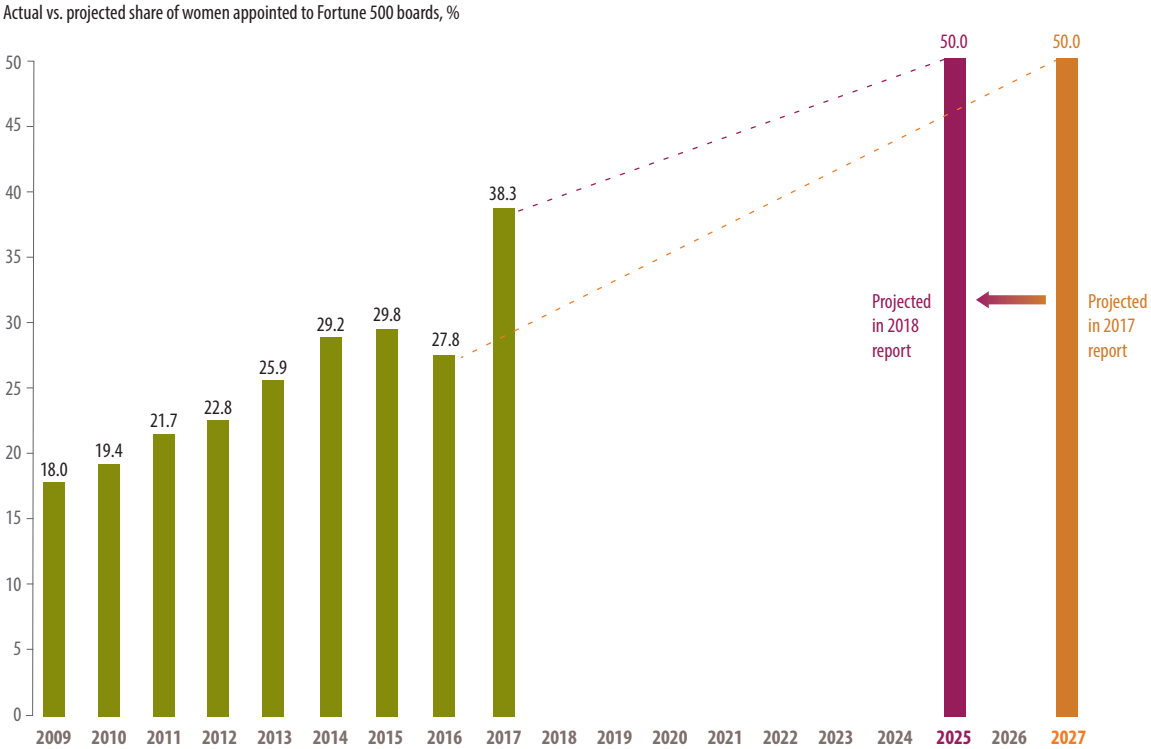


<sup>1</sup>Total non-executive director seats, as of May 2018 = 4,747.

# Progress toward gender parity regains momentum

In last year’s Board Monitor, we reported that the percentage of women appointed to boards failed to rise for the first time since the inception of Board Monitor in 2009, ending a seven-year run of year-on-year gains. Extrapolating the data for 2016 using a three-year trailing average method, it appeared that women would not reach parity with male director appointments until 2027. In each of the two previous years, 2015 and 2014, the projection for reaching parity, using the same method, would have been 2025. Now, we once again project that women will first reach parity with men with the new class of directors in 2025 (Figure 1).

**Figure 1: The pace of change has accelerated for women to reach parity with men on boards.**



The figure of 38% for non-executive director appointments of women may seem to pale in comparison to some of the figures recorded in other parts of the world (see Heidrick & Struggles’ Board Monitor Europe<sup>2</sup> and the forthcoming Board Monitor Asia). For instance, among the leading companies in France and Germany, the share of female non-executive appointments was 54% and 61%, respectively, for

<sup>2</sup> Heidrick & Struggles, *The Heidrick & Struggles Board Monitor Europe*, April 25, 2018, heidrick.com.

2016. Among the leading companies in Australia, the figure was 39% in 2017. But because the formal requirements and informal pressures to appoint women differ across these locales and from those in the United States, simple comparisons are difficult. Nevertheless, in those countries and the United States, the tide seems to be running in the right direction.

### Where newly appointed women came from, by function or background

The functional composition of the 2017 class of female appointees aligns with the strong tendency of boards to prefer candidates with general management experience. Some 38, or 28%, of newly appointed women were current or former CEOs, and some 35, or about 25%, were current or former group presidents, division heads, managing directors, or managing partners. Four new appointees were current or former COOs. Some 8, or about 6%, were current or former CFOs.

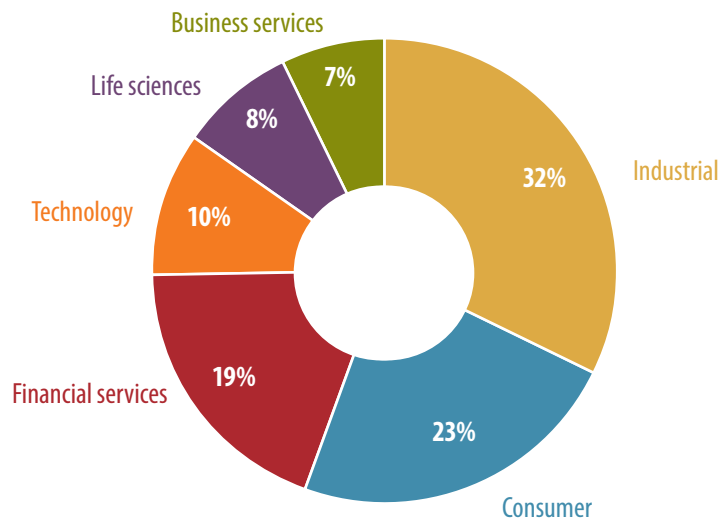
The largest contingent of new appointees from outside business came from government, with the appointment of 10 retired officials, representing a little more than 7% of female appointees. Some 8, or about 6%, were current or retired academics.

### Where newly appointed women went, by industry

Some 44 of the 137 director positions filled by women in 2017 were on industrial boards, followed by consumer boards, with 32, and financial services boards, with 26 (Figure 2). In 2016, of the 117 director positions filled by women, 35 went to consumer boards, followed by industrial boards, with 28; financial services boards, with 17; and technology boards, with 16.

Figure 2: **Distribution of women appointed to Fortune 500 boards, by industry, 2017**

n = 137

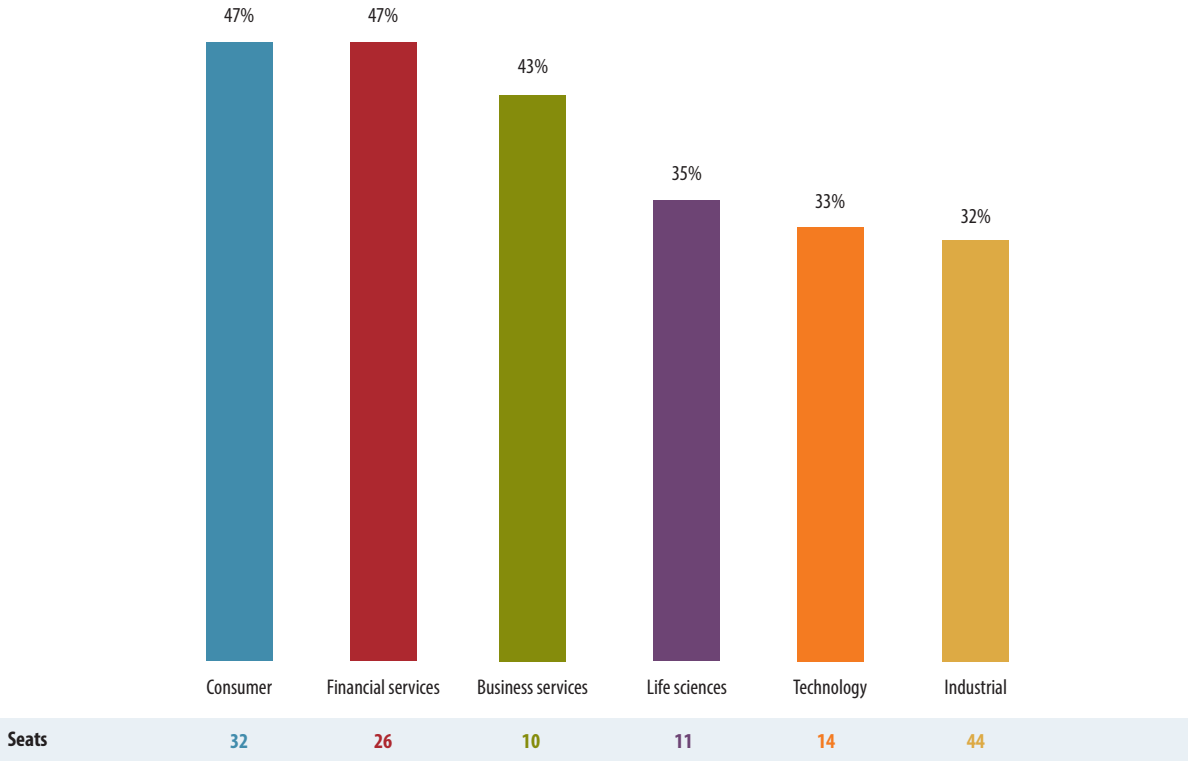


Note: Numbers may not sum to 100%, because of rounding.

While industrial boards appointed the largest number of women overall in 2017, those appointments totaled only 32% of all new board seats in the industry, which was nevertheless an increase of 11 percentage points over the previous year (Figure 3). In the consumer sector, 47% of all new board seats went to women, an increase of 21 percentage points. Women also received 47% of new appointments on financial services boards in 2017, an increase of 19 percentage points over 2016.

**Figure 3: As a proportion of total seats filled, the financial services and consumer sectors appointed the most women directors in 2017.**

Proportion of new board seats, by industry, filled by women



*Remember, you have a seat at the table. You have been invited to join the board and are expected to contribute. The board wants and needs your perspective.*

—Stacy Brown-Philpot, CEO of TaskRabbit and director at HP Inc. and Nordstrom

## The career experiences women brought to boards

Twenty-five percent of all the significant career experiences newly appointed women brought to boards in 2017 were in financial services, 18% in business services, 18% in consumer, and 18% in industrial.

How was that mix distributed among boards? Some 27% of these appointees' collective financial services experience went to financial services boards, 25% to consumer boards, and 23% to industrial boards. Of their business services experience, 32% went to industrial boards, followed by financial services and technology boards, each with 24% of those experiences. Of their collective consumer experience, 37% went to consumer boards, followed by business services and industrial, each of which acquired 18% of that consumer experience. Of their collective industrial experience, 56% went to industrial boards and 21% to consumer boards.

# Racial and ethnic diversity edging up

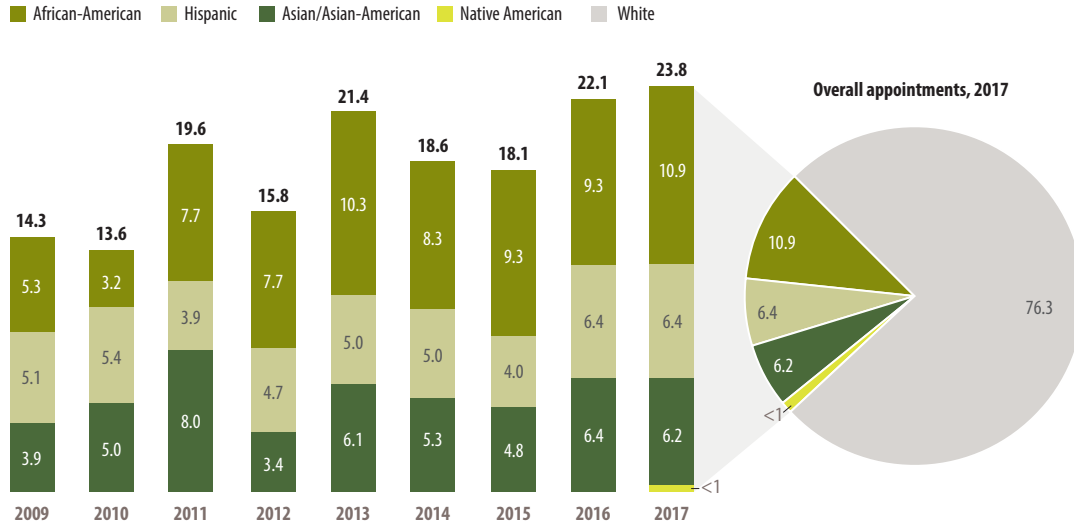
In the aggregate in 2017, African-Americans, Hispanics, Asians, Asian-Americans, and Native Americans constituted almost 24% of new board appointees, the highest proportion since the inception of Board Monitor in 2009, coming on the heels of the previous high of over 22% in 2016 (Figure 4).

Full analysis of the numbers for 2017 yielded the following results (Figure 5):

- The proportion of new board appointments that went to African-Americans rose from 9% in 2016 to 11% in 2017, the largest share ever. Some 33% of all African-American appointees went to industrial boards, the same as last year; 23% went to consumer boards; and 21% to financial services boards. In terms of the total number of board appointments by industry, African-Americans assumed more than 16% of available seats on life sciences boards, more than 14% of available seats on financial services boards, and more than 13% of available seats on consumer boards. The three most widely distributed significant career experiences among African-American appointees were in business services, 23%; technology, 21%; and industrial, 17%.
- The share of new board appointments that went to Hispanics remained at 6%, the high it first reached in 2016. Almost 35% of all Hispanic appointees went to industrial boards, almost 22% to consumer boards, and more than 17% to financial services boards. In terms of total appointments by industry, Hispanics assumed almost 9% of available seats on business services boards, a little more than 7% of available seats on consumer boards, and 7% of available seats on financial services boards. The three most widely distributed significant career experiences among Hispanic appointees were in financial services, 24%; consumer, 22%; and business services, 19%.
- The share of new board appointments that went to Asians and Asian-Americans remained at 6%, the same as in 2016. Some 27% of Asian and Asian-American appointees went to consumer boards, 27% to technology boards, and almost 23% to industrial boards. In total appointments by industry, Asians and Asian-Americans assumed almost 14% of available seats on technology boards and almost 9%

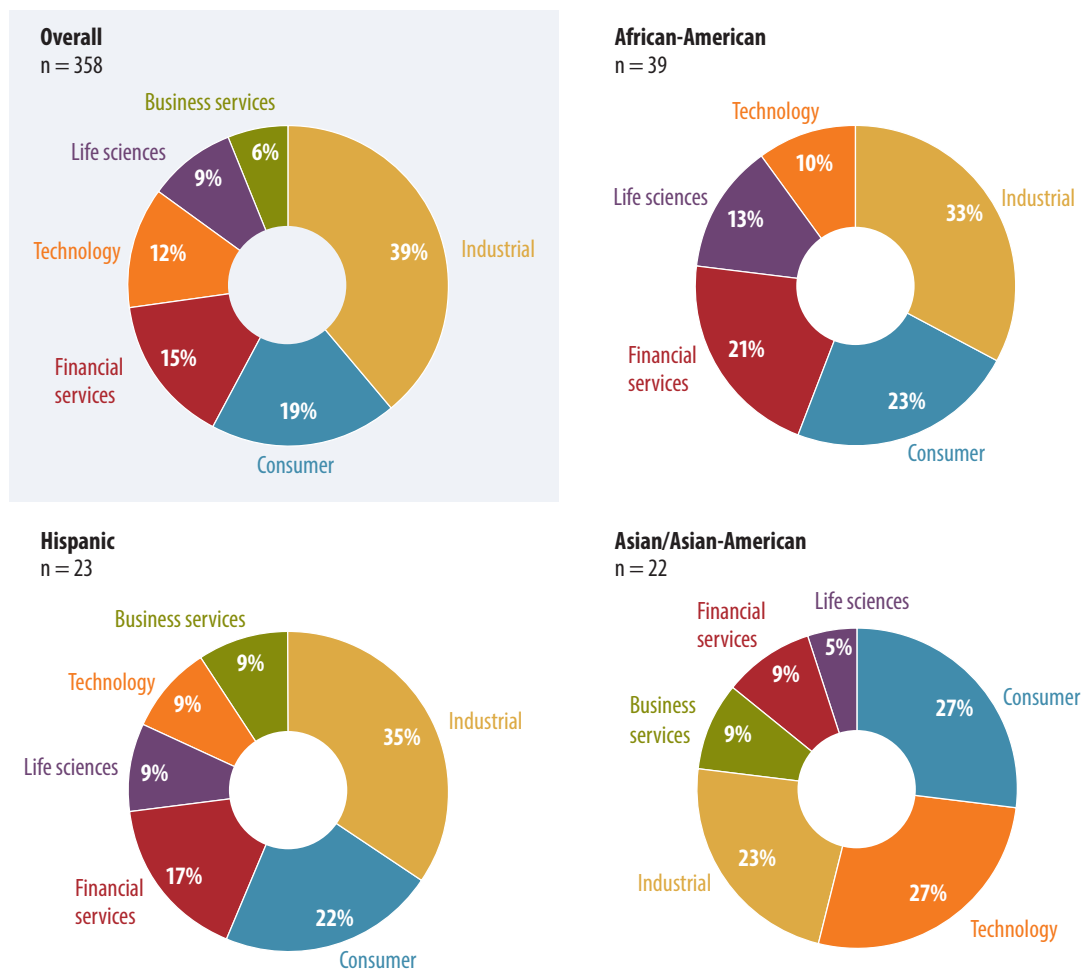


Figure 4: New board director appointments, by ethnicity, %, 2009–17



Note: Numbers may not sum to 100%, because of rounding.

Figure 5: Distribution of new director appointments, by industry, 2017



Note: One Native American director was appointed to an industrial board in 2017. Numbers may not sum to 100%, because of rounding.

of available seats on both consumer boards and business services boards. The three most widely distributed significant career experiences among Asian and Asian-American appointees were in technology, 26%; financial services, 23%; and industrial, 17%.

- In addition, one Native American appointee—the first in the nine-year history of Board Monitor—joined an industrial board.

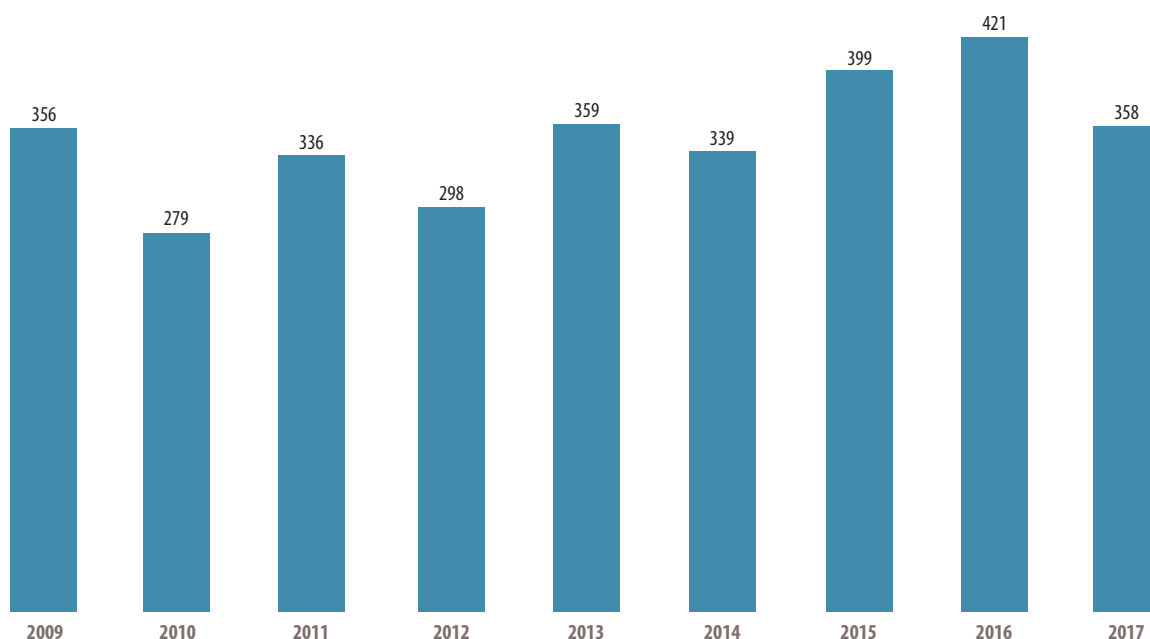
## Shrinking boards and more new directors

For the five-year period 2009–2013, the total number of board seats averaged 5,254 per year, with a high of 5,319 in 2012 and a low of 5,140 in 2010. In the ensuing four-year period, 2014–2017, the average dropped to 4,763 seats, with a low of 4,609 in 2016 and a high of 4,998 in 2014.

Meanwhile, for the four-year period 2009–2012, the number of new directors appointed per year averaged 317. In the ensuing five-year period, 2013–2017, the number of new directors appointed per year rose to an average of 375.

With the number of seats trending downward and the number of appointments trending upward, the percentage of total seats held by newly appointed directors has begun to show upward momentum. For the four-year period 2009–2012, the percentage of total seats held by newly appointed directors averaged 6%, with a high of 6.7% in 2009 and a low of 5.4% in 2010. For the ensuing five-year period, 2013–2017, the rate averaged 7.7%, with a high of 9.1% in 2016 and a low of 6.7% in 2014.

Figure 6: **Number of new director appointments, 2009–17**



*“Different perspectives, backgrounds, and experiences around the board table lead to richer discussions, more robust debates, and more thoughtful outcomes.”*

—**Pat Russo**, chairwoman of Hewlett Packard Enterprise and director at General Motors, KKR Management, and Merck & Co.

## Share of CEO director appointments drops for second consecutive year

Current and former CEOs accounted for 47% of director appointments in 2017, down from 50% in 2016 and well below the all-time high of nearly 55% in 2013. Of the 167 current or former CEOs appointed to boards in 2017, 129, or 77%, were men and 38, or 23%, were women.

Current and former CFOs accounted for 16% of new appointments in 2017, the same as in 2016 and consistent with the yearly average of 16% for 2009–2016. Of the 59 current or former CFOs appointed to boards in 2017, 51, or 86%, were men and 8, or 14%, were women.

Current and former CEOs and CFOs together accounted for 63% of director appointments in 2017, down from 66% in 2016 and well below the all-time high of 73.2% in 2015.

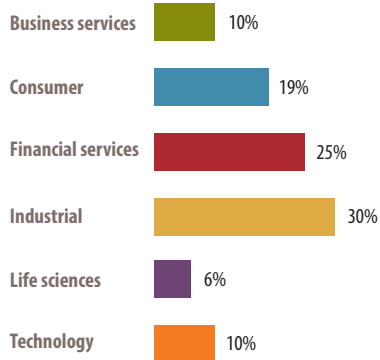
### **How career experiences were distributed among new appointees**

For the fourth consecutive year, in tracking the movement of new appointees to their new boards, we took into account all of the significant industry experiences of each director (Figure 7). (For example, a new director who has worked most recently in the consumer industry may also have valuable experience in the industrial sector or in technology.) This more comprehensive picture of the skills of new directors looks like this:

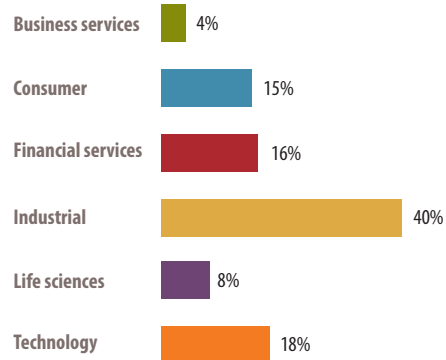
- As in the previous two years, financial services know-how was the most widely distributed career experience among new directors, representing almost 24% of their collective mix of career experiences. Some 30% of financial services experience went to industrial boards, 25% went to financial services boards, and 19% to consumer boards.
- Industrial experience, at 23%, was the second most widely distributed career experience among new directors. More than 62% of industrial experience went to industrial boards, about 15% went to consumer boards, and 9% to financial services boards.

Figure 7: **Distribution of career experience, by industry, 2017**

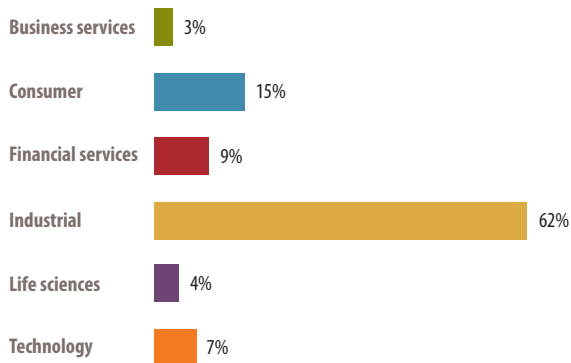
**Financial services experience went to:**



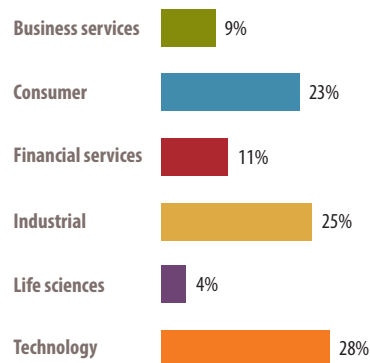
**Business services experience went to:**



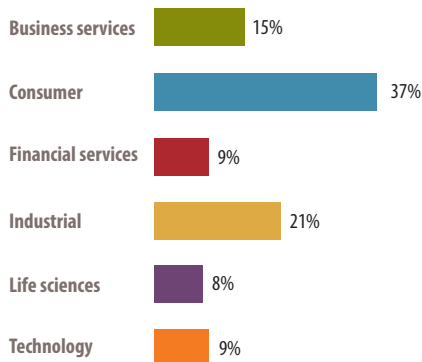
**Industrial experience went to:**



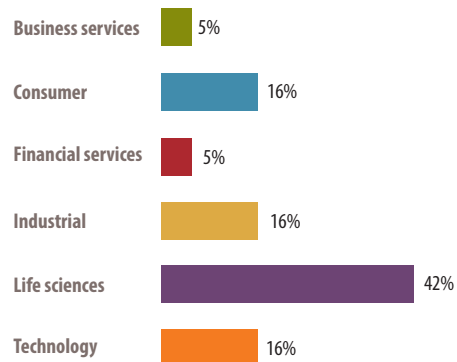
**Technology experience went to:**



**Consumer experience went to:**



**Life sciences experience went to:**



Note: Numbers may not sum to 100%, because of rounding.

- Business services experience, at 19%, was the third most widely distributed career experience among new directors. Almost 40% of that experience went to industrial boards, almost 18% went to technology boards, and about 16% to financial services boards.
- Life sciences experience, at about 7% of the collective mix of career experiences, was by far the least widely distributed career experience among incoming directors, exceeded by technology experience, at about 13% of the mix, and consumer, at just over 14%.

*Nominating and governance committees should look beyond usual channels to find candidates who may not have the typical 'board-relevant' resume but who bring strong leadership experience and a unique perspective to the position.*

—**Peter Henry**, W. R. Berkley Professor of Economics & Finance and dean emeritus of NYU's Stern School of Business and director at Citigroup, National Bureau of Economic Research, and Nike

## The expertise boards acquired

Also as in the previous three years, we mapped the prevalence of substantial career experiences that flowed onto the boards in each industry, producing a more nuanced picture of the experience that boards actually acquired:

- Of the total industry experiences acquired by **financial services boards**, 41% were in financial services, followed by business services, 21%; industrial, 15%; technology, 11%; consumer, 9%; and life sciences, 2%.
- Of the total industry experiences acquired by **industrial boards**, just over 39% were in industrial, followed by business services, 21%; financial services, almost 20%; technology, 9%; consumer, 8%; and life sciences, 3%.
- Of the total industry experiences acquired by **life sciences boards**, almost 36% were in life sciences, followed by business services, 18%; financial services, almost 16%; consumer, 13%; industrial, 11%; and technology, 6%.

- Of the total industry experiences acquired by **consumer boards**, more than 26% were in consumer, followed by financial services, almost 23%; industrial, 17%; technology, 15%; business services, 14%; and life sciences, just under 6%.
- Of the total industry experiences acquired by **technology boards**, 28% were in technology, followed by business services, 25%; financial services, 17%; industrial, 11%; consumer, 10%; and life sciences, almost 9%.
- Of the total industry experiences acquired by **business services boards**, almost 33% were in financial services, followed by consumer, 28%; technology, 15%; business services, 10%; industrial, 10%; and life sciences, 5%.

*While it's definitely an advantage to have board members with industry experience, nearly all industries are experiencing transformation and have common themes. In the boardroom, that type of knowledge and experience is also extremely valuable.*

—**Ted Craver**, director at Duke Energy and Wells Fargo

## First-time directors

Almost 36% of new board appointees in 2017 had no previous board experience, up from 25% in 2016 (Figure 8). Of those first-timers in 2017, almost 43% went to industrial boards, about 20% to consumer boards, and a little more than 17% to financial services boards. The three most widely distributed career experiences among them were financial services, 22%; business services, 22%; and industrial, 20%.

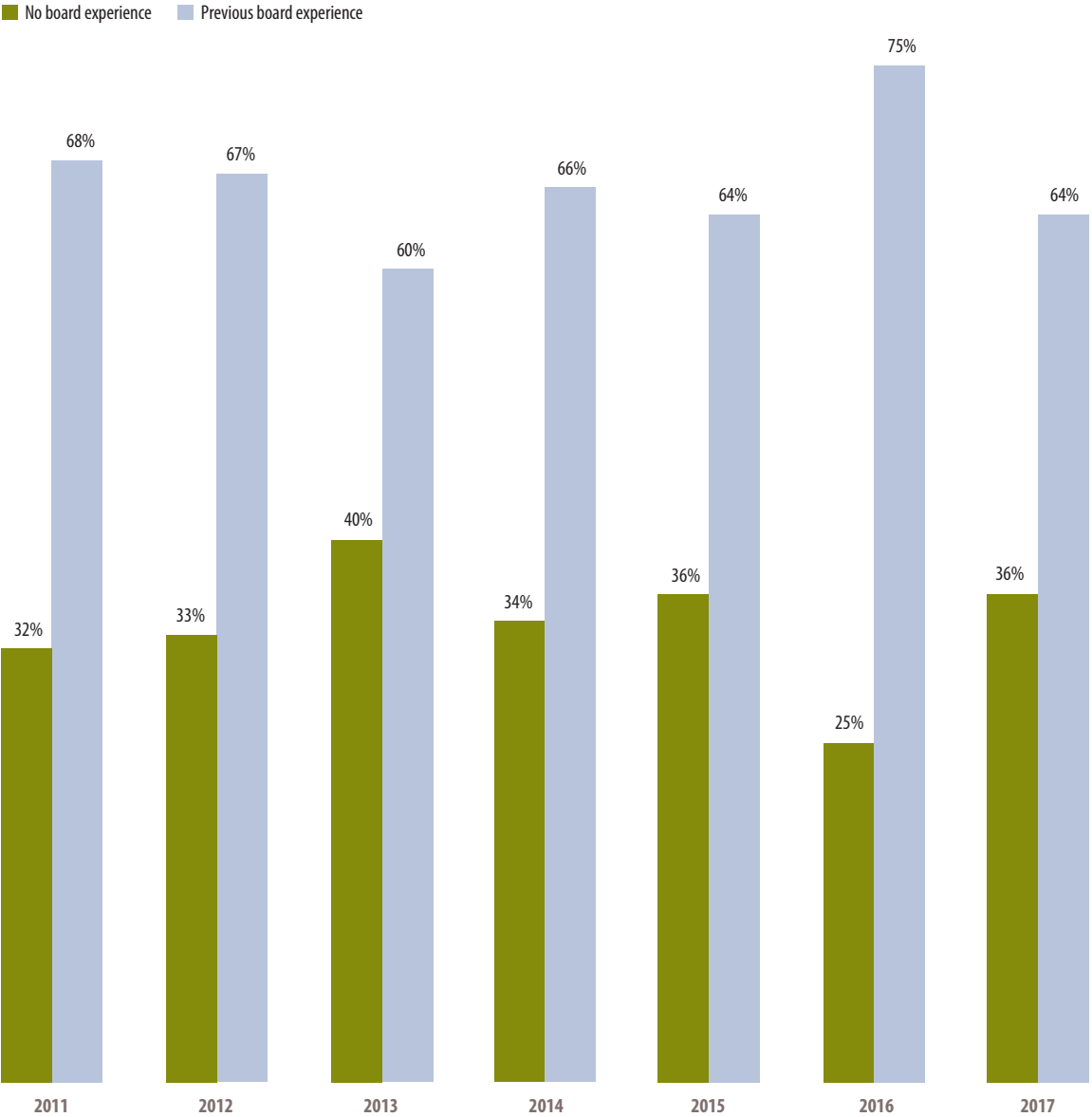
Sixty percent of first-timers were men. Of those, almost 47% went to industrial boards, almost 17% to consumer boards, and almost 16% to financial services boards. The three most widely distributed career experiences among them were business services, almost 23%; financial services, almost 22%; and industrial, almost 21%.

Forty percent of first-timers were women. Of those, more than 37% went to industrial boards, more than 25% to consumer boards, and almost 20% to financial services boards. The most widely distributed career experiences among them were financial services, almost 22%; business services, 20%; consumer, 20%; and industrial, 20%.

Seventy percent of first-timers were Caucasian. Of those, more than 46% went to industrial boards, 21% to consumer boards, and more than 14% to financial services boards. The three most widely distributed career experiences among them were industrial, 22%; business services, 21%; and financial services, 21%.

Fifteen percent of first-timers were African-American. Of those, almost 37% went to industrial boards, more than 26% to consumer boards, and more than 26% to financial services boards. Their three most widely distributed career experiences were business services, financial services, and industrial—all at almost 22%.

Figure 8: New director appointments, by level of experience, 2011–17



*“For a first-time director, it’s important to understand the culture of the company and the culture of the board before embarking on the role, as this enables a stronger start.”*

—**Sandra Beach Lin**, director at American Electric Power, Interface Biologics, PolyOne Corporation, and WESCO International

Seven percent of first-timers were Hispanic. Of those, more than 44% went to consumer boards and more than 22% to financial services boards. Their three most widely distributed career experiences were business services and financial services, both at about 33%, followed by consumer, at 20%.

Seven percent of first-timers were Asian. Of those, about 22% went to business services boards, 22% to financial services boards, and 22% to technology boards. Their three most widely distributed career experiences were technology and consumer, both at 23%. ■



# CEO & Board Practice

Heidrick & Struggles' CEO & Board Practice has been built on our ability to execute top-level assignments and counsel CEOs and board members on the complex issues directly affecting their businesses.

We pride ourselves on being our clients' most trusted advisor and offer an integrated suite of services to help manage these challenges and their leadership assets. This ranges from the acquisition of talent through executive search to providing counsel in areas that include succession planning, executive and board assessment, and board effectiveness reviews.

Our CEO & Board Practice leverages our most accomplished search and leadership consulting professionals globally who understand the ever-transforming nature of leadership. This expertise—combined with in-depth industry, sector, and regional knowledge; differentiated research capabilities; and intellectual capital—enables us to provide sound global coverage for our clients.

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