

# Women and Minorities on FORTUNE 100 Boards

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*presented by*

**The Alliance for Board Diversity**



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## EXECUTIVE SUMMARY

The past decade has seen a remarkable change in the field of corporate governance. Increases in media attention, shareholder activism, regulatory requirements, research, and reports have redefined the roles, responsibilities, and visibility of those serving on the boards of publicly held corporations. Increasingly throughout the world, shareholders and corporations are discovering the importance of good corporate governance.

Institutional investor groups, as well as authorities on board governance, have included diversity of board members as a highly desired aspect of good governance policy. Good governance acknowledges the interests of all stakeholders, including shareholders, employees, customers, suppliers, and the communities the organizations impact. The rise in the number of shares held by institutional investors has increased the diversity of shareholders, as a large number of shares are now held by the general population in 401K and pension and retirement plans. Although the race and gender demographics of shareholders and other stakeholders in U.S. corporations have changed dramatically, the directors of the boards, however, remain predominately white and male.

The Alliance for Board Diversity (ABD) is a collaboration of three leadership organizations—Catalyst, The Executive Leadership Council, and the Hispanic Association on Corporate Responsibility (HACR)—that use a business focus to support and advance the interests of executive women and minorities in the workplace. The ABD conducted a research project to provide benchmark data assessing the current status of board diversity and to identify the number of women and minorities who currently serve as directors on the Fortune 100 boards. The results of the study show several key findings.

## KEY FINDINGS

- There is a severe under-representation of women and minorities on corporate boards of the Fortune 100 when compared to general U.S. population demographics for race and gender. Particular areas of concern include the lack of representation of minority women, as well as Asian-American and Hispanic populations.
- There is a recycling of the same minority individuals—especially African-American men—to be board members. African-Americans hold an average 1.50 seats per person, as compared to Hispanics who hold an average 1.24 seats per person, white men who hold an average of 1.18 seats, white women who hold an average 1.16 seats, and Asian-Americans who hold an average of 1.09 seats per person, according to the research.
- Although there is a desire for diversity on the Fortune 100 boards, very few of the boards have representation from all groups, and more than 60 percent of the boards have less than one-third of their seats occupied by women, minorities, or women and minorities.

Through the results of this report, the ABD hopes to create an ongoing dialogue regarding the value and need for increasing diversity on corporate boards and will use this research to track future trends in board diversity.

## **RESEARCH METHODOLOGY**

In August 2004, the Alliance for Board Diversity conducted a research project to determine the combined representation of women and minorities on corporate boards in the Fortune 100 companies.

The Prout Group, with the assistance of its research team, gathered information on the Fortune 100 corporate board members. The companies were identified using the March 2004 Fortune report. Due to the merger of JP Morgan Chase and Bank One in July 2004, the combined JP Morgan Chase Board was used and the Fortune 101 company was added to the list. Names of board members were gathered using the EDGARS (SEC filing) database, corporate websites, and corporate news releases. A point-in-time snapshot approach was used, and September 30, 2004 was the chosen date.

Information on race and gender was gathered from Microquest, as well as other diversity resources. The information was compared with previous research done by Catalyst and HACR and was sent to The Executive Leadership Council for identification of African-Americans. We also received assistance from the Committee of 100 (an Asian-American advocacy group) to verify the Asian-American population.

Spreadsheets identifying the names, race, and gender of each board member were sent to corporate secretaries for verification. Sixty-two percent of the companies responded with written verification or minor changes. Phone calls were made to companies that did not respond in an attempt to further verify the information. An additional ten companies responded by phone to verify or make changes to 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 our race and gender classifications. The information was again cross-referenced with Microquest, Catalyst, The Executive Leadership Council, HACR, and C100 to verify our findings. In February 2005, The Executive Leadership Council completed its study on African-Americans on boards, and that information was incorporated into the study.

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

## SUMMARY OF RESEARCH FINDINGS/CONCLUSIONS

### Board Demographics by Race and Gender

- As of September 30, 2004, board seats on the Fortune 100 companies totaled 1,195.
- Women occupied 202, or 16.90 percent, of those seats, and men occupied 993, or 83.10 percent, of the seats.
- Women and minorities held 28.79 percent of the seats, while overall, white men held 71.21 percent of the seats.
- All minorities held 178 seats, or 14.90 percent, while white men and women held 1,017, or 85.10 percent, of the seats.
- African-Americans held 120, or 10.04 percent, of the seats, with African-American men holding 93 seats, or 7.78 percent, and African-American women holding 27, or 2.26 percent, of the seats.
- Hispanics held 46, or 3.85 percent, of the seats, with Hispanic men holding 40, or 3.35 percent, of the seats and Hispanic women holding 6, or .50 percent, of the seats.
- Asian-Americans held 12, or 1.00 percent, of the seats, with Asian-American men holding 9, or .75 percent, and Asian-American women holding only 3, or .25 percent, of the total seats.

**TABLE 1: Board Demographics by Race and Gender**

|                                   | Total Seats | % of Total Seats |
|-----------------------------------|-------------|------------------|
| Fortune 100 Public Company Boards | 1,195       | 100.00%          |
|                                   |             |                  |
| All Males                         | 993         | 83.10%           |
| All Females                       | 202         | 16.90%           |
|                                   |             |                  |
| Total Minorities                  | 178         | 14.88%           |
| Total Females and All Minorities  | 344         | 28.79%           |
|                                   |             |                  |
| Total White Males and Females     | 1,017       | 85.10%           |
| White Males                       | 851         | 71.21%           |
| White Females                     | 166         | 13.89%           |
|                                   |             |                  |
| Total Minority Males and Females  | 178         | 14.90%           |
| Minority Males                    | 142         | 11.88%           |
| Minority Females                  | 36          | 3.01%            |
|                                   |             |                  |
| Total African-Americans           | 120         | 10.04%           |
| African-American Males            | 93          | 7.78%            |
| African-American Females          | 27          | 2.26%            |
|                                   |             |                  |
| Total Asian-Americans             | 12          | 1.00%            |
| Asian-American Males              | 9           | 0.75%            |
| Asian-American Females            | 3           | 0.25%            |
|                                   |             |                  |
| Total Hispanics                   | 46          | 3.85%            |
| Hispanic Males                    | 40          | 3.35%            |
| Hispanic Females                  | 6           | 0.50%            |

The research shows that there is a severe under-representation of women and minorities on corporate boards of the Fortune 100 when compared to general U.S. population demographics for race and gender. Particular areas of concern include the lack of representation of minority women, as well as Asian-American and Hispanic populations.

### Board Demographics by Number of Seats Held by Individuals

- On September 30, 2004, the 1,195 board seats of the Fortune 100 were occupied by 995 individuals for an overall average of 1.20 seats per person.
- White men held an average of 1.18 seats per person.
- Women held an average of 1.18 seats, with minority women holding 1.29 and white women holding 1.16 seats.
- African-Americans held 1.5 seats per person, with African-American men holding 1.55 seats and African-American women holding 1.35 seats.
- Hispanics held 1.24 seats per person, with Hispanic men holding 1.29 seats and Hispanic women holding 1.00 seat.
- The representation from the Asian-American population showed 1.09 seats, with Asian-American men holding 1.00 seat and Asian-American women holding 1.50 seats.
- All minorities hold an average of 1.39 seats per person, with minority men holding 1.42 seats and minority women holding 1.29 seats.

**TABLE 2: Board Demographics by Number of Seats Held by Individuals**

|                                   | Total Seats | Total People | % of Total People | Number of People/Number of Seats |
|-----------------------------------|-------------|--------------|-------------------|----------------------------------|
| Fortune 100 Public Company Boards | 1,195       | 995          | 100.00%           | 1.20                             |
| Total Females and All Minorities  | 344         | 271          | 27.24%            | 1.27                             |
| All Males                         | 993         | 824          | 82.81%            | 1.21                             |
| All Females                       | 202         | 171          | 17.19%            | 1.18                             |
| White Males                       | 851         | 724          | 72.76%            | 1.18                             |
| White Females                     | 166         | 143          | 14.37%            | 1.16                             |
| Minority Males                    |             |              |                   |                                  |
| All                               | 142         | 100          | 11.88%            | 1.42                             |
| African-American                  | 93          | 60           | 7.78%             | 1.55                             |
| Asian-American                    | 9           | 9            | 0.75%             | 1.00                             |
| Hispanic                          | 40          | 31           | 3.12%             | 1.29                             |
| Minority Females                  |             |              |                   |                                  |
| All                               | 36          | 28           | 2.81%             | 1.29                             |
| African-American                  | 27          | 20           | 2.01%             | 1.35                             |
| Asian-American                    | 3           | 2            | 0.20%             | 1.50                             |
| Hispanic                          | 6           | 6            | 0.60%             | 1.00                             |
| Minorities                        |             |              |                   |                                  |
| All                               | 178         | 128          | 12.86%            | 1.39                             |
| African-American                  | 120         | 80           | 8.04%             | 1.50                             |
| Asian-American                    | 12          | 11           | 1.11%             | 1.09                             |
| Hispanic                          | 46          | 37           | 3.72%             | 1.24                             |

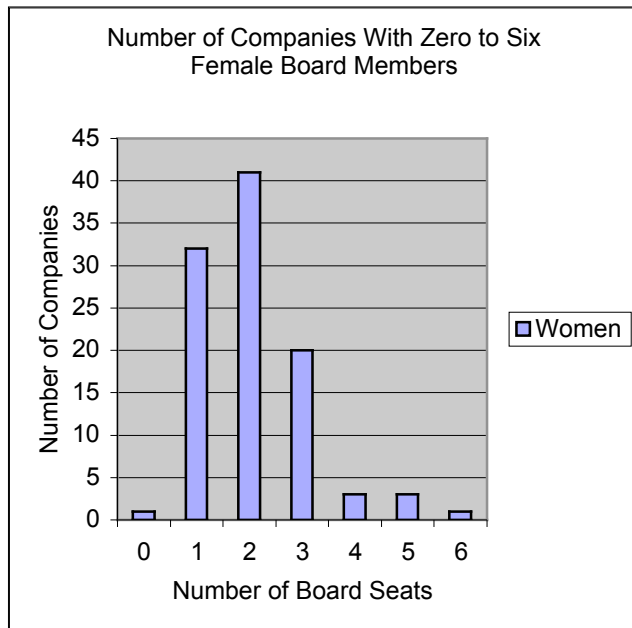
This research shows there is a recycling of the same minority individuals—especially African-American men—to be board members. African-Americans held an average 1.50 seats per person, as compared to Hispanics who held an average 1.24 seats per person, white men who held an average of 1.18 seats, white women who held an average 1.16 seats, and Asian-Americans who held an average of 1.09 seats per person, according to the research.

### Individual Company Analysis

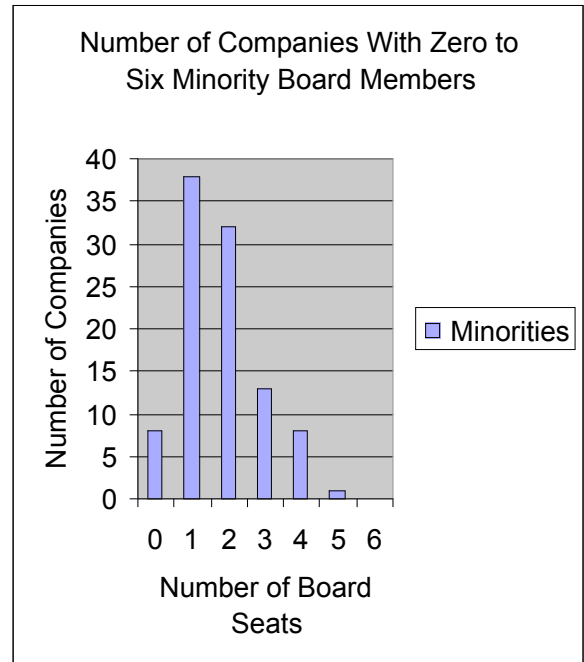
On September 30, 2004, all of the Fortune 100 companies had at least one woman or minority on their boards. Ninety-nine boards had at least one woman, and 92 boards had at least one minority.

- An analysis of the number of board seats held in each company showed:
  - 1 board had no women (see Table 3);
  - 8 had no minorities (see Table 4);
  - 14 had no African-Americans (see Table 5);
  - 63 had no Hispanics (see Table 5); and
  - 88 boards had no Asian-American representation (see Table 5).

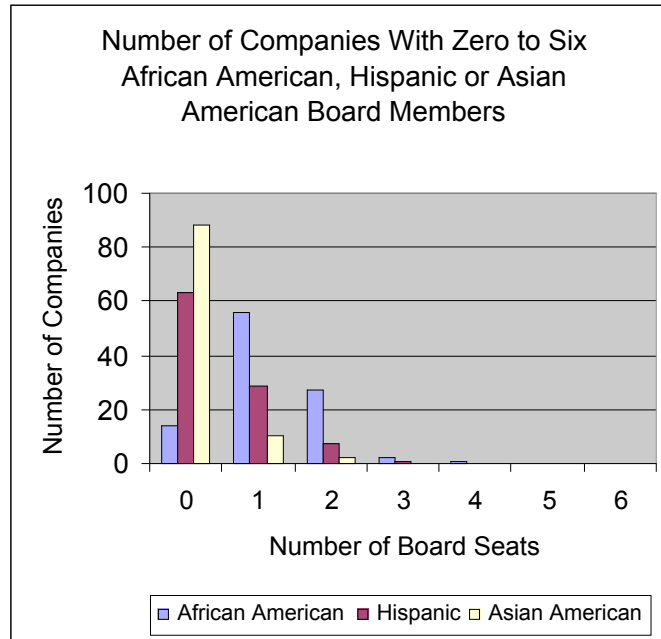
**TABLE 3: Number of Companies With Zero to Six Female Board Members**



**TABLE 4: Number of Companies With Zero to Six Minority Board Members**



**TABLE 5: Number of Companies With Zero to Six African-American, Hispanic, or Asian-American Board Members**



Although there is a desire for diversity on the Fortune 100 boards, our research shows that very few of the boards have representation from women and/or each of the minority groups.

- Four of the boards have representation from all groups (see Table 6a).
- Eight of the Fortune 100 boards have more than 50 percent of their seats occupied by a woman or a minority (see Table 6b).
- Thirty-eight of the boards show more than 30 percent of the seats as diverse seats, while 62 boards have less than 30 percent of the total available seats occupied by a woman or a minority (see Table 6c).

**TABLE 6a: Boards with Most Diverse Representation**

| Board            | Total Seats | Females | African-American | Asian-American | Hispanic |
|------------------|-------------|---------|------------------|----------------|----------|
| Dupont           | 12          | 3       | 1                | 1              | 1        |
| Pepsico          | 13          | 3       | 2                | 1              | 1        |
| Walt Disney      | 11          | 2       | 1                | 1              | 1        |
| General Electric | 16          | 3       | 2                | 1              | 1        |



**TABLE 6b: Fortune 100 Companies With More Than 50 Percent Board Diversity**

| Board                     | Total Seats | Diverse Seats | Diverse Seats % of Total |
|---------------------------|-------------|---------------|--------------------------|
| Alcoa                     | 10          | 6             | 60.00%                   |
| IBM                       | 12          | 7             | 58.33%                   |
| Hewlett-Packard           | 9           | 5             | 55.56%                   |
| WellPoint Health Networks | 9           | 5             | 55.56%                   |
| Albertson's               | 10          | 5             | 50.00%                   |
| Dupont                    | 12          | 6             | 50.00%                   |
| Target Corporation        | 14          | 7             | 50.00%                   |
| United Parcel Service     | 10          | 5             | 50.00%                   |

**TABLE 6c: Diverse Seats as a Percentage of Total Seats**

|                  | > 50% | 41-50% | 31-40% | 21-30% | 11-20% | < 10% |
|------------------|-------|--------|--------|--------|--------|-------|
| Number of Boards | 8     | 5      | 25     | 33     | 28     | 1     |

## **ABOUT THE ALLIANCE FOR BOARD DIVERSITY**

The Alliance for Board Diversity is a collaboration of three leadership organizations—Catalyst, The Executive Leadership Council, and the Hispanic Association on Corporate Responsibility (HACR)—that use a business focus to support and advance the interests of executive women and minorities in the workplace.

### **History**

In June of 2004, the Presidents of Catalyst, The Executive Leadership Council, and the Hispanic Association on Corporate Responsibility met in the offices of the National Association of Corporate Directors (NACD) in Washington D.C. It was determined that the groups had a common desire to increase representation of women and minorities on corporate boards. Each of the groups had active initiatives in place to prepare individuals for board service through board membership training programs and had access to highly qualified potential board candidates. Each group also had (or were initiating) research studies regarding representation on corporate boards. The Alliance for Board Diversity was formed to bring together the common vision the three groups shared on board diversity, with NACD as its advisor and The Prout Group as its facilitator (see “Key Partners” on page 11 for more information on these organizations).

### **Mission**

The mission of the Alliance for Board Diversity is to make the business case for inclusion in corporate governance, specifically through our belief that shareholder interests are best served when women and minorities are included on the boards of publicly traded U.S. companies.

The members of the ABD are committed to:

- Serving as a competent referral resource for companies seeking qualified executive women and minorities to serve on corporate boards.
- Working with like-minded business organizations and individuals to highlight and accelerate the placement of women and minorities on corporate boards.
- Raising public awareness about the under-representation of women and minorities on corporate boards through benchmark research and public forums.
- Engaging corporations and corporate board leaders in framing and communicating the business case for board diversity and affirming the value of board inclusion.

### **Principles**

The Alliance for Board Diversity believes that corporate governance in corporate America can best deliver on its duty to shareholder interests and strategically affect the global economy when corporate boards:

- Make independent decisions based on knowledge of the external environment and how it impacts the company.
- Enhance public trust by acknowledging the interests of all stakeholders, including shareholders, employees, customers, suppliers, and the communities they impact with goods and services.
- Include women and minority business leaders with diverse talents, backgrounds, and perspectives.

## **ALLIANCE FOR BOARD DIVERSITY MEMBERS**

### **Catalyst**

Catalyst is the leading research and advisory organization working with businesses and the professions to build inclusive environments and expand opportunities for women at work. As an independent, nonprofit membership organization, Catalyst uses a solutions-oriented approach that has earned the confidence of business leaders around the world. Catalyst conducts research on all aspects of women's career advancement and provides strategic and web-based consulting services on a global basis to help companies and firms advance women and build inclusive work environments. In addition, we honor exemplary business initiatives that promote women's leadership with our annual Catalyst Award.

Catalyst currently has 328 member corporations, professional firms, and nonprofit organizations. With offices in New York, San Jose, and Toronto, Catalyst is consistently ranked No. 1 among U.S. nonprofits focused on women's issues by The American Institute of Philanthropy.

### **The Executive Leadership Council**

The Executive Leadership Council is an independent, non-partisan, nonprofit 501 (c) 6 corporation. It was founded in 1986 by 19 African-American corporate executive pioneers 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 corporate executives, honors business achievements by African-Americans, encourages excellence in business, and influences public policy on behalf of African-Americans.

Today The Executive Leadership Council has more than 340 members, of whom one-third are women. Members represent more than 200 companies working to support The Executive Leadership Council's initiatives and goals.

### **Hispanic Association on Corporate Responsibility (HACR)**

The Hispanic Association on Corporate Responsibility is one of the most influential advocacy organizations in the nation representing 14 national Hispanic organizations in the United States and Puerto Rico. HACR's mission is to ensure the inclusion of Hispanics in corporate America at a level commensurate with our economic contributions.

HACR focuses on four areas of corporate behavior as indicators of corporate responsibility and market reciprocity: Procurement, Employment, Philanthropy, and Governance.

## **ALLIANCE FOR BOARD DIVERSITY KEY PARTNERS**

### **National Association of Corporate Directors (NACD)**

Founded in 1977, the NACD is a national nonprofit membership organization dedicated exclusively to serving the corporate governance needs of corporate boards and individual board members. NACD's 15,500 members and customers represent companies ranging from Fortune 100 public companies to small, over-the-counter, closely held, and private firms.

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 concerning traditional and cutting-edge issues.

With almost three decades of corporate governance research and experience to draw from, NACD provides a seasoned, authoritative voice on corporate governance policy and practice. NACD also is a vital forum for peer interaction and exchange of best board practices.

### **The Prout Group**

The Prout Group is an executive search firm that places senior executives and board members for organizations across the United States. It holds the philosophy that leadership at all functional levels provides a powerful advantage in today's competitive marketplace.

With the belief that diversity is a strategic business advantage, The Prout Group leverages its experience and resources in that space and is committed to presenting a diverse slate of candidates on all search assignments.

The Prout Group, Inc. is a member of the Association of Executive Search Consultants (AESC) and is a certified Minority Business Enterprise (MBE).

The Alliance for Board Diversity wishes to thank The Altria Group for sponsoring the data-gathering for this report.

## **APPENDIX A: DEFINITIONS**

The following definitions are used for this report.

**African-American** is an American whose ancestors were born in Africa. According to 2003 U.S. Census figures, some 37.1 million African-Americans live in the United States, comprising 12.9 percent of the total population.

**Asian-American** is a person of Asian ancestry or origin who was born in or is an immigrant to the United States. The 2000 census recorded between 10 million and 12 million Asians, slightly more than 3 percent of the U.S. population. The largest ethnic subgroups are Chinese (2.3 million), Filipinos (1.9 million), Asian Indians (1.7 million), Vietnamese (1.1 million), and Koreans (1.1 million).

**Hispanic** is used to categorize U.S. citizens, permanent residents and temporary immigrants, whose backgrounds hail either from Spain or the Spanish-speaking and other countries of Latin America. Hispanics are the largest minority group in the United States, comprising 13.4 percent of the population, about 40 million people in 2003.

**Minorities** refer to individuals who are members of one of the classified groups listed above.

**Diverse Seat** refers to a board seat not occupied by a white male.