

Board Monitor US 2023

**Progress toward greater diversity
slows this year on Fortune 500 boards**



About the report

This report is part of Heidrick & Struggles' long-standing study of trends in board composition in countries around the world. Produced by our global CEO & Board Practice, these reports track and analyze trends in non-executive director appointments to the boards of the largest publicly listed companies in Australia (ASX 200), Belgium (BEL 20), Brazil (B3), Canada (TSX 60), Colombia (COLCAP), Denmark (OMX Copenhagen 25), Finland (OMX Helsinki 25), France (CAC 40), Germany (DAX and MDAX), Hong Kong (Hang Seng), Ireland (ISEQ), Italy (FTSE MIB), Japan (TOPIX Core 30), Kenya (NSE Top 40), Mexico (BMV IPC), the Netherlands (AEX), New Zealand (NZX 10), Norway (OBX), Poland (WIG 20), Portugal (PSI 20), Saudi Arabia (Tadawul), Singapore (STI 30), South Africa (JSE Top 40), South Korea (KOSPI 50), Spain (IBEX 35), Sweden (OMX 30), Switzerland (SMI Expanded), the United Arab Emirates (ADX and DFM), the United Kingdom (FTSE 350), and the United States (Fortune 500). Information about executives is gathered from publicly available sources, BoardEx, and a Heidrick & Struggles proprietary database.

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A retreat to previous priorities



The appointments made to Fortune 500 boards in 2022 highlight a number of themes. There were fewer appointments overall compared to the previous four years, and the profiles of the directors who joined these boards show a revival of interest in previously prioritized areas of experience. Surprisingly, in 2022, the share of seats going to first-time directors, women, and directors from diverse ethnicities dropped, for example, while there was an increase in the share of seats going to directors with CEO, CFO, and prior public company board experience and directors over the age of 60.

These shifts may be the result of a perception that CEO and CFO expertise in particular are helpful as society and businesses navigate the aftermath of the events of the past three years and manage ongoing economic and political uncertainty. Corporations also continue to face an unprecedented level of

expectation to address social needs¹ and an increase in investor activism that will be boosted even more by the “universal proxy card” mandated by the US Securities and Exchange Commission (SEC) last summer.² Furthermore, 2023 was to be the first year when companies had to track sustainability metrics for SEC-mandated disclosures—however, these proposals have been delayed due to current political dynamics. As a result, some boards may be leaning more toward CEO and CFO experience at this point and deferring the addition of other skills and backgrounds.

Looking forward, however, the highest performing and most effective boards will not lose sight of the need to build diverse boards that address their strategic opportunities and challenges. They will prioritize the fresh perspectives and insights brought by leaders from a variety of backgrounds in addition to adding executives with CEO and

CFO experience. These boards will look for directors with broad executive experience, who come from diverse backgrounds and represent multiple generations, who bring expertise in areas such as cybersecurity and sustainability, who understand domestic and global economic, political, and consumer trends, and who have a real-time understanding of the challenges their companies are facing, including from workforces, customers, and communities. Boards that do not incorporate diversity into their succession equation risk losing out on enormously valuable and critical perspectives.

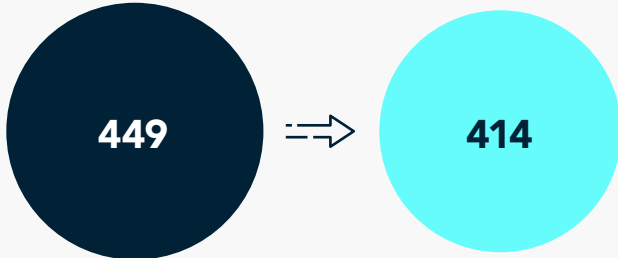
The main principle of board composition remains unchanged: when planning for succession, boards should look and think broadly about all the skills, experiences, and backgrounds that will ensure a high level of board engagement and effectiveness.

¹ *Edelman Trust Barometer 2023*, Edelman, edelman.com.

² This requires that companies list all board candidates and other proxy decisions—both company-supported and activist-supported—in a single document. A leading proxy advisory firm, Institutional Shareholder Services, noted that this will make it “dramatically easier” and “cheap” for activists to launch proxy fights; see Lauren Thomas, “Companies brace for onslaught of new activists after change in proxy-voting rules,” *Wall Street Journal*, November 20, 2022, wsj.com.

Key findings

There were fewer appointments made in 2022: 414 compared to 449 in 2021. The number of appointments in 2022 is the lowest since 2017.

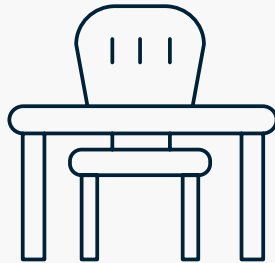
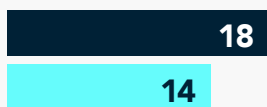


There was an increase in the share of seats going to directors with **CEO experience**, 43% compared to 40% in 2021, and **CFO experience**, 18% compared to 14% in 2021.

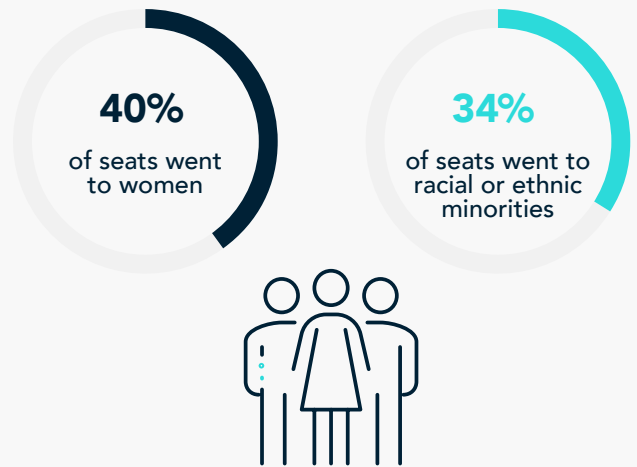
CEO experience



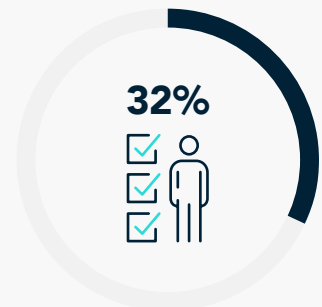
CFO experience



There was also a **decrease in appointments of those of underrepresented groups**: 40% of seats went to women (compared to 45% in 2021), and 34% went to racial or ethnic minorities (compared to 41% in 2021). The decrease in the share of seats going to racially or ethnically diverse directors was largely driven by a decrease in the number of seats going to Black and African American directors, 17% in 2022, compared to 26% in 2021.



There was a **decrease in the share of seats going to first-time public board directors**: 32%, down from 43% in the previous year.



Snapshot of 2022 findings

New seats filled



414

Average age

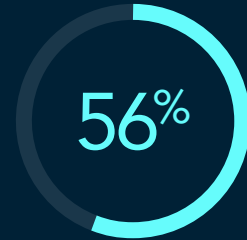


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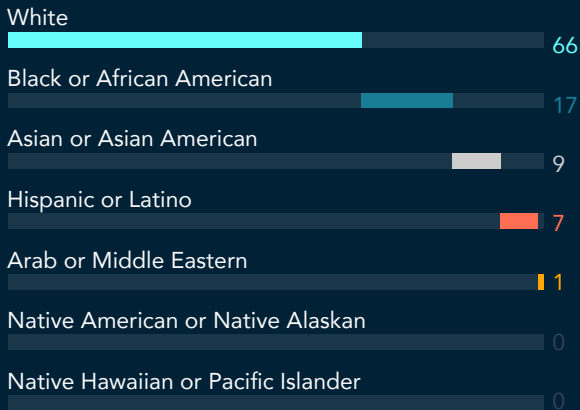
Gender balance (%)



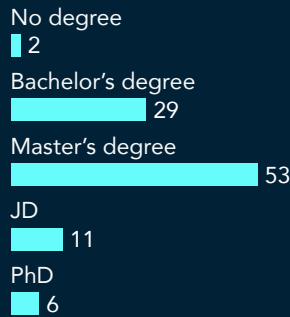
Share of companies with new appointment



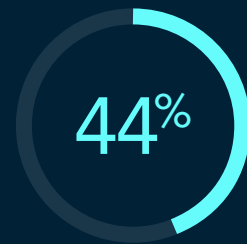
Ethnicity (%)



Education (%)



MBA

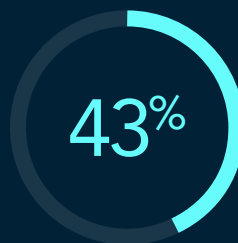


C-suite experience

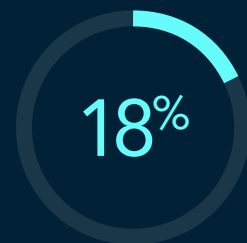
C-level previous experience (%)



Current or former CEO experience

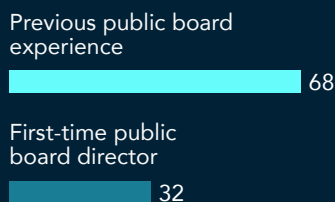


Current or former CFO experience



Career experience

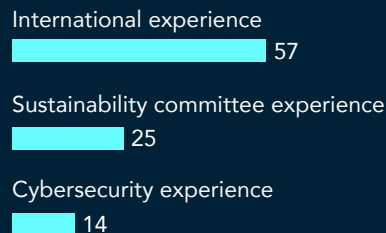
Public board experience (%)



Active vs. retired executives (%)



Other previous experience (%)

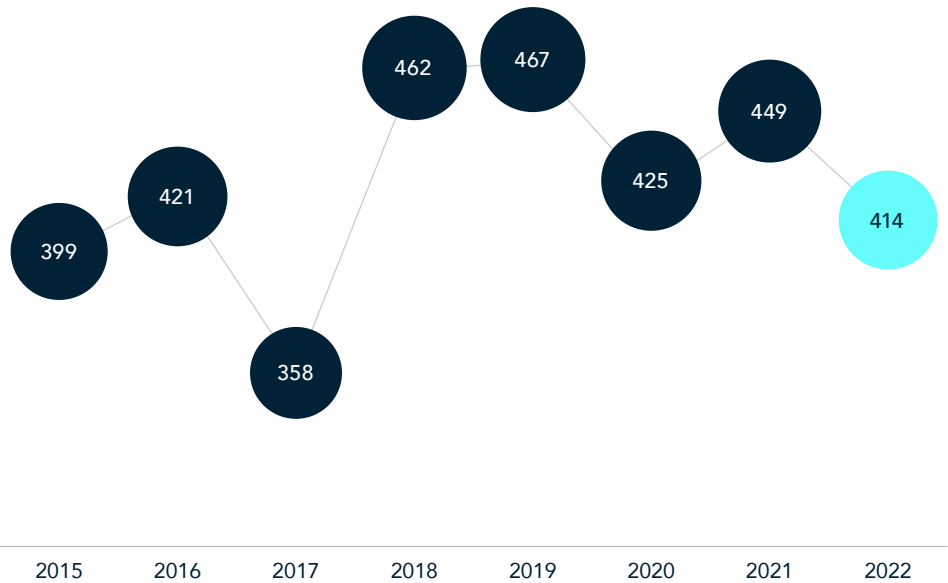


A return to the previous board member profile



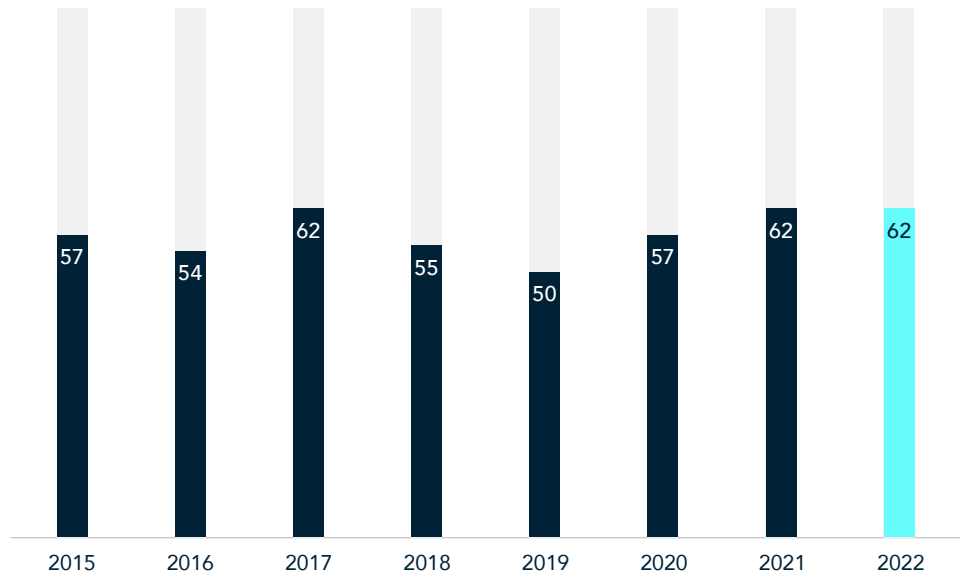
There were fewer appointments in 2022 compared to 2021 across almost the same number of boards: 414 non-executive director appointments made on Fortune 500 boards in 2022, compared to 449 in 2021; 56% percent of companies appointed directors in 2022, only two percentage points less than the prior year, but those boards that did fill seats made fewer appointments than the prior year.

Number of board seats filled, 2015–2022



The share of seats going to directors who are active in executive roles remained the same, at 62%, compared to 2021, underscoring a continued interest in current operational experience.

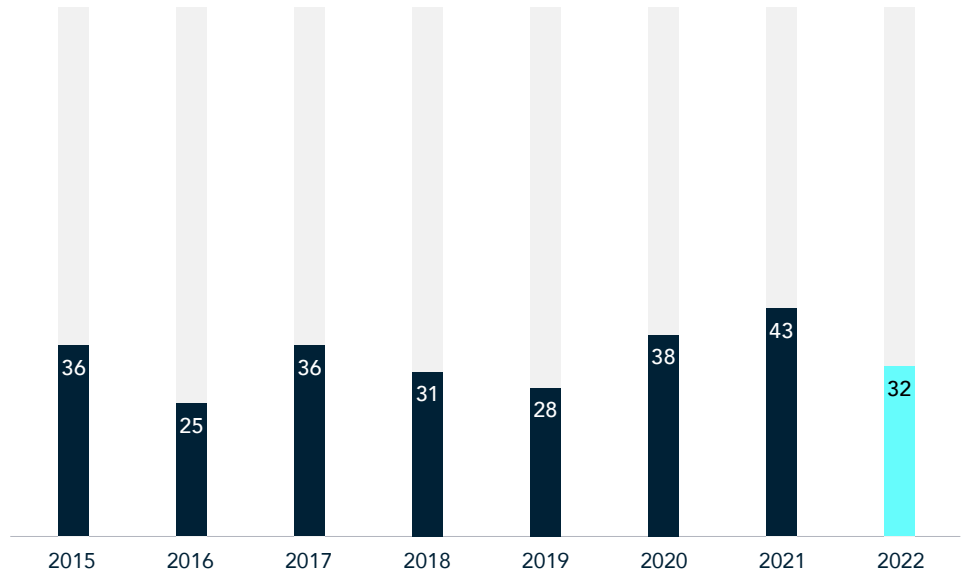
Active executives, 2015–2022 (%)



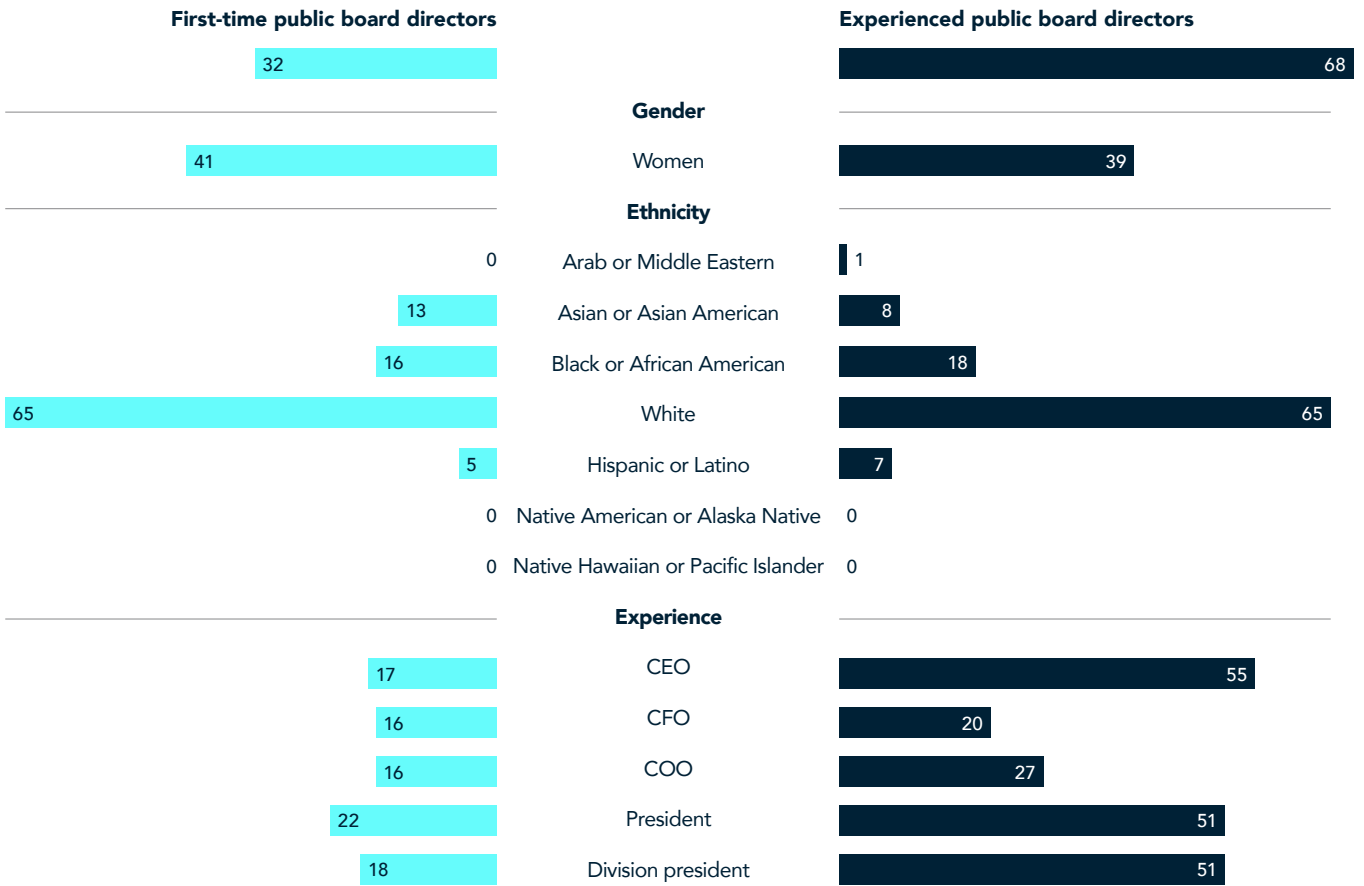
Fewer seats going to first-time public board directors

There was a drop in the share of seats going to directors with no prior public board experience, from a record 43% in 2021 to 32% in 2022, suggesting that when boards were filling seats, they more often wanted to be sure directors could hit the ground running. First-time directors were, as in prior years, somewhat more diverse than the overall group—41% of seats allocated to first-time directors went to women and 35% went to racial or ethnic minorities—so the drop in their share of seats correlates directly with the overall drop in diversity. It is also notable that the share of seats going to first-time directors with CEO experience dropped from 24% in 2021 to 17% in 2022, suggesting that many companies are not encouraging their CEOs to take up non-executive board positions. In the longer run, this could open the door for boards to appoint first-time directors with a broader experience set, boosting the breadth of skill sets on any given board.

Share of first-time public board directors, 2015–2022 (%)



First-time public board directors vs. experienced directors (%)



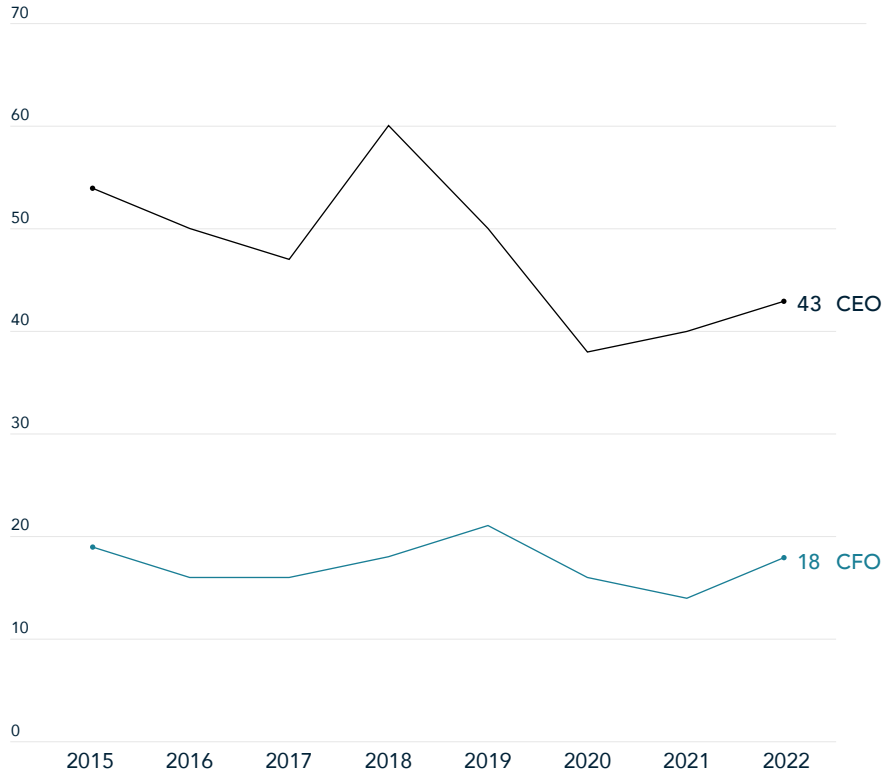
Note: Numbers may not sum to 100%, because of rounding.



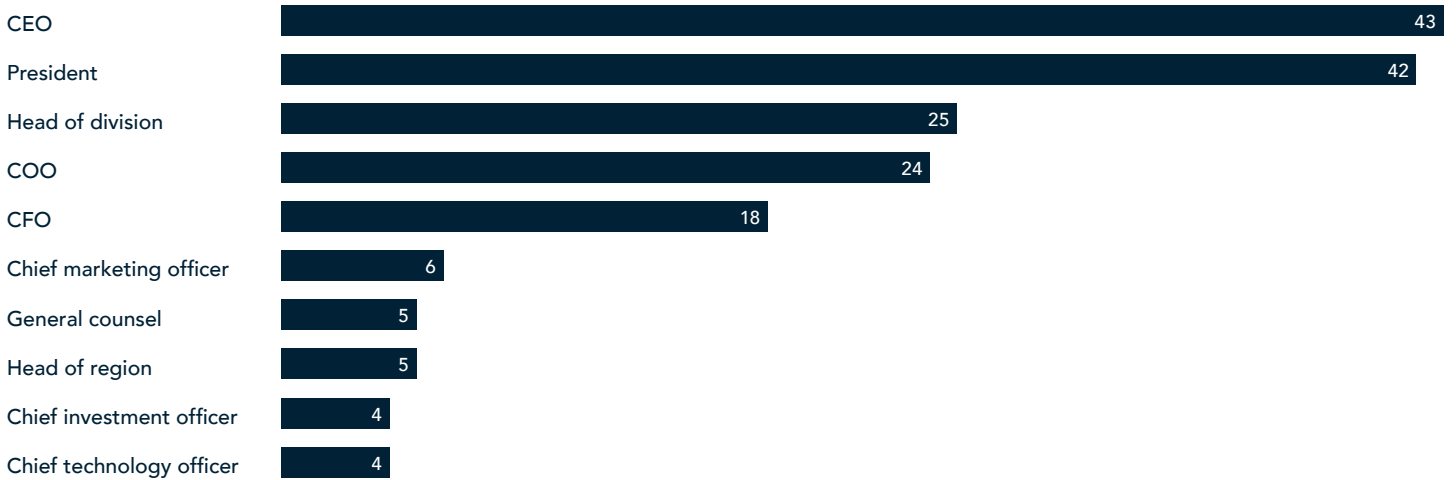
An increase in the share of seats going to people with CEO and CFO experience

Continuing last year’s trend, 2022 saw an increase in the share of seats going to directors with CEO experience. Thirty-three percent of seats went to directors with other C-suite experience, suggesting that boards are still seeking to maintain a wide range of executive expertise. Aside from CEO and CFO experience, the most frequent types of executive backgrounds include president, head of division, COO, and CMO.

CEO and CFO trends, 2015–2022 (%)

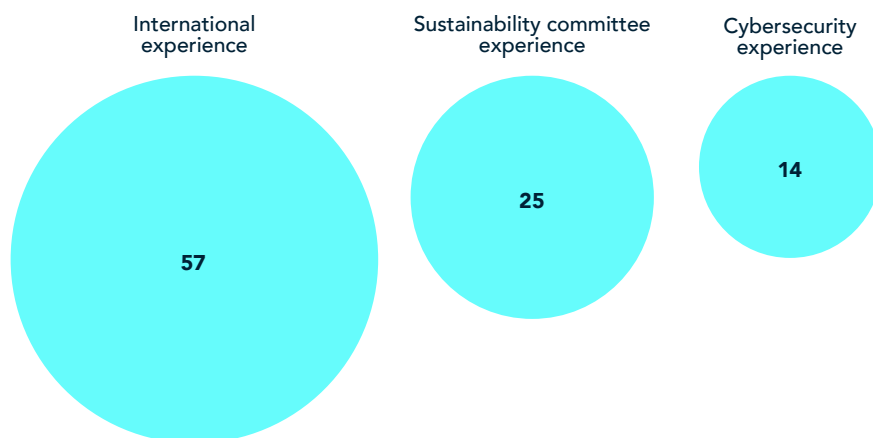


Top 10 most frequent executive backgrounds (%)



In terms of additional areas of expertise, 57% of seats went to directors with international experience, 25% to directors with experience on a sustainability committee, and 14% to those with cybersecurity acumen.

Additional areas of expertise (%)



Sector experience

Boards also sought fresh perspectives by continuing to show a preference for directors with cross-industry experience, with 77% of seats going to individuals with experience different than the industry of the board they were appointed to.

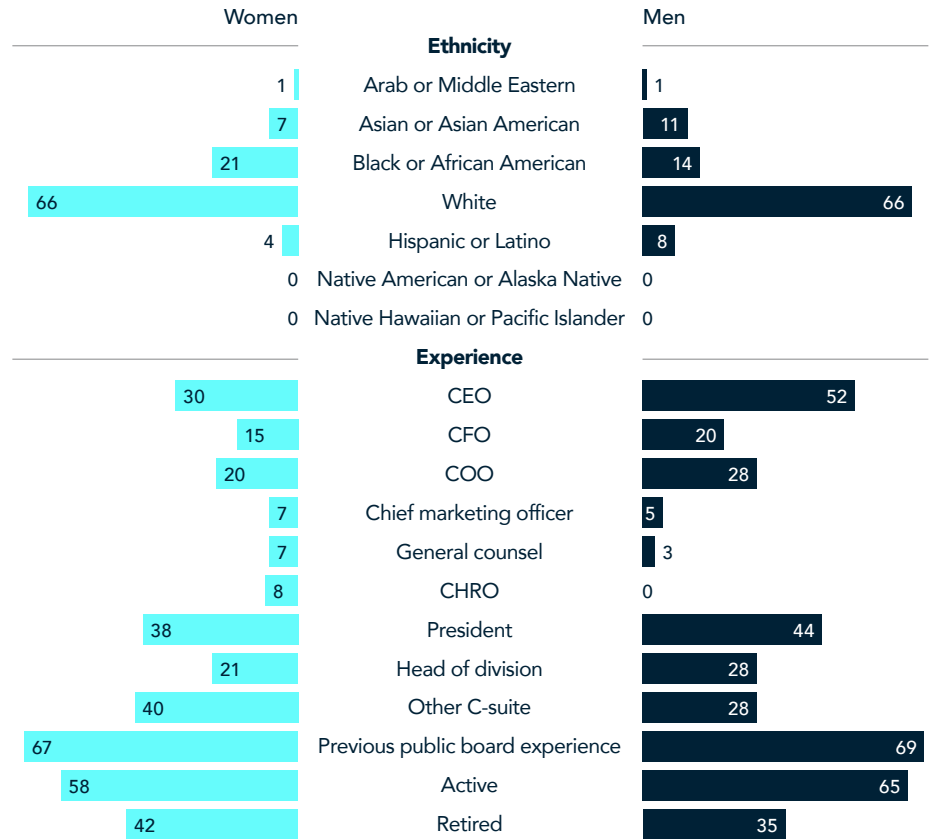
Industry experience, by board industry (%)

	Board industry					
	Overall	Consumer	Financial services	Technology and telecoms	Healthcare and life sciences	Industrial
Business services	20	25	18	24	15	19
Consumer	40	55	34	48	29	32
Financial services	39	35	61	44	29	33
Industrial	36	29	25	24	32	51
Healthcare and life sciences	12	10	11	8	59	4
Technology and telecoms	18	24	16	44	6	13
Other	13	9	19	8	6	14

A step back for gender and racial or ethnic diversity

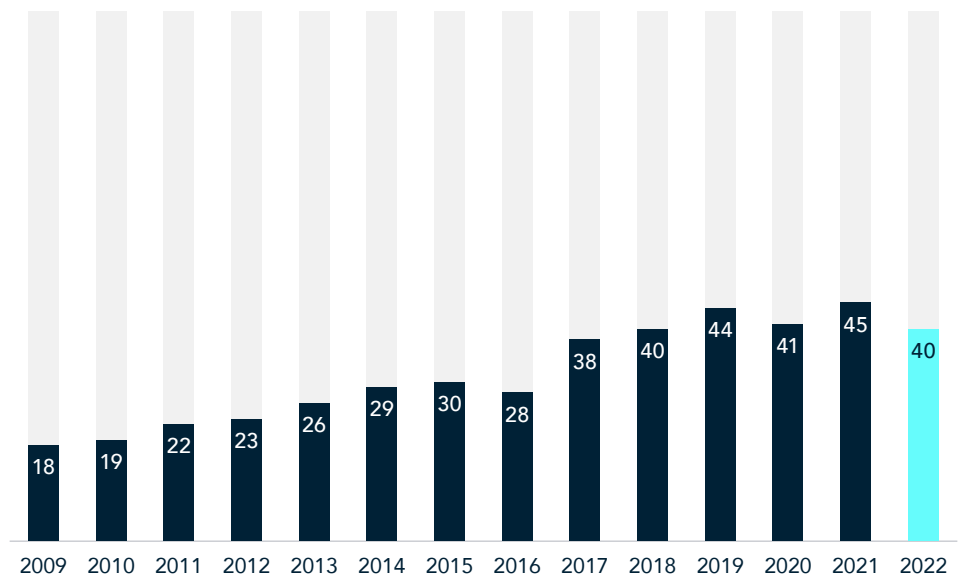
The share of seats going to women decreased by five percentage points, from a record 45% in 2021 to 40% in 2022. This is part of a pattern of noticeable fluctuations in gender balance that started in 2018. The women who did gain seats in 2022 had backgrounds more similar to those of their male peers than earlier groups of female directors, as we saw for the first time last year. That said, there are functional areas such as marketing, legal, and HR where women still have a somewhat better representation than men. A separate analysis we have conducted of Fortune 100 companies' executive teams shows that, aside from the DE&I function, these three are the functions with the highest women representation.³

Ethnicity and experience of new directors, by gender, 2022 (%)



This is particularly notable because even temporary setbacks in gender balance can make it challenging to get back on track. Despite the significant progress in the women directors appointed since 2017, the impact on overall gender balance has been steady but small.

Share of women director appointments, 2009–2022 (%)



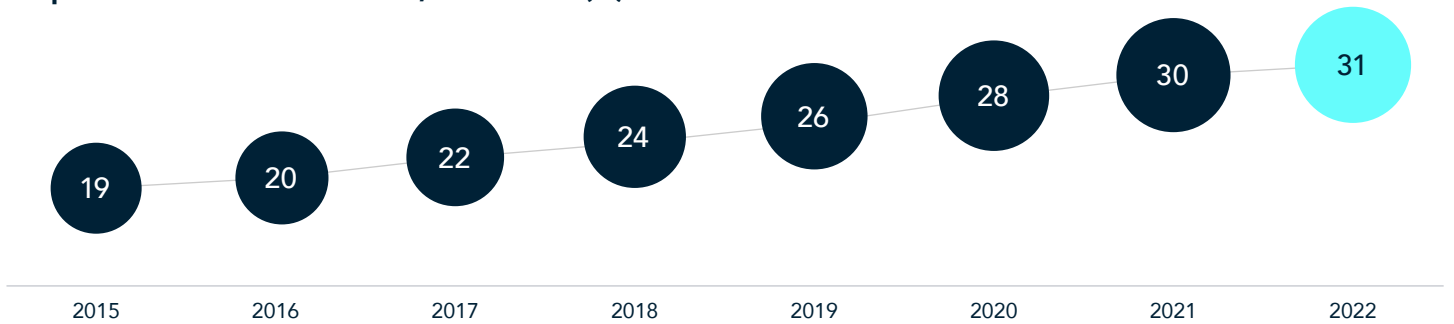
³ Forthcoming Heidrick & Struggles research on the composition of the executive teams in Fortune 100 companies.

The story is similar when it comes to racial and ethnic representation: the share of seats that went to directors who are racial or ethnic minorities decreased from 41% in 2021 to 34% in 2022, mostly driven by a nine-percentage-point drop in the share of seats going to Black or African American directors. The drop in the share of seats going to Black or African American directors is notable compared to the highs of 2020 and 2021, at 28% and 26%, respectively.

However, it is still higher than any of the 11 years prior to 2020. It will remain to be seen if this is part of a downward trend or a fluctuation pattern similar to that in gender balance is being established. The share of seats going to Asian or Asian American and Hispanic or Latino directors has remained flat over the past four years—and Hispanic/Latino and Asian American women continue to be particularly underrepresented. The fact that the Hispanic and Latino

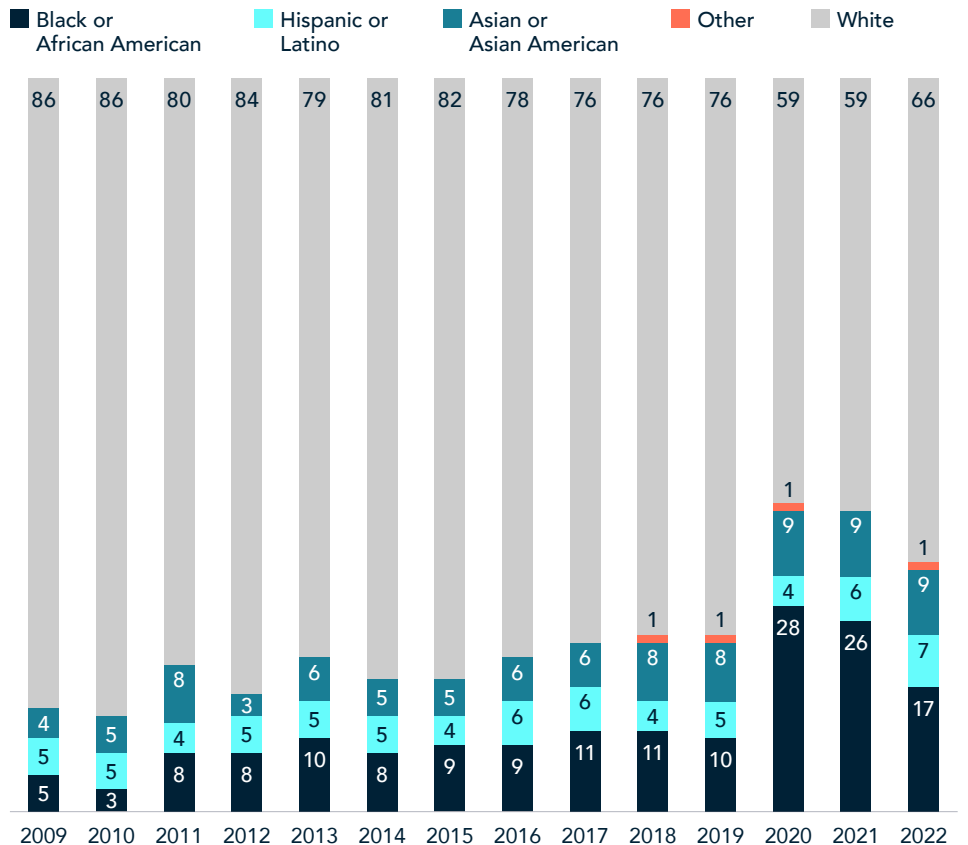
community represents 18% of the US population but hasn't seen a significant increase in representation in the 14 years since we started tracking the data shows that far more work needs to be done on equitable representation in this area. Looking at the other main ethnicities in the United States, the Black community makes up 13% of the overall population and the Asian community makes up approximately 6%.

Proportion of women on boards, 2015–2022 (%)



We expect gender and racial and ethnic diversity on boards to remain a challenge, given the relatively low level of diversity in the pipeline of executives coming through the key roles that are most often stepping stones for a CEO or board role: CFO, COO, and head of division. Our analysis of the executive teams of Fortune 100 companies, for example, shows that 20% are women and 20% are racial or ethnic minorities in these three roles combined.⁴ This is progress from 2020, when 16% were women and 12% racial or ethnic minorities, but it does not even include as much diversity as we saw added to boards in 2022.

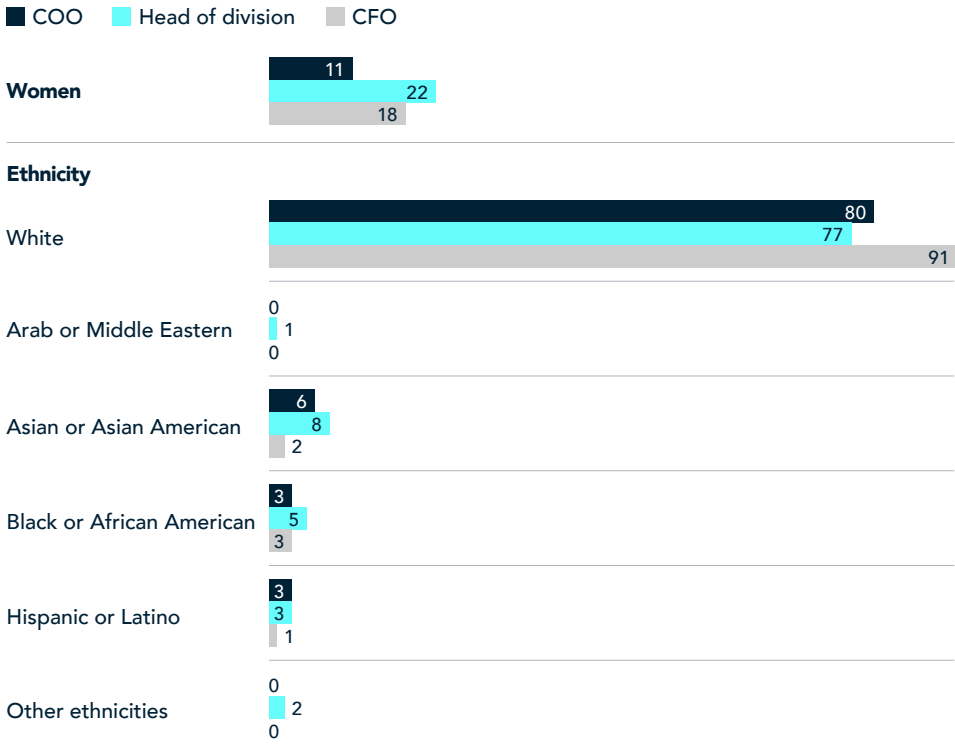
Ethnicity trends, 2009–2022 (%)



⁴ "How diverse is the CEO succession pipeline at leading companies?" Heidrick & Struggles, heidrick.com.

Note: Numbers may not sum to 100%, because of rounding.

Key roles in Fortune 100 leadership teams filled, by gender and ethnicity (%)

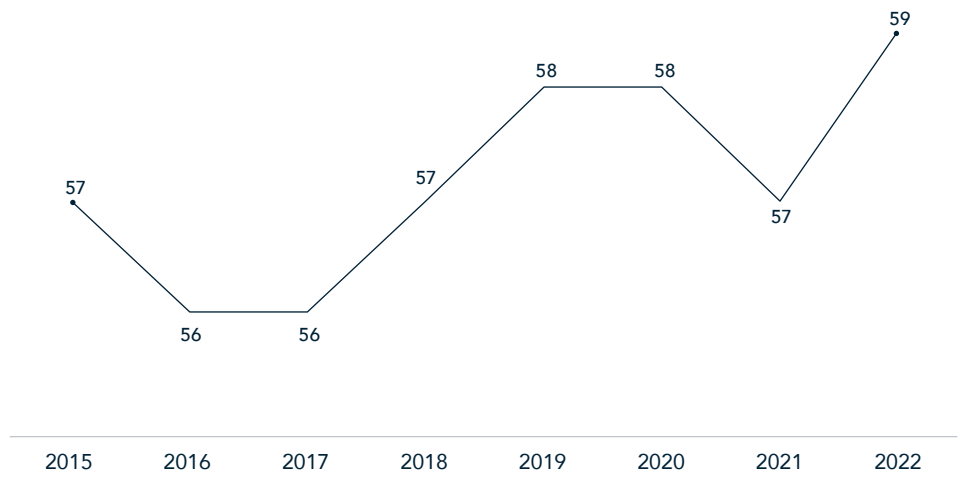


Source: Heidrick & Struggles' analysis of Fortune 100 companies' executive committees, 2022



The average age of the directors appointed in 2022 increased by two years compared to last year, from 57 to 59. Beyond the aggregate numbers, the share of seats going to directors who are 60 and above increased from 41% to 47%, and the share going to directors under 55 decreased from 34% to 29%. This reinforces boards' apparent quest for balance and experience, with many boards choosing directors with demonstrated leadership experience in managing through the aftermath of the global financial crisis and the ebb and flow of the intensely transformational period that followed.

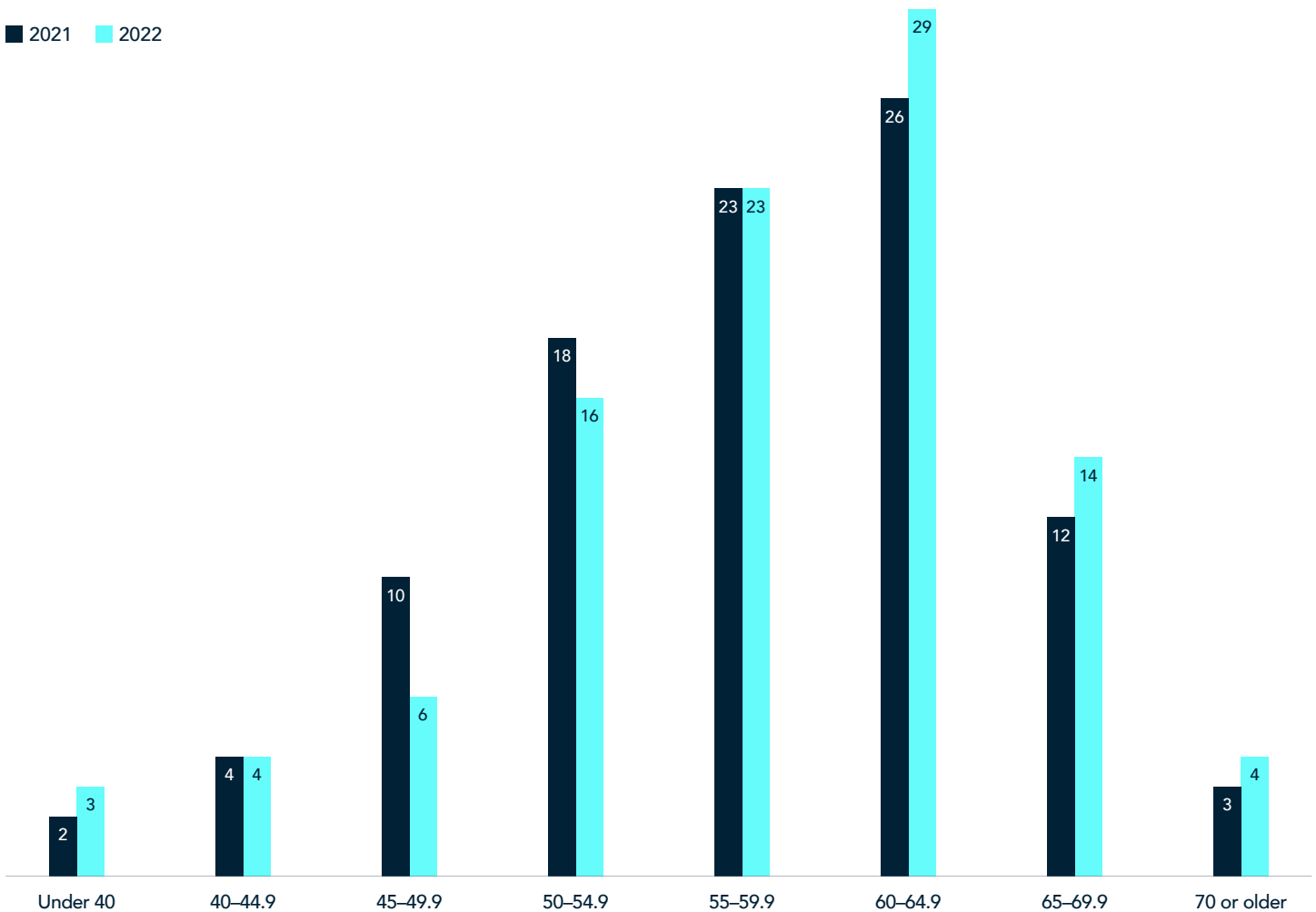
Key findings: Age trends
Average age, 2015–2022



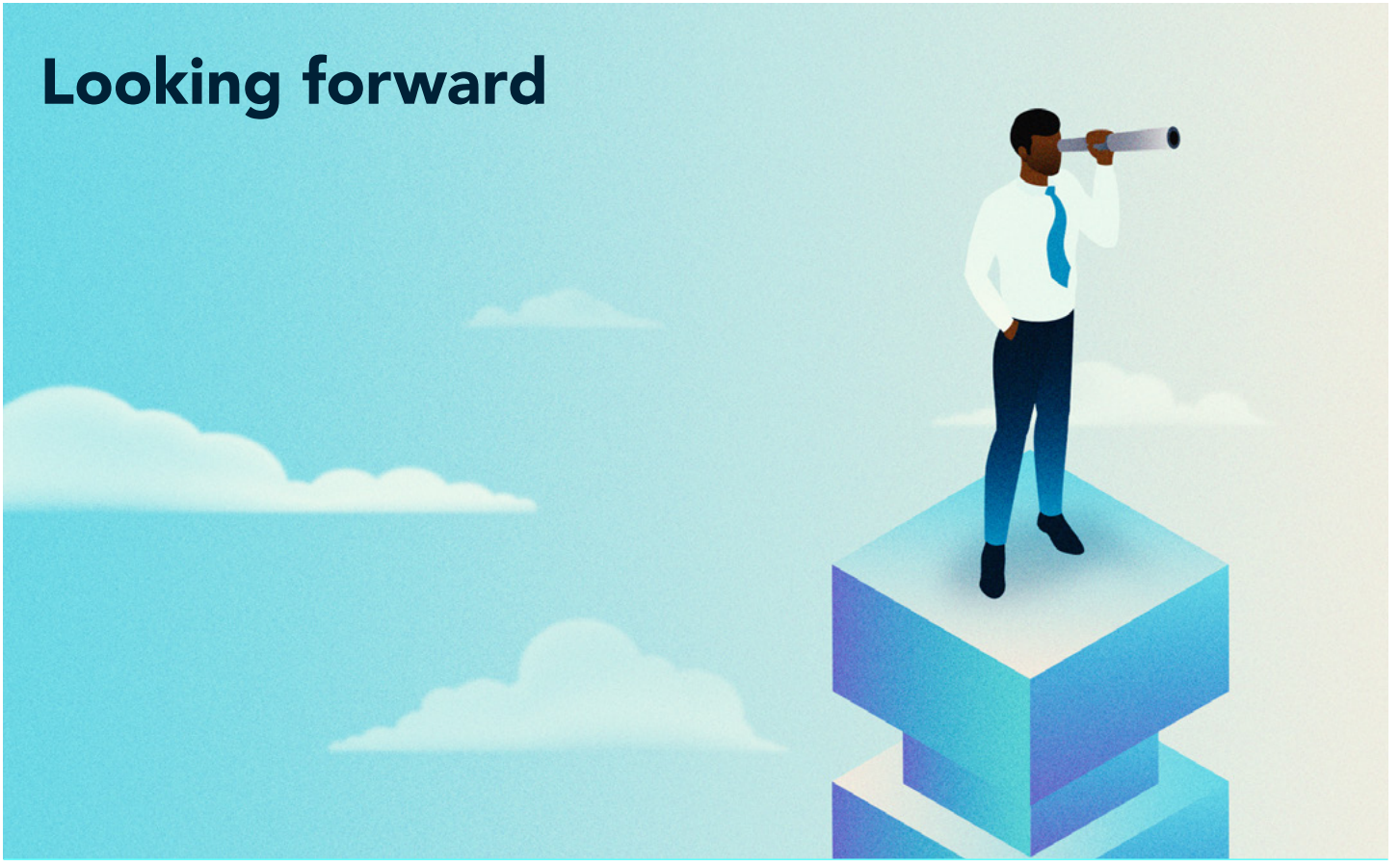
Key findings: Age trends

Age distribution, 2021 vs. 2022 (%)

■ 2021 ■ 2022



Looking forward



Today's challenges, including managing current economic and geopolitical crises while continuing to focus on growth, make it tempting to revert to the more familiar CEO and CFO backgrounds. Aside from broadening the talent pool for future board positions, it's important that companies ramp up their focus on improving diversity in their executive leadership teams—particularly for roles that more often lead to CEO or board positions.

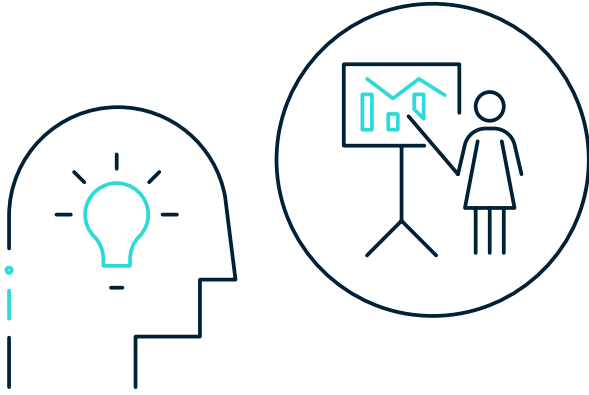
That, in turn, will generate more robust conversations that are strategically crucial for success across a broad range of long-term strategic scenarios. In addition, boards need to make sure that they build or maintain expertise to oversee longer-term organizational goals such as sustainable growth and inclusive cultures.

So it is critical that boards' succession planning should return to including a better balance of backgrounds

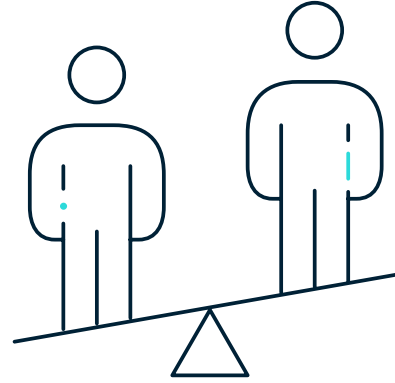
and a wider range of skill sets as well as ensuring board composition is representative of the communities in which the company operates—all in the context of strategic needs and not box-ticking. The fact that boards continue to seek a wide range of C-suite and cross-industry expertise is a bright spot, and one that boards can build on as they consider what they need now and for the future.

Best-in-class boards continue to:

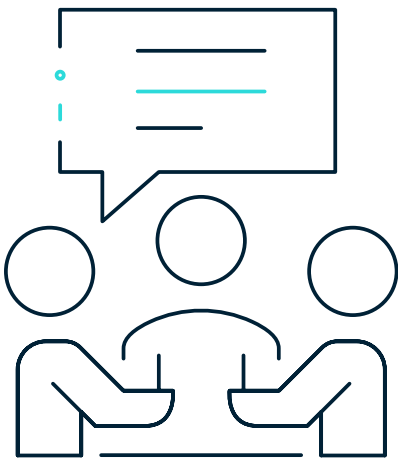
Maintain the overall strategic value of the board in its entirety, rather than focus on individual appointments. This will give boards strategic competitive advantage over the long term, particularly if their succession planning aims to address a wide range of scenarios and implications for board composition.



Take a balanced approach in blending experienced directors with CEO or CFO backgrounds and first-time directors who bring in complementary backgrounds and skills. Boards should also make sure they have other fresh voices around the table, including those who can challenge the status quo, including on a temporary or ad hoc basis.



Stay committed to a diverse board: by all our metrics, Fortune 500 boards have taken a step back when it comes to diversity. A comprehensive succession strategy will factor into what extent the board is representative of the company's customer base and the communities in which it operates, and it should range more broadly if the company is considering market growth strategies.



Seek new board members with the potential to take on leadership roles in the board context (chairs, committee chairs, and so on), an area where we see continuous fierce competition in the market.



CEO & Board of Directors Practice

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

We pride ourselves on being our clients' most trusted advisor and offer an integrated suite of services to help manage these challenges and their leadership assets. This ranges from the acquisition of talent through executive search to providing counsel in areas that include succession planning, executive and board assessment, and board effectiveness reviews.

Our CEO & Board Practice leverages our most accomplished search and leadership consulting professionals globally who understand the ever-transforming nature of leadership. This expertise, combined with in-depth industry, sector, and regional knowledge; differentiated research capabilities; and intellectual capital, enables us to provide sound global coverage for our clients.

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