

The NomCo Chair's View on Diversity, Equity & Inclusion



Few issues have risen to the top of boardroom agendas faster than diversity, equity, and inclusion. The growing awareness of how diversity enables innovation, and how diverse and inclusive organizations drive business performance has become hard to ignore. So too have the events that continue to elicit widespread societal outrage over the mistreatment of people from diverse backgrounds, and the impact events like those have on the workforce. It is no surprise that DE&I has shifted from a topic the board lets management handle to a priority the board wants to understand and influence.

Russell Reynolds Associates recently launched an in-depth study of nominations and governance committee (NomCo) chairs, including surveying 147 chairs from leading companies across industries and around the world (see methodology note for demographic details). NomCo chairs hold a unique leadership role on the board, influencing everything from who becomes CEO, to who joins the board, and which directors hold leadership positions. DE&I was one of many subjects these board leaders talked to us about, and it was one of the responsibilities that they are dedicating much more time addressing in the committee now than they have in the past. Here are three big takeaways from what they told us:

NomCo chairs cited the single biggest source of pressure as...

Current Directors

24%

Public Opinion

24%

Shareholders and Institutional Investors

22%

They're Feeling Pressure on DE&I from Every Corner:

While different stakeholders have different priorities for the board, everyone seems to agree that addressing DE&I is a critical issue. When asked to identify the single biggest source of pressure on the topic, NomCo chairs identified current directors (24 percent of chairs), shareholders and institutional investors (22 percent) and public opinion (24 percent) - an almost equal split amongst the three. They feel less pressure from the board chair or lead director, or from the chief executive - both identified by just 12 percent of responding chairs. The board recognizes that the topic is important, rating it highly as both an area of concern and of importance, but giving themselves lower marks for making progress.



67%

of chairs agree that DE&I expertise is important for new board directors

while

77%

felt the same way about new senior executives

DE&I Expertise is Increasingly a Qualification for Senior Roles:

As companies and boards focus more closely on issues related to DE&I, they are also recognizing how important it is to have leaders who understand the topic, and can implement necessary change on the board, and in the enterprise. When asked about the importance of leaders having prior experience with DE&I 67 percent of these chairs believe that DE&I expertise is important for new board directors today, and 77 percent felt the same way about new senior executives. This view is impacting succession planning efforts: When surveyed, 55 percent of committee chairs said that finding director candidates with DE&I experience was now more important, or much more important, than in past years. The same held true for senior executives (53 percent).



NomCo chairs cited the top three most important organization efforts relevant to the NomCo committee as...

91%

Balancing the board's level of management experience with the need for diverse skillsets and backgrounds

84%

Increasing diversity of slates for CEO role and other executive leaders

78%

Addressing gender equity and gender bias

DE&I Is Redefining the NomCo Mandate:

When asked to identify what they believe to be the top three most important organizational efforts relevant to the NomCo committee, NomCo chairs named DE&I again and again. Ninety-one percent identified balancing the board's level of management experience with the need for diverse skillsets and backgrounds. Increasing the diversity of slates for the CEO role and other executive leaders also came up (84 percent), as did addressing gender equity and gender bias in the organization (78 percent), addressing racial equity and racial bias in the organization (76 percent), and pressure around increasing transparency of board member diversity (71 percent).

Diversity, equity and inclusion will remain a major issue for the foreseeable future - in society, in business, and in the boardroom. Leaders now realize that they must respond to DE&I issues within their organization, and in the communities where they operate. It is clear that among the next generation of executives and directors, leaders with DE&I expertise, who understand the issue, and are poised to act will be highly sought-after. That's good news for those who believe that business must take a leading role on this issue, and for those who recognize the tremendous value diverse, equitable, and inclusive organizations create for employees, shareholders, and other stakeholders.



Methodology

Russell Reynolds Associates surveyed 147 NomCo chairs in December 2020. In the case of a respondent who served as the chair of two or more NomCos, they responded on behalf of the NomCo they had chaired the longest. The companies they served were based in 19 countries, including the United States (37 percent), United Kingdom (20 percent), Canada (12 percent), Australia (10 percent), and France (3 percent). The largest industries represented included industrial and natural resources (25 percent), financial services (17 percent), technology (16 percent), and healthcare and consumer (both 14 percent). Eighty-eight percent are publicly traded. Fifty-one percent reported annual revenue exceeding \$1 billion.

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