



Diligent Insights

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Impossible Until It's Done: How Boards and Executives View DE&I Initiatives

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Mary Fetherolf

We've noted growing interest in promoting board diversity, equity and inclusion (DE&I), but a notable lack of diversity persists among corporate boards and executive teams. Along with the New York Stock Exchange (NYSE), Diligent set out to learn why DE&I in senior leadership is proving so elusive a goal for many organizations. The resulting report, "*Impossible Until It's Done – Corporate Board Diversity and Refreshment Practices*," explores the progress and methodologies used to promote DE&I among corporate boards.

We know that increasing DE&I in corporate leadership correlates to superior financial performance. We know that enhanced DE&I in corporate leadership is becoming an important investment criterion for shareholders. Even so, progress is slower than it could be. The lack of diverse representation by gender, race, ethnicity and other factors at the board and executive levels stands in stark contrast with representations among organizations' employees, customers and communities at large.

Our Approach

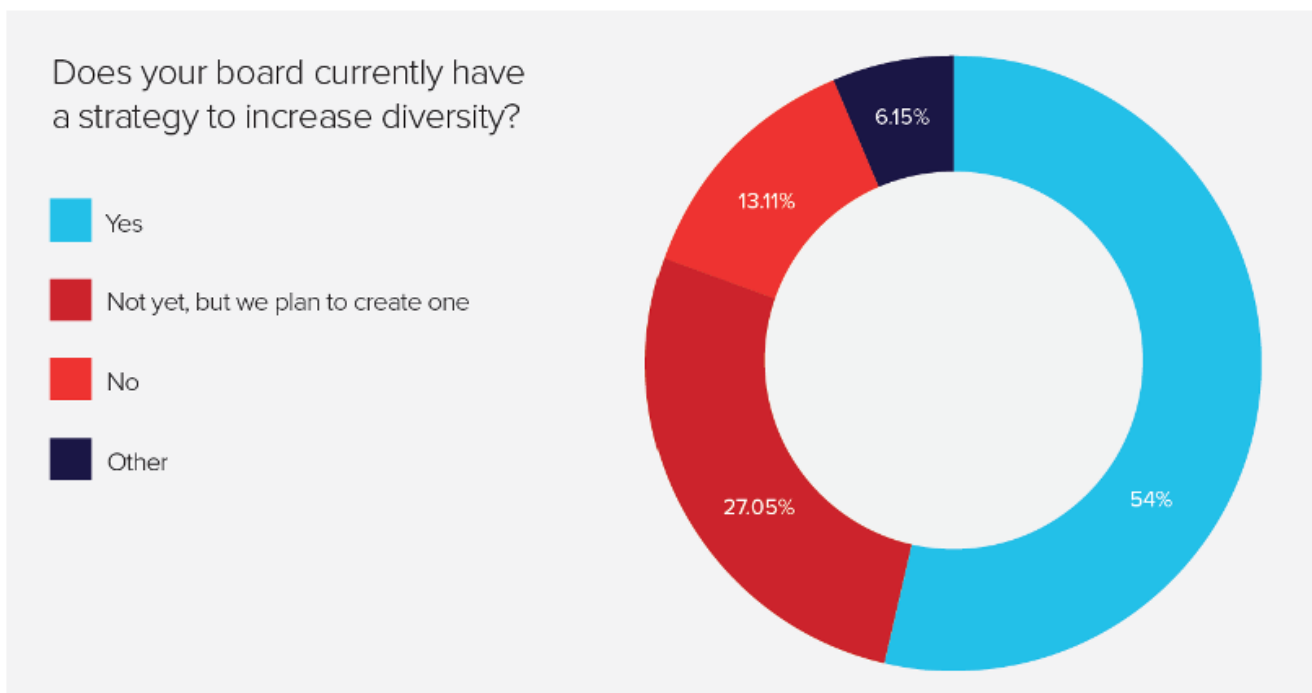
Diligent and the NYSE first sought to foster a discussion about the progress and methodologies used to promote DE&I among corporate boards. These conversations were promoted to customers of both organizations. Then, registrants

for the discussions were invited to participate in the survey on which the report is based. From mid-August through late September 2020, we gathered 475 responses from these groups, including 251 corporate directors, executives and other senior staff with knowledge of leadership diversity and board refreshment strategies. The survey questions were designed to develop a complete picture of the DE&I practices companies have implemented for boards, as well as to delineate known strategies that corporations have not adopted yet.

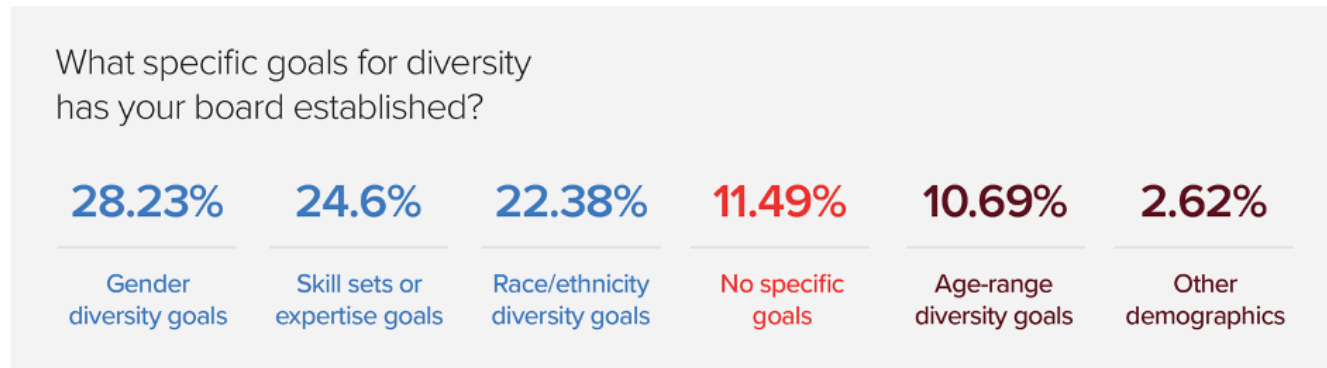
In particular, we wanted to know whether and how organizations were pursuing board diversity, and what timelines, if any, organizations were setting to achieve diversity goals. We asked what board refreshment strategies organizations had already implemented, and what additional strategies they planned to pursue to build diversity in the future.

Key Findings

We learned that four out of five respondents (81%) could say that their organizations either had a plan to promote diversity within their boards, or would have one soon. Another 13% had no plan at all.

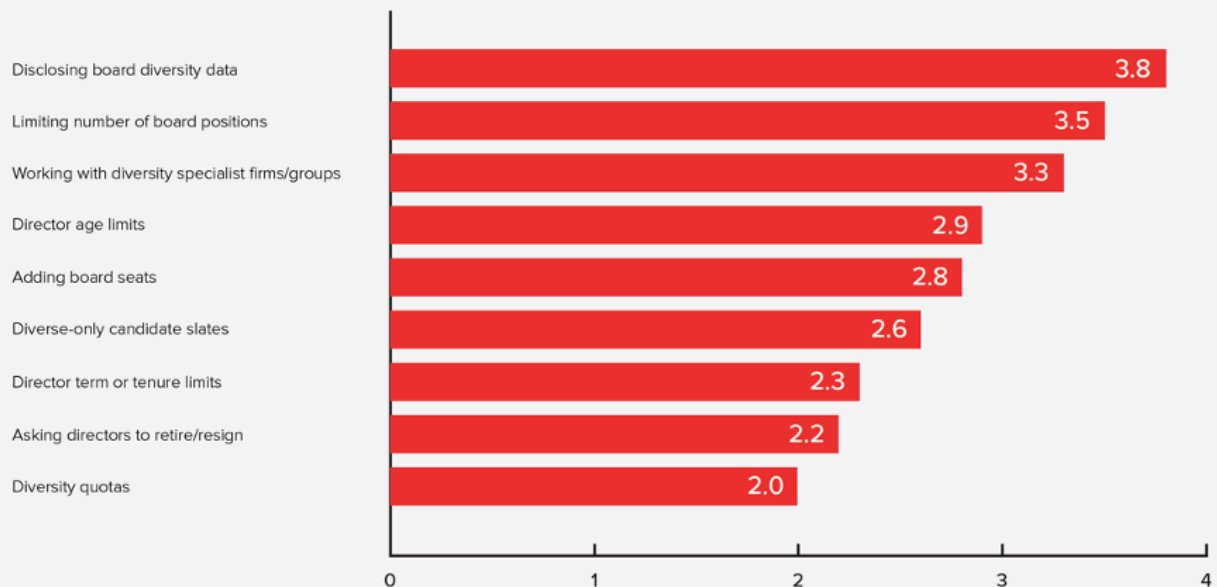


Organizations reported gender diversity goals most frequently, followed by goals for skills and expertise, and then by goals for race and ethnicity. Age range goals were less prevalent. Over 10% of respondents reported their organizations had no specific diversity goals.

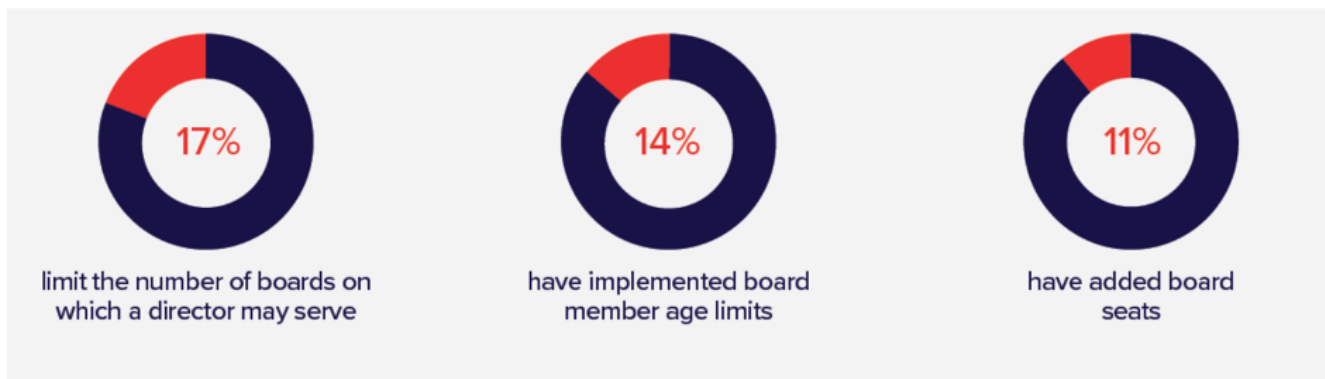


One especially encouraging result: 14% of respondents said their organizations disclosed board diversity data, demonstrating growing transparency regarding board composition. In addition, respondents indicated that releasing board diversity data was a likely future board refreshment strategy (3.8 out of 5 points, where “5” is “most likely”). This willingness to share information is a notable step toward greater transparency for board composition.

On a scale of 1 to 5, please rate your board's likelihood to adopt each refreshment strategy, with 1 being "not likely" and 5 being "very likely."

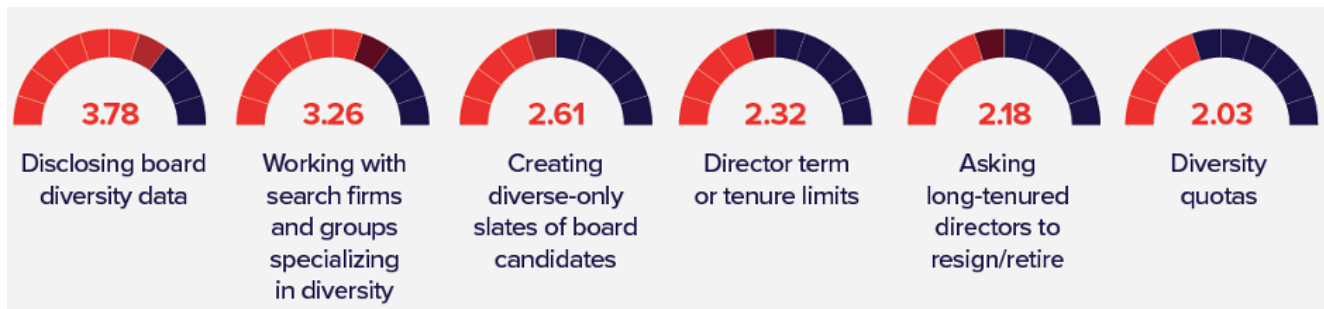


Among board refreshment tactics already in use, limiting the number of boards on which a director could serve, implementing director age limits, and adding more board seats were the most favorably ranked approaches. These approaches are regarded as less effective strategies to increase board diversity.



Respondents indicated they were more likely than not to implement two of the strategies shown to accelerate diversity gains. On a 5-point scale – with “5” being “most likely” – respondents favored disclosing board diversity data and working with search firms and groups specializing in diversity. Other strategies viewed less favorably included creating diverse-only slates of board candidates, setting

director term or tenure limits, asking long-tenured directors to resign or retire, and setting diversity quotas.

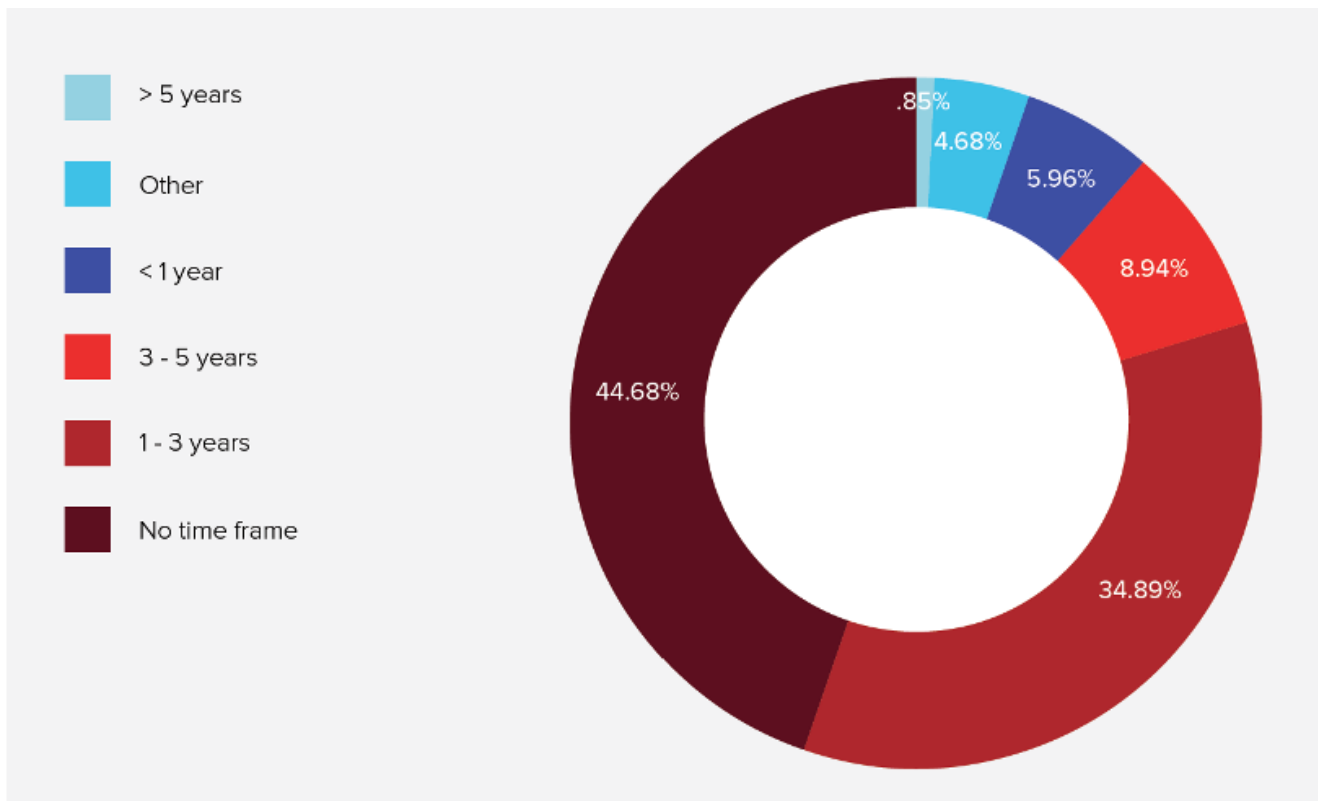


Few organizations favored limiting directors' terms or overall tenure, asking long-tenured directors to retire or resign, creating diverse-only slates of candidates, or setting diversity quotas for the board.



Timing

Of all respondents, 55% said their organizations' plans included a timeline to enhance diversity, including 35% whose organizations planned to achieve goals in one to three years. The other 45% said there was no timeline attached to any leadership diversity plan at their organizations.



In Their Own Words

In addition to the valuable data gathered in closed-ended questions, the survey invited remarks in respondents' own words. Directors and corporate executives acknowledged that enhanced board diversity brings prosperity, but they also admitted that progress remains slow and uneven, as they struggle to find diverse candidates. Remarks also reveal skepticism about the sincerity of organizations' commitments to DE&I.

One respondent expressed skepticism at the sincerity behind DE&I efforts: "I continue to be concerned that most boards mostly give lip service to the concepts." This participant questioned leadership's commitment to diversity over the long term: "Because there is no real playbook on diversity, directors are being cautious or delaying learning more about this. Some may see this as an added task versus an ongoing initiative and an opportunity to get it right."

While a few participants expressed doubt in their organizations' commitments to leadership diversity, some sincerely believed in the value of DE&I programs and

goals as individuals. In the words of one participant, “Our board, and I’m sure other boards, have a long way to go in improving diversity and inclusion at the board and C-suite levels within the organization.”

A more hopeful participant expressed this belief: “Diversity improves the strategies that companies have, and it is critical that it is embraced and enhanced from the highest echelons of business leadership.” The full report reveals more comments on leaders’ own experiences, and provides more detailed statistics about the board diversity and refreshment practices that companies have implemented or planned to implement. It provides insights and implications to support more enlightened and informed DE&I conversation, planning, and attainment for any organization.

This blog post is based on Diligent Corporation’s and the New York Stock Exchange’s joint report, “*Impossible Until It’s Done – Corporate Board Diversity and Refreshment Practices*.” Diligent Corporation is the pioneer of modern governance, empowering leaders to serve their stakeholders and shareholders alike and organizations to turn governance into a competitive advantage.

Ms. Fetherolf writes about the impact of new technologies and regulations on business strategy and operations. This second career follows several years consulting with business and technology leaders on program management and governance in regulated industries. Topics of interest include corporate governance, cybersecurity, data privacy, regulation, compliance, and digital transformation.

ARTICLE TOPIC: BOARD DIVERSITY, BOARD RECRUITMENT, BOARD REFRESHMENT, NOMINATING & GOVERNANCE COMMITTEE

RECOMMENDED



Stronger on the Other Side: Diversity & Inclusion at Diligent's Modern Governance Summit 2020

Speakers' remarks underscored time and again: If organizations are to attain and maintain competitive advantage, they must deeply believe in the benefits of board diversity – and strive to achieve them. In this post, we focus on practical advice and tools that not only help to further board diversity goals within organizations, but also promote board diversity throughout the corporate world.

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