

## RESULTS OF MENENDEZ'S MAJOR FORTUNE 500 DIVERSITY SURVEY: REPRESENTATION OF WOMEN AND MINORITIES ON CORPORATE BOARDS STILL LAGS FAR BEHIND NATIONAL POPULATION

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Washington, DC - U.S. Senator Robert Menendez (D-NJ), Chairman of the Senate Democratic Task Force and the lone Hispanic Senator, today unveiled the results of his survey on women and minority representation among the senior management of Fortune 500 companies, as well as their use of minority and women-owned businesses in the contracting and procurement process. The survey found that women and minority representation on corporate boards continues to lag far behind the national population percentages. Menendez's survey was one of the most successful of its kind, garnering input from 219 corporations on the Fortune 500 list and 71 on the Fortune 100 list.

The study found minorities to represent a total of 14.5% of directors on corporate boards and overall have less representation on executive teams than they do on corporate boards. Hispanics are least proportionately represented on boards and fared even worse on executive teams. They comprise 3.28% of board members and 2.90% on executive teams, about one-fifth of the 15% they represent in the U.S. population. Among minority groups, African Americans have the highest representation on boards compared to their population, but saw greatest decline in representation from boards to executive management teams, from 8.77% to 4.23%. Women on the other hand fared better on executive teams than on corporate boards, with 18.04% and 19.87% of representation respectively, but these figures still represent less than one-half of their proportion of the national population.

Senator Menendez and others also offered concrete recommendations, including the creation of a task force with select corporations, executive search firms, board members, and other experts to help companies move in this direction.

"As Chair of the Senate Democratic Hispanic Task Force, one of my top priorities has always been promoting and expanding diversity at all levels of our economic, political and social sectors, and the basic understanding that has resulted from this survey will help guide us in doing so," said Senator Menendez. "This report clearly confirms what we had suspected all along – that American corporations need to do better when it comes to having the board rooms on Wall Street reflect the reality on Main Street. We need to change the dynamic and make it commonplace for minorities to be part of the American corporate structure. It is not just about doing what's right, but it's a good business decision that will benefit both corporations and the communities they're tapping into and making investments in. That's why I'm offering my recommendations and to work one-on-one with companies who want to move those numbers and company executives who want to make a difference in the community."

"At the United States Hispanic Chamber of Commerce (USHCC) as an organization that represents more than 200 local Hispanic Chambers across the United States, and speaks for 3 million small and minority-owned businesses throughout the nation, we believe that embracing diversity is not just the right thing to do, but is a smart business decision. To us, diversity is not an abstract concept – we measure success by the qualified Hispanic employees hired, developed, advanced and flourishing with their corporate employers and we applaud Senator Menendez's leadership in holding corporate America accountable to their commitments to diversity." Said Javier Palomarez, President & CEO of the US Hispanic Chamber of Commerce.

"A diverse workforce is critical to providing the best service to our global clients, supporting our business initiatives and creating a workplace environment that promotes respect and fairness," said Jose Manuel Souto, Chief Financial Officer

for Visa in Latin America.

"Our country is very rich in diversity, and our economic progress resides largely in our ability to harness that diversity. In our industry we experience first hand the enormous amount of untapped investment talent, thirsty for opportunities to prove to institutional investors its ability to compete and deliver. We commend Sen Menendez for his vision and leadership, and invite corporate America to see these efforts as an opportunity to find new competitive advantages. By exploring the utilization of fresh and capable diverse talent Corporate America wins and our country's economic progress accelerates." Said Monika Mantilla, President & CEO of Altura Capital, and New America Alliance Board Member.

"Ethnic diversity on public company boards is ultimately good business. When 40% or more of your customers in America are going to be minorities, companies, to be competitive, need the insights and expertise of Board members who understand how to market to those segments. Senator Menendez is to be commended for making this issue one of public discussion and dialogue." Said Roel Campos, former SEC Commissioner and Board member of the New America Alliance.

This survey is one of the largest studies of women and minority diversity among corporate leadership with one of the highest response rates. A total of 219 Fortune 500 companies participated, including 71 Fortune 100 companies, making this one of the largest surveys on women and minority representation in corporate leadership ever. It requested the following information from corporations: 1) whether or not they have written diversity plans with targets, 2) data on diversity at the Board and executive management level, and 3) information on supplier diversity.

Click here to view a PDF of the survey:

<http://menendez.senate.gov/imo/media/doc/Menendez%20Diversity%20Survey2.pdf>

Click here to read a PDF of the findings and recommendations report:

<http://menendez.senate.gov/imo/media/doc/CorporateDiversityReport2.pdf>

### **Most important findings of the survey and recommendations based on this data:**

#### **KEY FINDINGS**

##### **Diversity on Corporate Boards**

-Women represent 18.04% of Directors; 1 out of every 5 Board members is female. The proportional representation of women on Boards is less than one-half of their proportion to the overall U.S. population.

-Minorities represent 14.45% of Directors; 1 out of every 7 Board members is a minority. Minorities represent less than half of the 35% of the population they comprise overall in this country.

-Blacks/African Americans have the highest representation at 8.77% compared to their population, reporting a Board ratio of about 69%.

-Hispanics have one of the poorest representations on Boards. They comprise about 3.28% of Board members, one-fifth of the 15% they represent in the U.S. population.

Native Americans made up about .04% of Board members, approximately 5% of their actual population.

## **Diversity on Executive Teams (CEO and direct reports)**

-Women represent 19.87 percent of Directors; 1 out of every 5 Board members is female. Although women fared slightly better on executive teams than on corporate Boards, they still represent less than one-half of their population.

-Minorities overall have less representation on executive teams than they do on corporate Boards, representing 10.44% of executive managers, compared to 30% of their actual proportion to the U.S. population.

-Blacks/African Americans saw the greatest decline in representation from Boards to executive management teams, 8.77% to 4.23%. In fact, they went from about one out of every 11 Board members to one out of every 24 executive team members. When compared to population statistics, Blacks/African Americans on executive boards represented only about one-third of their U.S. population.

-Hispanics/Latinos fare worse on executive teams versus corporate Boards at 2.90%, Asians and Native Americans do slightly better at 2.55% and .25% respectively.

## **Supplier Diversity**

Only 98 corporations (less than half of respondents) provided some form of data on supplier diversity, whether it was by racial/ethnic category or just overall procurement with Minority Business Enterprises (MBEs). 118 corporations either chose not to answer the question or said they do not track this data at all.

Of the data collected:

- Hispanic/Latino-owned firms represent 2.69% of total procurement.
- Black/African American-owned firms represent 2.58% of total procurement.
- Asian-owned firms represent 3.21% of total procurement.
- Native American-owned firms represent 0.83% of total procurement.
- Other minority-owned firms represent 3.31% of total procurement

## **RECOMMENDATIONS**

**The following are recommendations that corporations can implement today if they are serious about improving diversity at the top:**

Ø **Develop Relationships with Expert Organizations Outside of Traditional Networks.** Nominating committees should never use the excuse that they cannot find a qualified minority or a woman to nominate to their Board. This was actually a common response over the course of this survey. There are numerous organizations that may be outside of the traditional network but have extensive contacts, resources and expertise in different communities and know who the right people are. Those organizations should be engaged to the fullest extent.

Ø **Do Not Recruit Solely at the Ivy League Schools.** Expanding recruitment from Ivy League schools to other top schools can be another way to get qualified diverse candidates into the corporate pipeline. Also, developing relationships with professional organizations that can help identify qualified people through their memberships.

Ø **Utilize Executive Search Firms with Expertise in Diverse Communities or Require Them to Seriously Consider Diversity.** The survey showed that a discussion of diversity when using executive search firms did not necessarily correlate with improved diversity. Therefore, steps should be taken beyond just a simple discussion. All search firms should be obligated to look for and provide companies with diverse, qualified candidates rather than simply pulling from traditional pools of candidates. For example, diverse candidates who have experience running large non-profits or government agencies should not be ruled out, especially if their issue expertise aligns with the company mission. A search firm should be able to provide detailed information on what they are doing proactively to recruit diverse candidates. In addition, search firms that have unique expertise with diverse communities should be recruited to help identify candidates for Board and executive management positions. Insight into diverse communities can create a lot of business for a search firm that is effective in a niche space.

Ø **Interview at Least One Diverse Candidate When Filling Board or Leadership Positions.** Similar to the National Football League's self-imposed "Rooney Rule," where at least one minority candidate is interviewed for head coaching and senior football operations opportunities, nominating committees, CEOs and Human Resources personnel should aim to interview at least one minority candidate when looking to fill leadership positions. These interviews should be done in a serious and meaningful manner, not simply to check a box.

Ø **Link Success with Diversity to Bonuses.** Corporations should link diversity among each business department to the bonuses and annual performance reviews of business leaders. The survey found that corporations that do this tend to have better diversity among their workforce and among the top leadership.

Ø **Hire Chief Diversity Officers from Diverse Communities.** It is crucial that diversity chiefs at a company come from the communities they are recruiting from and working with. These individuals are more likely to have ties to the communities they represent and can use those relationships to recruit diverse candidates for positions at all levels.

Ø **Hold More than Human Resources and Chief Diversity Officer Accountable for Diversity.** Diversity should be a goal in every aspect of a company's operations not only in the areas of procurement, Board and senior management levels, but also in a company's treasury office where financial oversight lies. Diversity should be considered among brokerage fees that extend to professional services like legal fees, mergers and acquisitions, pension fund management, and other services. Many times the budget for these types of services significantly exceeds that for suppliers. These areas should be part of a corporation's diversity plan. While this particular survey did not ask questions related to brokerage fees and professional services, the next one will.

Ø **Create External Advisory Councils to Assist with Diversity.** Forming an external advisory council to focus on diversity is a good step to developing relationships within specific communities and identifying potential candidates for positions. These Councils should not be formed only when there is a crisis. There should be a separate council for each diverse group, i.e. women, Asians, etc, and each should report to the CEO. These councils should be composed of outside community leaders that do work and have extensive networks with these communities.

Ø **Be Clear on the Difference Between U.S. Employees and Foreign Employees When Filling Directorships and Other Leadership Positions.** Although this survey did not ask corporations to differentiate between U.S. and foreign employees, future surveys will. Foreign Nationals should be considered separately from the levels of diversity for U.S. employees.

Ø **Groom Senior Employees for Top Positions.** It is critical that corporations implement meaningful succession planning, whether in the form of a mentoring program or other similar mechanism, for senior employees of a company

who can be groomed for top leadership positions in the future. Such a program should require a significant time investment from the CEO and his or her leadership team. These programs help identify people who not only could be future leaders of the company, but could be tapped for Director positions on other corporate Boards.

Ø **Track Supplier Diversity So It Becomes a Priority.** The lack of data shared regarding diverse suppliers, specifically in terms of a breakdown by ethnic/racial category, proves that this is an area that needs work. According to the latest census figures, there are more than 7.8 million women-owned businesses and 5.8 million minority-owned businesses. It is important to make an effort to procure with diverse suppliers and track this progress over time. If a corporation does not know where it stands, it cannot take action to improve.

Ø **Philanthropy is Good, but Not Enough.** This survey showed two things, among others: that there is much philanthropy, but less diversity. Although philanthropy is good and should be part of a corporation's diversity plan, philanthropy alone is simply not enough. Diversity at all levels should be made a priority not only because it is the right thing to do, but because it is a good business decision.

Ø **Opportunities for Board Diversity When Companies Go Public.** Some companies have been bought by private equity firms that will take them public very soon. In the process, companies will have to rename an entirely new Board of Directors. This provides a prime opportunity to seek the most diverse, qualified candidates for Director positions and can have the quickest impact on improving Board diversity. Corporations that fall into this category will be watched closely over the coming year.

Ø **Do Not Rely Solely on Written Diversity Plans.** While corporations with written plans are more likely to have better diversity among their leadership as well as with suppliers, the gains were only slight. Therefore, corporations should not rely solely on written diversity plans, but should also implement more far-reaching changes that can have an even greater impact. Implementing some of the aforementioned recommendations should provide corporations a good step in the right direction.

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