Spotlight on Corporate Board Diversity

The Challenge: Increasing the gender and racial diversity of corporate boards has become a top priority for many institutional investors, public companies, and elected officials. Demographics in society today are constantly changing, and it is essential for corporate boards to reflect their employees, customers, and the communities they serve. According to PwC’s 2018 Annual Corporate Directors Survey, 94% of board directors believe that a diverse board brings unique perspectives, while 84% say that diversity enhances board performance. Several studies have also demonstrated that a more diverse board leads to better long-term board performance and helps provide greater returns for shareholders.

The Wrong Approach: Certain jurisdictions—for example in Europe—have implemented quotas that have been counterproductive when it comes to enhancing corporate performance. In 2017, California passed a bill that mandates gender quotas for companies that have their principal offices within the state. In addition to repeating the same unintended consequences that quotas have created in the past, the California law also sets a troubling precedent for when a state attempts to manage the corporate affairs of a business that is incorporated in another jurisdiction.

A Sensible Solution: Public and Private Sectors Working Together

Business Leadership
With an eye toward long-term business performance, companies should disclose the gender, race, and ethnicity of their directors as well as director nominees. Additionally, companies should have in place policies and procedures for considering diversity as one factor for director nominees.

Government Leadership
The Diversity in Corporate Leadership Act of 2019 adopts a disclosure-driven approach for companies to communicate with investors how they are taking gender and racial diversity into account for board directors and director nominees.

In the spotlight: Amazon’s Board Diversity Program
Amazon’s board recently adopted a new policy to promote diversity on its board of directors, which ensures that the initial list of candidates chosen for the position includes equally qualified women and minorities. “We reached this decision after listening to your feedback as well as that from Amazon employees, shareholders, and other stakeholders about the Board diversity proposal,” Amazon’s vice president of public policy, Brian Huseman, wrote in a letter to the Congressional Black Caucus.