

Fortune 500 companies make short strides toward broader diversity: study

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Mature Caucasian businesswoman talking in a meeting. Female chief executive in discussion with colleagues in boardroom. Professional woman speaking in business conference.

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HP Inc. and Wells Fargo have the broadest diversity on their boards, according to a new study, even as other Fortune 500 companies have only made small strides toward inclusion.

HP Inc.'s (NYSE: HPQ) board has the broadest range in diversity, according to the Alliance for Board Diversity and professional services firm Deloitte(PDF). Out of 13 total board seats at the Palo Alto, California-based tech firm, five are occupied by women, two members are black, three are Asian/Pacific Islander and one is Hispanic/Latino.

Wells Fargo (NYSE: WFC) came in No. 2 with seven women on its 16-member board. The financial firm's board also includes one black member, two members who are Asian/Pacific Islander and two Hispanic/Latino members.

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Rounding out the top 10 boards with the broadest range in diversity were: MetLife (NYSE: MET), Archer Daniels Midland (NYSE: ADM), PepsiCo (NYSE: PEP), Prudential Financial (NYSE: PRU), Walt Disney Co. (NYSE: DIS), Pfizer (NYSE: PFE), Massachusetts Mutual Life Insurance and Time Warner Inc. (NYSE: TWX)

But even as major firms make progress, women and minorities still occupied less than a third (31 percent) of board seats at Fortune 500 companies in 2016. While that number represents the highest level in six years, it also means white males held more than two-thirds of the seats, per the study.

"Women and minorities continue to be underrepresented at the decision making tables of these companies," wrote the authors of the report. "Minority men participation has varied over the time periods examined, with steeper gains in representation coming from minority women and Caucasian/White women."

Hispanics only gained eight board seats in 2016, for a total of 188 seats, or 3.5 percent of the total seats available. Asians/Pacific Islanders occupied just 167 seats, or 3.1 percent of the total.

African-American men increased their numbers in Fortune 500 boardrooms by 2 percent last year, while black women increased their number of seats by 18.4 percent. The researchers noted, however, that African-Americans had the highest rate of serving on multiple boards, which suggests companies are going to the same relatively shallow pool of individuals from that group to serve on their boards, rather than expanding their pool of options.

There are a few reasons companies are so slow to diversify their leadership. Large firms tend to select board members who have had CEO experience – a position that is also currently dominated by white males. In addition, only about 350 board seats open up annually, according to The New York Times. There were 5,440 total Fortune 500 board seats available in 2016, down from 5,463 in 2010.

So why is diversification a good thing? Several studies have shown that having a more diverse board is good for business. Companies with women directors on

their board perform better than those without women by specific metrics, according to a report from Harvard Business Review. When Fortune 500 companies were ranked by the number of women directors on their boards, those in the highest quartile in 2009 reported a 42 percent greater return on sales and a 53 percent higher return on equity than the rest.

“It is also important for boards to be comprised of individuals that offer different perspectives in order to understand and better serve the diverse customer base that exists today,” wrote the authors of the Deloitte report. “The fact that many companies are facing a growing number of competitive, regulatory, and technological issues is driving this broader view of diversity. It will be important for corporate boards to consider the benefits and skillsets that gender, racial, and ethnic diversity could bring to boardroom discussions.”

On the upside, there may be more opportunities to diversify boards over the next few years. Many board members are currently in their 70s and could opt to step down in the next five to 10 years.

But progress isn’t happening as quickly as many would like.

“With the current rate of progress, we aren’t likely to see the number of minorities and women increase to our target of 40 percent representation until the year 2026,” Ronald C. Parker, the chairman of the Alliance for Board Diversity, said per the Times. “This is not acceptable. Corporations need to do more to keep pace with the country’s changing demographics.”

Perhaps hammering the point home, the U.S. Government Accountability Office found in a separate study that while women are gaining on men on corporate boards, achieving parity could take four decades even given a favorable projection for how quickly women might replace men on those boards.

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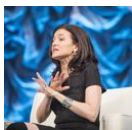


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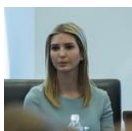
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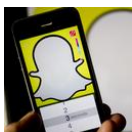
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