In 2016, Fortune 500 boards, which filled a record number of seats, made strides toward greater diversity, appointing more Hispanic directors than ever. But women directors lost ground. Learn more about the latest trends in board composition and experience in this year’s Board Monitor.
In 2016, Fortune 500 companies filled 421 vacant or newly created board seats with independent directors. Since the inception of the Board Monitor in 2009, that’s a new high for the second consecutive year (Figure 1). Once again, in tracking the movement of these directors to their new boards, we took into account all of their significant industry experiences. (For example, a director who has worked most recently in the consumer industry may also have had valuable experience in the industrial sector or in technology.) And we again mapped the prevalence of the substantial career experiences that flowed onto the boards in each industry, producing a more comprehensive view of the skills of newly appointed directors and a more nuanced picture of the experience that boards actually acquired. We looked also at the directors who were joining their first board, and we took an even deeper dive into the overall data, tracking the flow of career experience by gender and ethnicity onto boards, industry by industry.

Key findings include the following:

- The share of seats that went to women in 2016 fell by two percentage points, to 27.8%, ending a seven-year run of year-on-year gains.

- In the past four years, the aggregate proportion of African-American, Hispanic, Asian, and Asian-American appointments averaged 20.1%, more than four percentage points higher than the 15.8% average for the period 2009–12.

- In 2016, the percentage of Hispanic appointees, though still low compared with the US Hispanic population, reached the highest level recorded by the Board Monitor. Consumer companies led the way—almost 60% of Hispanic appointees went to boards in the consumer sector.

- Almost 41% of Asian and Asian-American appointees went to technology boards.

- About 33% of African-American appointees went to boards in the industrial sector.

Figure 1: New director appointments to Fortune 500 boards, 2009–16
Other findings include the following:

- The total number of board seats fell slightly, from 4,698 in 2015 to 4,609.
- Some 9% of board seats turned over in 2016, compared with 8.5% in 2015 and 6.8% in 2014.
- Current and former CEOs and CFOs together accounted for almost 66% of director appointments in 2016, down from the eight-year high of 73% in 2015.
- Of the 421 board appointees in 2016, some 315, or almost 75%, had previous board experience.
- On average, appointees had substantial work experience in 1.5 distinct industries, as in 2015, but below the average of 2.2 distinct industry experiences in 2014.

### ABOUT BOARD MONITOR

**Snapshot of 2017 findings**

Produced by Heidrick & Struggles’ CEO & Board Practice, the 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.

<table>
<thead>
<tr>
<th>New director seats filed</th>
<th>Average age</th>
</tr>
</thead>
<tbody>
<tr>
<td>421</td>
<td>57</td>
</tr>
</tbody>
</table>

- **Current and former CEOs**: 50%
- **Current and former CFOs**: 16%

- **Experience**
  - Previously served on boards: 75%
  - International: 61%
  - With digital or social media: 10%
  - In risk (cyber or financial): 6%

- **Retired vs. active**
  - Retired executives: 46%
  - Active executives: 54%

- **Diversity breakdown**
  - Female: 28%
  - African-American: 9%
  - Hispanic: 6%
  - Asian/Asian-American: 6%

1 Total non-executive director seats, as of May 2017 = 4,609.
Progress toward gender parity continues to recede

Though the number of all board seats filled in 2016 jumped to 421, from 399 the previous year, the number of open seats filled by women dropped to 117, down from 119 in 2015. As a result, in 2016 the percentage of female director appointments failed to rise for the first time since the inception of the Board Monitor in 2009 (Figure 2). In fact, the percentage declined slightly, to 27.8%, down from 29.8% in 2015. And that figure represented only a slight rise over the figure of 29.2% in 2014, when we projected that, at the then-current growth rate, women would account for 50% of new directors for the first time in 2024. In light of the data in 2015, we calculated that it would take an additional two years for female director appointments to reach parity with male director appointments. Now, given the decline in the growth rate in 2016, parity will not arrive until 2032 (Figure 3).

Which industry is leading the way?
Roughly 30% of all female directors appointed in 2016 went to consumer boards, followed by industrial boards, at 24%. Financial services boards appointed 15% of all new female directors, followed by technology boards, at 14%; business services, at 11%; and life sciences, at 7% (Figure 4).

However, when considered in terms of the total number of board appointments industry by industry, the percentages tell a somewhat different story. While consumer boards appointed the largest number of women overall, only 26% of new board seats in that industry went to women. Compare that with business services, where half of all new director appointees were women. In technology, the figure was 40%; in life sciences, 30%; in financial services, 28%; in consumer, 26%; and in industrial, 21% (Figure 5).

Figure 2: Share of women among new directors appointed to Fortune 500 boards, %, 2009–16
Figure 3: The pace of change is slowing for women to reach parity with men on boards.

Actual vs. projected share of women appointed to Fortune 500 boards, %

Figure 4: Distribution of women appointed to Fortune 500 boards, by industry, 2016

n = 117

Note: Numbers may not sum to 100%, because of rounding.
What is perhaps most striking in those numbers is the relatively large percentage of seats that went to women in technology, an industry that has been under fire in recent years for the dearth of women in senior positions, including at the board level. In response, a number of tech companies have redoubled their efforts to recruit women as board directors.1 This year’s percentage of new appointments could be a harbinger of better performance to come.

**The experience mix**

What mix of experiences did women bring to boards? Twenty-three percent of all of their significant career experiences were in financial services, 22% in business services, and 20% in consumer. Only 6% of their experiences encompassed life sciences.

How was that mix distributed among boards? Of their collective financial services experience, 30% went to financial services boards. Of their business services experience, 22% went to consumer boards, 22% to industrial boards, and 20% to technology boards, with only 15% going to business services boards. Of their consumer experience, 57% went to consumer boards, followed distantly by business services and industrial boards, each of which acquired 14% of that consumer experience.

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A modest upward trend in racial and ethnic diversity?

In the aggregate in 2016, African-Americans, Hispanics, Asians, and Asian-Americans constituted a little over 22% of new board appointees, the highest proportion since the inception of the Board Monitor in 2009 (Figure 6). Over that eight-year period, the aggregate number for these appointees averaged just under 18%. However, in the past four years, the proportion of these appointees averaged 20.1%, more than four percentage points higher than the 15.8% average for the period 2009–12.

Full analysis of the numbers for 2016 yielded the following results (Figures 7 and 8):

- **African-Americans** constituted 9.3% of new appointees in 2016, unchanged from last year. Some 33% of all African-American appointees went to industrial boards, 28% went to consumer boards, and 13% went to life sciences and 13% to financial services boards. In terms of the total number of board appointments by industry, African-Americans assumed more than 18% of available life sciences seats, almost 10% of industrial seats, a little over 8% of both consumer and financial services seats, 7.7% of business services seats, and 7.5% of technology seats. The three most widely distributed skills among African-American appointees were in business services (27%), financial (21%), and consumer (19%).

- **Hispanics** constituted 6.4% of new appointees in 2016, the highest figure ever and up from 4% in 2015. Some 59% of all Hispanic appointees went to consumer boards, 15% to industrial boards, and 15% to financial services boards. In terms of total appointments by industry, Hispanics assumed almost 12% of available seats in consumer, 6.6% in financial services, 5% in technology, 3.7% in life sciences, 3% in industrial, and none in business services. The three most widely distributed skills among Hispanic appointees were in consumer (38.3%), financial (36.1%), and industrial (13.3%).

Figure 6: New board director appointments, by ethnicity, %, 2009–16

<table>
<thead>
<tr>
<th>Year</th>
<th>African-American</th>
<th>Hispanic</th>
<th>Asian/Asian-American</th>
<th>White</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>14.3</td>
<td>5.3</td>
<td>5.1</td>
<td>3.9</td>
</tr>
<tr>
<td>2010</td>
<td>13.6</td>
<td>5.4</td>
<td>5.4</td>
<td>5.0</td>
</tr>
<tr>
<td>2011</td>
<td>19.6</td>
<td>3.9</td>
<td>8.0</td>
<td>5.0</td>
</tr>
<tr>
<td>2012</td>
<td>15.8</td>
<td>4.7</td>
<td>6.1</td>
<td>4.7</td>
</tr>
<tr>
<td>2013</td>
<td>21.4</td>
<td>6.1</td>
<td>5.3</td>
<td>6.1</td>
</tr>
<tr>
<td>2014</td>
<td>18.6</td>
<td>8.3</td>
<td>4.8</td>
<td>4.8</td>
</tr>
<tr>
<td>2015</td>
<td>18.1</td>
<td>9.3</td>
<td>6.4</td>
<td>6.4</td>
</tr>
<tr>
<td>2016</td>
<td>22.1</td>
<td>6.4</td>
<td>6.4</td>
<td>6.4</td>
</tr>
</tbody>
</table>

Overall appointments, 2016: 77.9

Heidrick & Struggles 7
among them were in consumer (40%), financial services (17%), and business services (14%). Although the 6.4% figure overall remains low relative to the percentage of the US Hispanic population, it represents a 60% increase over 2015. That reflects the increasing demand we see for Hispanic candidates. Consumer company boards especially are looking for additional expertise with the growing Hispanic market, whose buying power in 2016 was estimated at $1.4 trillion, exceeding Mexico’s gross domestic product.²


Figure 7: Distribution of new director appointments, by industry, 2016

Note: Numbers may not sum to 100%, because of rounding.
Figure 8: Proportion of new board seats, by industry, filled by diverse directors

<table>
<thead>
<tr>
<th>Overall</th>
<th>Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>31.8%</td>
</tr>
<tr>
<td>Industrial</td>
<td>31.6%</td>
</tr>
<tr>
<td>Financial services</td>
<td>14.5%</td>
</tr>
<tr>
<td>Technology</td>
<td>9.5%</td>
</tr>
<tr>
<td>Life sciences</td>
<td>6.4%</td>
</tr>
<tr>
<td>Business services</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>African-American</th>
<th>Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life sciences</td>
<td>18.5%</td>
</tr>
<tr>
<td>Industrial</td>
<td>9.8%</td>
</tr>
<tr>
<td>Consumer</td>
<td>8.2%</td>
</tr>
<tr>
<td>Financial services</td>
<td>8.2%</td>
</tr>
<tr>
<td>Business services</td>
<td>7.7%</td>
</tr>
<tr>
<td>Technology</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hispanic</th>
<th>Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer</td>
<td>11.9%</td>
</tr>
<tr>
<td>Financial services</td>
<td>6.6%</td>
</tr>
<tr>
<td>Technology</td>
<td>5.0%</td>
</tr>
<tr>
<td>Life sciences</td>
<td>3.7%</td>
</tr>
<tr>
<td>Industrial</td>
<td>3.0%</td>
</tr>
<tr>
<td>Business services</td>
<td>0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asian/Asian-American</th>
<th>Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>27.5%</td>
</tr>
<tr>
<td>Financial services</td>
<td>6.6%</td>
</tr>
<tr>
<td>Consumer</td>
<td>4.5%</td>
</tr>
<tr>
<td>Business services</td>
<td>3.8%</td>
</tr>
<tr>
<td>Life sciences</td>
<td>3.7%</td>
</tr>
<tr>
<td>Industrial</td>
<td>3.0%</td>
</tr>
</tbody>
</table>
• **Asians and Asian-Americans** constituted 6.4% of new appointees in 2016, up from 4.8% in 2015. Almost 41% of Asian and Asian-American appointees went to technology boards, 22% to consumer boards, and 15% to both financial services and industrial boards. In total appointments by industry, Asians and Asian-Americans assumed 27.5% of available seats in technology, 6.6% in financial services, 4.5% in consumer, almost 4% in both business services and life sciences, and 3% in industrial. The three most widely distributed skills among Asian and Asian-American appointees were in financial services (40%), industrial (23%), and technology (20%).

### First-time directors

About one-quarter of new board appointees in 2016 had no previous board experience (Figure 9). Of those first-timers, the three largest proportions went to consumer boards (35%), industrial boards (25%), and financial services boards (15%). The three most widely distributed career experiences among them were financial services, at 28%; consumer, at 24%; and business services, at 17%.

**Figure 9: New director appointments, by level of experience, 2011–16**

- No board experience
- Previous board experience

<table>
<thead>
<tr>
<th>Year</th>
<th>No board experience</th>
<th>Previous board experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td>2012</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>2013</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>2014</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>2015</td>
<td>64%</td>
<td>36%</td>
</tr>
<tr>
<td>2016</td>
<td>75%</td>
<td>25%</td>
</tr>
</tbody>
</table>
Thirty-seven percent of all first-timers were women. These women first-time directors most often went to consumer boards, followed by industrial boards and business services boards. Financial services was the most widely distributed career experience among them, followed by industrial and then business services and consumer experience.

Eleven percent of first-timers were African-American. The most common destinations for these directors were industrial boards, followed by business services, consumer, and life sciences boards. The three most widely distributed career experiences among African-American first-time directors included business services, consumer, and financial services.

Nine percent of first-timers were Asian or Asian-American. Their most common destinations were consumer boards, followed distantly by financial services and technology boards. Their most widely distributed career experiences included financial services, followed distantly by business services, industrial, and technology.

Seven percent of first-timers were Hispanic. Their most common destinations were consumer boards, followed distantly by financial services boards and technology boards. Their three most widely distributed career experiences included consumer, technology, and financial services.
The Heidrick & Struggles Board Monitor: Board diversity at an impasse?

The experience new directors brought and where it went

Tracking the movement of new board appointees (which includes first-time directors and also those with previous board experience) and taking into account all of the significant industry experiences of each director produced the following picture:

- As in 2014 and 2015, financial services know-how was the most widely distributed career experience among new directors, representing nearly one-quarter of their collective mix of career experiences, followed by industrial, representing nearly 22% of the career mix, and consumer, with just over 19%.
- Some 29% of financial services experience went to consumer boards, 25% to industrial boards, and 25% to financial services boards. Fifty-two percent of industrial experience went to industrial boards, and 22% to consumer boards. Sixty-two percent of consumer experience went to consumer boards, with industrial boards a distant second, at 13% (Figure 10).
- Life sciences experience, at less than 6% 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 12% of the mix, and business services, at just over 17%.
- The largest percentage of the experiences acquired by financial services, consumer, industrial, and technology boards was in their own industries. The second-largest percentages of experiences acquired by boards in those industries were as follows:
  - Financial services: Business services, 19%
  - Consumer: Financial services, 21%
  - Industrial: Financial services, 22%
  - Technology: Business services, 21%
- For business services boards, the percentage of business services experience and industrial experience was an identical 23%.
- For life sciences boards, the largest percentage of experiences, at 27%, came from financial services, followed by life sciences itself, at 20%.
Figure 10: Distribution of career experience, by industry, 2016

Financial services experience went to:

- Business services: 6%
- Consumer: 29%
- Financial services: 25%
- Industrial: 25%
- Life sciences: 8%
- Technology: 7%

Business services experience went to:

- Business services: 9%
- Consumer: 30%
- Financial services: 17%
- Industrial: 26%
- Life sciences: 6%
- Technology: 12%

Industrial experience went to:

- Business services: 7%
- Consumer: 22%
- Financial services: 9%
- Industrial: 52%
- Life sciences: 6%
- Technology: 4%

Technology experience went to:

- Business services: 7%
- Consumer: 23%
- Financial services: 17%
- Industrial: 17%
- Life sciences: 7%
- Technology: 29%

Consumer experience went to:

- Business services: 7%
- Consumer: 62%
- Financial services: 7%
- Industrial: 13%
- Life sciences: 5%
- Technology: 6%

Life sciences experience went to:

- Business services: 5%
- Consumer: 16%
- Financial services: 16%
- Industrial: 29%
- Life sciences: 26%
- Technology: 8%
The outlook for diversity

Research in recent years has shown a correlation between gender diversity on boards and superior shareholder value.\(^3\) When the numbers of board directors of African-American, Hispanic, and Asian descent reach critical mass, which will enable statistically significant correlations with shareholder value, we believe the results will be the same. Boards have been aware of the research on gender and business performance for some time, as the uptick in the rate at which they were adding women in recent years suggests—only 18.0% of new director appointees in 2009 were women versus the figure of 29.8% in 2015. But the deceleration in 2016 begs the question: Is this a plateau or dip that will last for some years to come—or merely a pause before the upward climb resumes?

Either outcome is a possibility. Those companies and industries that fall short in hiring and promoting senior female executives continue to face pressure; efforts to address the issue would expand the ranks of potential women directors. Our firm continues to receive an increasing number of requests for diverse candidates in board searches. And avenues for finding qualified diverse candidates are readily available. (See, for example, “The way forward,” in Heidrick & Struggles’ Board Monitor 2014: Trends in Board Composition over the Past Five Years.)

Yet competing pressures may unintentionally continue to thwart progress. For example, shareholders are pushing to limit the number of boards on which an active executive can serve. Since women occupy far fewer senior executive positions than men do, such limits could further reduce the pool of women considered for board directorships. Similarly, boards continue to prioritize CEO experience in prospective new board members—a background that is far less common among women and other diverse candidates. In addition, the relative paucity of women executives serving on boards today will mean, over time, fewer board-experienced women executives who will be available later in their careers—thus potentially limiting opportunities for women among companies that prioritize board experience in a candidate.

These competing pressures—the drive for greater diversity versus structural obstacles to achieving it—will take time and attention from boards and management to resolve. In the meantime, forward-looking companies will continue to insist on diverse slates of board candidates. They will also challenge their assumptions regarding the definition of an “ideal” director—for example, by considering executives who are new to boards or not yet CEOs. And they will focus management attention on recruiting and developing diverse executives. Such efforts will provide the starting points for understanding—and measuring—the power of board diversity in the coming years. ■

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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.

Leaders of Heidrick & Struggles’ CEO & Board Practice

Global

Bonnie Gwin
New York
bgwin@heidrick.com

Jeff Sanders
New York
jsanders@heidrick.com

Europe and Africa

Sylvain Dhenin
Brussels
sdhenin@heidrick.com

Jan Hall
London
jan@jcagroup.net

Asia Pacific

Fergus Kiel
Sydney
fkiel@heidrick.com
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