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Latino Leaders on Boards: Are You Ready?

By Pablo Schneider

If you're thinking or have thought about serving on a major board at some point in your career, there is a lot to consider. Major board service is not a sprint – it's a marathon. It is not an end in itself; it's a result of excelling at what you do, having a strong network of people who think highly of you, and getting the requisite experience and training along the way. It can easily take over twenty years of preparation and positioning to become a competitive candidate for a seat on a major board.

According to the Alliance for Board Diversity, Latinos (4%), African-Americans (9.7%), Asians (1.6%), and women of all races and ethnicities (17%) hold a combined total of just 28.5% of Fortune 100 board seats. Earlier this year, the Hispanic Association on Corporate Responsibility (HACR) released a report showing that within the Fortune 500 companies, just over 3% of board seats and 1% of executive officer positions are held by Latinos. Latino participation on Fortune 500 boards has inched up from around 1% in 1993, to 1.9% in 2003, to 3.1% today. There is a widespread sentiment in the Latino community that there should be more Latinos on major boards, but what can be done to make it happen?

In framing the question of how to increase Latino board participation, there are a few elements to consider. One is econometric and includes boards (demand), connectors (intermediation), and candidates (supply). A second element is based on approaches toward Latino board participation. It includes social responsibility, reciprocity, and the business case approach.

Boards have a certain demand for directors, which is represented by the total number of board seats. Although privately held and non-profit corporations are included in this edition, most of the data available focuses on publicly traded companies. There are approximately 60,000 board seats within publicly traded companies in the U.S. The average number of directors varies from 9.5 for large-cap companies to 7.9 for mid-cap companies and 6.8 for small-cap companies. According to Korn/Ferry International, the demand for new directors has increased due to a heightened emphasis on director independence and on specific skill sets such as financial, audit, and marketing expertise. Another driver for new directors' demand comes from an increase in retirements and resignations.

When a director is needed, *connectors* such as nominating committees, search firms and governance-related organizations provide intermediation by connecting candidates with boards. When a board seat opens up, about half of the time the seat is filled by the board's nominating committee directly and the other half of the time the nominating committee hires a search firm to help them fill the seat.

The supply of *candidates* for major boards is limited by board selection criteria and by the pool of people who can meet those criteria. Common corporate board selection criteria for current and former functional experience is CEOs (by far the most prevalent criterion), CFOs, External Auditors, COOs, Sr. Marketing VPs, General Counsels, CIOs, Sr. HR VPs, Internal Auditors, and Sr. Investor Relations VPs. Common corporate board selection criteria for current and former professional experience include senior executives with same-industry experience, senior executives with other-industry experience, professional service advisors, technical experts, investors, government experience and contacts, and professors/academic administrators. Although major private and non-profit boards often have similar criteria, they are more likely to also include broader criteria, such as community leadership. Given the small number of Latinos who meet these criteria, the current pool of Latino candidates for major boards likely numbers in the thousands.

Approaches toward Latino board participation include corporate responsibility, reciprocity, and the business case approach.

Corporate responsibility holds that corporations have a responsibility to reflect the makeup of society at all levels, including on the board of directors. Under this approach, the number of Latinos on Fortune 500 boards would quintuple.

Reciprocity holds that corporations should reciprocate for Hispanic economic contributions via commensurate inclusion of Hispanics at all levels, including on the board of directors. Under this approach, the number of Latinos on Fortune 500 boards would more than double.

The **business case** approach holds that when a strong business case is made to corporations they will be more likely to include Latino-related skill sets in their board search criteria. It also holds that when a strong business case is made to Latinos they will be more likely to prepare and position themselves for major board service. In-

terestingly, there is a thread of both business cases running through many of the interviews in this issue. Under this approach the number of Latinos on Fortune 500 boards would undoubtedly rise significantly with an increase in both the demand for Latino directors and the supply of Latino candidates.

Both corporate responsibility and reciprocity focus on getting boards to add more Latinos. Under both of these approaches, it is up to the boards to ensure that Latinos are adequately represented or reciprocally included. If Latinos are underrepresented or under-included it's the board's responsibility. In contrast, the business case approach makes Latino board participation a two-way street. It focuses both on boards (demand) and on candidates (supply). By focusing on candidates, the business case approach encourages Latinos to take the initiative and play an active role in increasing board participation.

These three approaches are mutually inclusive. Many of the 48 outstanding Fortune 500 companies that have had Latino board participation consistently over the past decade were likely motivated by one, two, or all three of these approaches.

A comprehensive strategy to increase Latino board participation would focus on the demand by boards, intermediation by connectors, and the supply of candidates (including the candidate pool and candidate pipeline). It would also include corporate responsibility, reciprocity, and the business case approach.

Driving Board Diversity

The U.S. is undergoing a fundamental structural change in both human capital and market demographics. According to the Selig Center, Hispanics, African Americans, Asian Americans, and other diverse groups now total 100 million people, comprise 30% of the U.S. population, and already have \$2.3 trillion dollars in purchasing power. Given that the Latino population (including Puerto Rico) totals over 50 million people (15.5% of the total U.S. population) and Latinos have over \$870 billion in purchasing power, serving the U.S. Latino market is a compelling opportunity for many major public, private, and non-profit corporations.

Pressing Questions

There is an incredibly talented pool of Latinos who are outstanding board candidates in their own right and can make significant contributions to boards of all kinds. To the extent that the Latino market is relevant to a corporation's business, many Latino directors can add even more value to boards by virtue of their Latino-related skill sets, such as cultural understanding, market knowledge and stakeholder relationships.

Still, the low number of Latinos on major boards brings up a number of questions.

- Why do Latinos hold so few board seats?
- What can be done to increase the number of Latinos on boards?
- What are some board perspectives on this issue?
- Who are some of the candidates for major boards and who are some of the most prominent Latinos serving on boards now?
- How can you prepare and position yourself for major board service?
- Why is it important to have more Latinos on major boards?

For this special edition of Latino Leaders, we interviewed a number of prominent directors and executives of Fortune 500 companies. Through their perspectives and collective wisdom, we have been able to address these questions and more. Through our collective research, we have also strived to paint a realistic portrait of Latino board service. We hope that as a reader you will be inspired to contribute to the direly needed positive change in this arena. 📍