Despite Fortune 500 boards filling a record number of seats with independent directors in 2015, diversity among new directors stalled. Find out the latest trends in boardroom composition, experience, and turnover in the 2016 Board Monitor.
In 2015, Fortune 500 companies filled 399 vacant or newly created board seats with independent directors—the largest number of such appointments since we first began tracking them seven years ago. Few leadership positions are more consequential: Fortune 500 boards oversee companies that together account for roughly $13 trillion in revenues, $945 billion in profits, and $17 trillion in market value, and employ 27 million people worldwide.

That is why for the seventh consecutive year we have captured the key attributes of new appointees—their demographics, industry backgrounds, and functional roles, among other factors. And for the second year running we have used our novel way of tracking the flow of experience onto boards, comprehensively looking at all of the substantial career experiences of the new appointees, which we believe provides a more telling picture of the actual expertise that Fortune 500 boards acquired last year.

In addition to the upsurge in appointments, our most striking findings include:

- The total number of board seats shrank from 4,998 in 2014 to 4,698 in 2015, a contraction of 6.0%.
- The board-turnover rate increased to 8.5% in 2015, from 6.8% in 2014, a function of the highest-ever number of appointments since the inception of the Board Monitor and the decrease in total board seats.
- Current and former CEOs and CFOs together represented the highest share of new board appointments—73.2%—since we began tracking the number in 2009.
- The percentage of new directors with international experience jumped to 66.7% in 2015, up from only 34.5% the previous year.
- Each appointee had substantial experience in 1.5 industries, on average, down from 2.2 in 2014.
- The share of new board appointments for Hispanics remained flat for the seventh consecutive year; the notable progress for women in recent years stalled; African-Americans edged up one percentage point, and the share for Asians and Asian-Americans fell slightly.

The uptick in international experience from 2014 to 2015 suggests that in terms of diversity of experience some boards are broadening their horizons. Yet the high proportion of former and current CEOs and CFOs tapped for board seats suggests that most boards are seeking new members from among “the usual suspects.” Notably, the drop in number of significant industry experiences suggests that a new director in 2015 is likely to bring a somewhat narrower range of industry backgrounds than a director in the class of 2014. And the stalled progress for women appointees and the generally flat numbers for directors of Hispanic, African, and Asian descent indicate that in some dimensions of diversity things are changing slowly—if at all.
ABOUT BOARD MONITOR

Snapshot of 2016 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.

New director seats filled\(^1\)  
Average age

<table>
<thead>
<tr>
<th>Seats filled</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>399</td>
<td>58</td>
</tr>
</tbody>
</table>

Current and former CEOs  
Current and former CFOs

<table>
<thead>
<tr>
<th>CEOs</th>
<th>CFOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>54%</td>
<td>19%</td>
</tr>
</tbody>
</table>

International experience

Retired vs. active

<table>
<thead>
<tr>
<th>Executives</th>
<th>Retired</th>
<th>Active</th>
</tr>
</thead>
<tbody>
<tr>
<td>173</td>
<td>43%</td>
<td>57%</td>
</tr>
<tr>
<td>226</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Diversity breakdown

<table>
<thead>
<tr>
<th>Female</th>
<th>African-American</th>
<th>Hispanic</th>
<th>Asian/Asian-American</th>
</tr>
</thead>
<tbody>
<tr>
<td>119</td>
<td>30%</td>
<td>16</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>9%</td>
<td>19</td>
<td>5%</td>
</tr>
</tbody>
</table>

\(^1\) Total non-executive director seats in 2015 = 4,698.
CEOs and CFOs rule the roost

The percentage of new board appointments that went to current and retired CEOs and CFOs rebounded strongly in 2015, increasing more than 6 percentage points over the 2014 figure to reach 73.2% in 2015—the highest such figure we’ve seen since the inception of the Board Monitor in 2009 (Figure 1).

Appointments of sitting and retired CEOs were responsible for the increase: The proportion of these executives joining Fortune 500 boards jumped to 54.4% in 2015, an increase of more than 7 percentage points over the previous year. Meanwhile, the share of sitting and retired CFOs dipped slightly in 2015, to 18.8%—a figure that nonetheless remained slightly above the 7-year average (17.8%).

This collective high for CEOs and CFOs coincided with a seven-year high of 399 total appointments, 60 more than in 2014 and 120 more than the seven-year low of 279 in 2010 (Figure 2).
While several reasons could account for the number of new appointments, the rise in the number of spin-offs, split-offs, or equity carve-outs seen in recent years has certainly sparked demand for new board members (for more, see “Building a spin-off board: Are you ready?,” on heidrick.com). Other factors at play could include board expansions among Fortune 500 companies as well as the differences in board size between companies that fell off the Fortune list versus their replacements.

In tracking the movement of new directors to their new boards, we took into account all of the significant industry experiences of each director. (For example, a new director who has worked most recently in the consumer industry may also have valuable experience in the industrial sector or in technology.) We then mapped the prevalence of substantial career experiences that flowed onto the boards in each industry (the lines in Figure 3), producing a more comprehensive picture of the skills of new directors and a more nuanced picture of the experience that boards actually acquired.

The uptick in international experience from 2014 to 2015 suggests that in terms of diversity of experience some boards are broadening their horizons.
Figure 3: Career-experience mix and board destination for incoming directors, by industry (accounts for multiple skills and experiences among directors; n = 399 director seats examined)

For more about director experience and how it was distributed by industry, explore an interactive version of this graphic at heidrick.com.

6 The Heidrick & Struggles Board Monitor: Mapping incoming boardroom talent
The experience new directors brought

From the point of view of collective industry experience, the following picture emerges:

As in 2014, financial-services know-how was the most widely distributed skill among new directors, representing nearly one-quarter of their collective mix of career experiences (Figure 4). But more financial-services experience went outside the industry’s boards in 2015 than into them. Why? Continued scrutiny of earnings, regulatory concerns, and audit-committee requirements make this background vital for any company.

Industrial experience was the second most common background among new directors in 2015, despite a 13% decline from 2014. The overwhelming bulk of that experience went to industrial boards (Figure 5).

Consumer experience was the third most prevalent background among incoming directors (Figure 6). The desire to truly understand customers has always been strong in consumer-facing industries but in recent years has spread to new sectors such as technology and business services.
Although relatively few incoming directors had life-sciences and healthcare experience, these skills were moderately distributed across industries (Figure 7). As a growing number of retailers, tech companies, and consumer-goods makers enter the healthcare space, a life-sciences background is becoming a coveted trait for some boards.

The expertise boards acquired

Where did this experience go? Figure 8 captures how industrial experience was distributed across boards:

**Industrial companies** filled the most new board seats of any sector in 2015—one-third more than the next closest, the consumer sector. And industrial experience was most heavily acquired by industrial-company boards—likely because of the intimate knowledge of specific markets and industries these directors bring. The amount of technology experience gained by industrial boards doubled from 2014, perhaps a reflection of the sector’s growing interest in the industrial applications of technologies such as automation, robotics, and the Internet of Things.

**Technology boards** filled 49 seats with new directors last year. The experience these boards demanded most were from technology and financial services. Notably, women with tech experience were underrepresented relative to women with other career skills. (For more about gender diversity in tech, see “Debugging the high-tech industry’s gender gap,” on heidrick.com.)

While social-media experience represented a small share of the overall experience of incoming board members, **consumer boards** were among the largest beneficiaries. Nearly 30% of the total social-media experience held by incoming directors went to consumer companies.
Figure 8: With the exception of business-services boards, Fortune 500 boardrooms drew from within their industry most often when making director appointments.

**Top 3 backgrounds for new directors, 2015**

**Business-services boards drew from:**
- Financial services: 24%
- Industrial: 16%
- Consumer: 16%
- Technology: 5%

**Consumer boards drew from:**
- Financial services: 36%
- Industrial: 12%
- Consumer: 14%
- Business services: 25%

**Financial-services boards drew from:**
- Financial services: 38%
- Industrial: 17%
- Consumer: 10%
- Technology: 9%

**Industrial boards drew from:**
- Industrial: 41%
- Financial services: 19%
- Technology: 13%
- Consumer: 10%

**Life-sciences boards drew from:**
- Life sciences: 42%
- Financial services: 15%
- Industrial: 12%
- Consumer: 9%

**Technology boards drew from:**
- Technology: 28%
- Financial services: 24%
- Business services: 16%
- Industrial: 11%

Note: Numbers may not sum to 100% because of rounding.
Diversity in the doldrums?

With the number of appointments at a seven-year high, it is reasonable to expect that a greater number of women, Hispanics, African-Americans, and Asian/Asian-Americans might have claimed seats in the boardroom. However, it did not turn out that way. Indeed, from the perspective of gender and ethnic diversity, the way in which board appointments unfolded in 2015 might be seen as a missed opportunity.

**Women** accounted for 29.8% of new directors in 2015, up only slightly from 29.2% in 2014 (Figure 9). The percentage of female directors had been increasing steadily each year from 18.0% in 2009. Last year, we projected that at the current rate of growth women would account for 50.0% of new directors for the first time in 2024—but in light of the most recent data, it will take an additional two years for new women directors to reach parity with men.

For the seventh consecutive year, the percentage of **directors of Hispanic origin** appointed to Fortune 500 boards was sharply lower than the overall representation of Hispanics in the US population (Figure 10). Of the 399 directors appointed by Fortune 500 companies in 2015, only 16 were Hispanic—just 4.0%. Over the past seven years, an average of 4.7% of new directors have been Hispanic, with no discernible upward trend. Yet Hispanics comprised 17.4% of the US population in 2014, up from 15.8% in 2009. Hispanic purchasing power in the United States is also rising, projected to reach $1.5 trillion in 2015, up from $1.0 trillion in 2010.\(^1\) Given the long-standing preference for CEOs as directors, the outlook is not promising: in the Fortune 500 list for 2015, only nine CEOs are Hispanic.

African-Americans accounted for 9.3% of new directors in 2015, up from 8.3% in 2014 (Figure 11). The percentage of African-American directors has increased from 5.3% in 2009. African-Americans accounted for 12.4% percent of the US population in 2014, slightly up from 12.3% percent in 2009.

![Figure 11: African-Americans on Fortune 500 boards, 2009–15](image)

Asian and Asian-American directors accounted for 4.8% of appointments in 2015, down from 5.3% in 2014 (Figure 12). Directors of Asian descent have accounted for an average of 5.2% of new appointments over the past seven years, fluctuating between a low of 3.4% and a high of 8.0%. Overall, people of Asian descent accounted for 5.3% of the US population in 2014, up from 4.5% in 2009.

![Figure 12: Asians and Asian-Americans on Fortune 500 boards, 2009–15](image)

Research in recent years has shown a significant correlation between superior shareholder value and gender diversity on boards. And when the numbers for Hispanics, African-Americans, and Asians rise enough to make similar research on ethnic diversity statistically significant, the results are likely to be the same. Far from a numbers game, gender and ethnic diversity is a proxy for the diversity of thought that is the goal of farseeing boards, and we will continue to chart its progress in the coming years.

* US census data for 2015 not yet available.
Source for all four charts: Heidrick & Struggles Board Monitor; US Census Bureau
CEO & Board Practice

Heidrick & Struggles’ CEO & Board Practice has been built on our ability to execute on top-level assignments and counsel CEOs and board members on the complex issues directly affecting their businesses.

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