

DIVERSITY MATTERS – IN THE BOARDROOM AND BEYOND

Corporate boardrooms have long been colloquially referred to as an “old boys’ club,” consisting predominantly of older, white males. Historically, this phrase has rung true for many boards. And then 2017 happened.

Enter the #metoo movement, which quickly became part of the mainstream discussion and ushered in a new found focus on gender issues in the US. In response to the popularity of the movement - and as fiduciaries representing millions of people - major institutional investors adopted new stewardship guidelines to address perceived gender imbalances on public company boards.

State Street Global Advisors was one of the early leaders, symbolically moving the *Fearless Girl* statue to a more prominent Wall Street location in front of the New York Stock Exchange. They soon followed that up by implementing a policy to “vote against the entire slate of incumbent **board** members

on the nominating committee if a company does not have at least one woman on its board, and has not engaged in successful dialogue on State Street Global Advisors’ board gender diversity program for four consecutive years.”

Other investors quickly followed suit by adopting their own policies seeking to address gender diversity at the board level. These investor efforts have certainly had an effect. According to Spencer Stuart, 2017 marked the “first time in the history of [their] survey” where “more than half of the new S&P 500 directors [were] women and/or minorities. Female representation among new directors rose to 36% in 2017, a 20-year high.”¹ This trend continued into 2019, where women made up 46% of all new directors added to S&P 500 boards throughout the year – up from 40% in 2018. More than 90% of S&P 500 boards now have two or more women directors, compared to 86% in 2018 and just 53% a decade ago.²

1. 2017 Spencer Stuart U.S. Board Index. Available at: https://www.spencerstuart.com/~media/ssbi2017/ssbi_2017_final.pdf

2. 2019 Spencer Stuart U.S. Board Index. Available at: https://www.spencerstuart.com/~media/2019/ssbi-2019/us_board_index_2019.pdf



Enter 2020. We find ourselves in the midst of a global pandemic. Long-simmering civil unrest has hit a boiling point. Black Lives Matter and similar movements have been thrust into the international spotlight, and issues of systemic racial discrimination are now front and center in the public dialogue.

Corporate America has offered public statements of support, voicing solidarity with the African-American community through various social media platforms. The official Disney Twitter account tweeted “we stand against racism. We stand for inclusion. We stand with our fellow Black employees, storytellers, creators and the entire Black community.”³ Amazon offered a similar statement, tweeting “together we stand in solidarity with the Black community – our employees, customers, and partners – in the fight against systemic racism and injustice.”⁴

Companies have been lauded for their supportive statements, but they have also been met with criticism. There is a sentiment that while tweets are nice, companies must do more than just offer supportive statements. “I appreciate your Black Lives Matter post,” said Brickson Diamond, Chief Executive of diversity consulting firm Big Answers, “Now follow that up with a picture of your senior management team and your board.”⁵ In a Washington Post article, Shaun R. Harper writes, “if leaders want to seriously convey that black lives do indeed matter at their companies, there’s a lot they can do. They could take strategic steps to recruit more black professionals, ensure black employees have equitable opportunities for advancements and promotion, routinely assess the workplace racial climate and take meaningful actions to improve it, mandate company-wide professional learning experiences on a range of diversity and inclusion topics, invest considerably more financial resources into

black employee network groups, ask black people for feedback and input on how to make the workplace less racist – and hold themselves accountable for acts of anti-blackness. Anything short of this will weaken the credibility of the values they’re now so loftily proclaiming.”⁶

Institutional investors have also weighed in publicly. In response to the corporate statements of support, Scott Stringer, New York City Comptroller, sent letters to S&P 100 companies requesting that they “walk the walk” when it comes to condemning racism. He followed, “it’s not enough to condemn racism in words, systemic racism in corporate America is going to require concrete action.”⁷ Stringer is calling on companies to disclose the “Consolidated EEO 1 Report reflecting the race, ethnicity and gender of [the] firm’s employees, with oversight provided by the independent members of the board,” arguing that without this disclosure, “investors, as well as employees and the public, are unable to monitor, assess and benchmark the company’s performance in hiring, retaining and promoting black employees, other employees of color and women in the U.S.”⁸

Going forward, public company boards and management should expect investor questions, demands and/or **activism** related to their current racial and gender makeup – not just for the board and management, but the entire organization. At present, investor efforts regarding both gender and racial diversity are mostly focused on the board level, but corporate boards will need to be proactive in formulating comprehensive strategies for inclusivity at all levels of the organization and be prepared to communicate those strategies to shareholders.

3. @disney “We stand against racism. We stand for inclusion. We stand with our fellow Black employees, storytellers, creators and the entire Black community.” *Twitter*, 31 May 2020, 6:41 pm, <https://twitter.com/Disney/status/1267224613152571393>

4. @amazon “The inequitable and brutal treatment of Black people in our country must stop. Together we stand in solidarity with the Black community – our employees, customers, and partners – in the fight against systemic racism and injustice.” *Twitter*, 31 May 2020, 1:05pm, <https://twitter.com/amazon/status/1267140211861073927>

5. Jan, McGregor, Merle (2020) ‘As big corporations say ‘black lives matter’, their track records raise skepticism’, *The Washington Post*, 13 June.

Available at: <https://www.washingtonpost.com/business/2020/06/13/after-years-marginalizing-black-employees-customers-corporate-america-says-black-lives-matter/>

6. Harper, S. (2020) “Corporations say they support Black Lives Matter. Their employees doubt them.” *The Washington Post*, 16 June. Available at: <https://www.washingtonpost.com/>

7. Kerber, Ross (2020) ‘New York City comptroller tells companies ‘to walk the walk’ on racial equality.’ *Reuters*, 1 July.

Available at: <https://www.reuters.com/article/us-minneapolis-police-corporatediversity/new-york-city-comptroller-tells-companies-to-walk-the-walk-on-racial-equality-idUSKBN2425J1>

8. Stringer, Scott. “Dear Mr. Bezos.” 1 July 2020. Available at: <https://comptroller.nyc.gov/wp-content/uploads/2020/06/SMS-to-Amazon-EEO-1-Disclosure-7.1.20-1.pdf>