

## Women and Racial Minorities in the Boardroom: Directors who Bring New Perspectives and Resources

by Nancy R. Lockwood, SPHR  
HR Content Expert  
SHRM Research Department  
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*"Where do women and minority directors come from and how, if at all, do they differ from white male directors beyond race and gender?"*

In their 2002 article in the *Journal of Management*, "Women and Racial Minorities in the Boardroom: How do Directors Differ?" authors Hillman, Canella Jr., and Harris explore possible differences -- beyond race and gender -- between women and racial minority directors and the traditional white male director.

In their research, the authors document the number of women and racial minorities holding directorship positions, showing a gradual increase over time. For example, the 1999 Directorship's Annual Survey found that on *Fortune* 500 boards, there were 1.6% (118) African-American directors in 1992, and by 1997, that number increased to 2.7% (189). And in 1997, 45% of *Fortune* 500 boards included at least one female director, and 37% included an African-American director.

Using research based on information gathered from corporate *Fortune* 1000 annual reports, this unique study analyzes differences on the individual directorship level rather than boards as groups. The study identifies three specific differences between women and racial minorities in directorship roles and white male directors: education level, occupation/specialty knowledge, and community contacts.

### FIGURE 1: TWO IMPORTANT TRENDS HAVE ALTERED U.S. BOARDROOMS IN THE PAST TWO DECADES

- A shift in board composition to include more outside directors.
- Director profiles increasingly include members of gender and race different from the traditional white male director.

### Creating Director Profiles

The study sample consisted of representative groups across race and gender of directors selected from *Fortune* 1000 board members. As information to compare differences between white male board directors and women and racial minority directors was not readily accessible, the authors created a database from a number of sources.

Using annual reports from *Fortune* 1000 companies, proxy reports (to identify gender and race through photos) and biographies of business directors (e.g., *Who's Who in Corporate America*), the authors were able to determine the career paths and directorship histories of individuals in the study sample. They also documented age at the first directorship, primary occupation, and education level.

The final sample consisted of 275 directors: white females (89), white males (99), African-Americans females (16), and African-American males (71). Occupations were divided into three areas:

1. Business experts (current and former senior officers of for-profit firms);
2. Support specialists (e.g., members of the financial community, public relations, marketing and insurance professionals); and
3. Community influentials (e.g., academics, heads of nonprofit foundations, politicians, clergy, and other community or social celebrities).

Levels of education were identified in four categories: some college, undergraduate degree, master's degree and doctoral degree (Ph.D., J.D., M.D.).

### Director Roles and Human Capital Differences

While the board member role is often considered to have fiduciary responsibilities, directors also offer expertise in the form of resource-dependence roles. In these roles, they provide benefits in four key areas:

1. Expertise and advice from different fields;
2. Communication flow between the company and external organizations;
3. Contacts to gain commitments or support from external sources; and
4. legitimacy in the public eye, by representing the demographics of the organizations they serve.

Considering human capital, one of the most significant factors in a workforce is education. Earlier studies note that for white male directors, promotions to senior executive positions are the most common demonstrations of expertise. However, for women and racial minority directors, promotions are rarely the mechanism that brings them to the corporate board. Rather, it is through their education credentials that women and racial minorities achieve recognition.

Not surprisingly, the study reveals that women and racial minority directors tend to have higher levels of education than white male directors, and white male directors usually have more business experience than women and racial minority directors.

### Patterns Leading to Directorships

After reviewing the directors in the sample study, the authors suggest that obtaining a directorship position for women and racial minorities is influenced by several factors:

- **Connections/Networking:** Surviving in today's business world involves dealing with uncertainty, and boards that have directors with connections to other organizations can more easily handle the challenges of transition.
- **Demand for Representation:** Today, public sentiment demands that the board of directors reflects the organization served. Thus in the future, qualified women and racial minorities will likely be increasingly recommended and recruited to fill directorship positions.
- **Experience on Other Boards:** Once selected and appointed to a directorship

### FIGURE 2: GROWING NUMBERS OF FEMALES AND RACIAL MINORITY DIRECTORS ON BOARDS

- **1987:** Daily et al. (1999) found that the *Fortune* 500 boards in 1987 had 270 (4.7%) female directors and by 1996 there were 417 female directors (7.1%).
- **1993:** Of the 7,422 directors on *Fortune* 1000 boards, 7.53% were women (559) and 1.45% were African American (108).
- **1997:** 45% of *Fortune* 500 boards included at least one female director and 37% included an African-American director.
- **1997:** The 1999 Directorship's Annual Survey found that on *Fortune* 1000 boards, there were 118 (1.6%) African-American directors in 1992, and by 1997, the number had grown to 189 (2.7%).

**Source:** Adapted from Hillman et al., 2002

position, women and racial minorities have overcome a significant stereotype barrier and will more likely be appointed to other boards in the future.

As directors, women and racial minorities provide the organizations they serve with status and visibility in the business community. In addition, as they are now part of the community of board directors, this visibility opens opportunities for additional directorship positions.

### Implications for the Future

On a practical note, the study makes contributions to two audiences:

1. Corporate boards
2. Individual director, or aspiring director level

The study points out that for corporate boards, women and racial minority directors bring a variety of resources and new perspectives, unrelated to race and gender.

#### FIGURE 3: KEY FINDINGS

- Female and African-American directors often hold advanced degrees.
- Once attaining the first directorship to a board, women's and minorities' second and third appointments more easily follow.
- Companies seeking women and racial minority directors identify, locate and recruit them from other boards.

These resources specifically take the form of support specialists and community influentials, complementing the white male director's business expertise. To increase the diversity of board members, the study further indicates that companies will probably seek out women and racial minority directors from other boards.

At the individual level, the study results suggest that the likelihood of women and racial minority groups achieving an initial board membership is enhanced when they have an advanced degree. Furthermore, support specialist or community influential occupations may well provide paths leading to corporate directorships. To get beyond stereotypical concerns that they do not fit the

traditional board member profile, the key for women and racial minorities to successfully attain board member status may well be the combination of an advanced degree and the initial board appointment.

### SHRM HR Content Insights

The role of women and racial minorities in top managerial positions -- including the executive suite and coveted board director roles -- is getting increased attention in the press. A recent article in *The Wall Street Journal*, titled "IN THE LEAD: In the U.S., What Will It Take to Create Diverse Boardrooms?" points out that corporations are under greater pressure to diversify their boards and are asked to have fewer directors who are directly related to the company.<sup>1</sup> This environment presents an excellent opportunity for women and racial minorities to be appointed to directorship positions.

At the same time, one of the arguments presented regarding women and racial minority board directorships is the difficulty of locating qualified candidates. If CEOs truly want to include women and racial minorities on their boards, however, they have only to look around. If companies make their search a priority, they will find the qualified individuals they seek on other boards and through recommendations.

Yet, the "glass ceiling" continues to have a negative impact for women and racial minorities regarding access to executive and board positions. According to the 2000

Catalyst Census of Women Corporate Officers and Top Earners, the number of women of color in the top management ranks has not been increasing.<sup>2</sup>

Furthermore, the importance of women's issues in the business world is acknowledged by the growing number of research organizations -- many established in the past five to ten years -- focusing on women's issues—social, economic and business (see "[Internet Resources](#)").

On a final note, the literature recommends a number of actions that women and racial minorities can take to further their advancement. First, having a mentor in top management is critical—specifically, someone in whom you can trust and confide and learn the unspoken rules at the top. A mentor will help evaluate whether or not the culture above the glass ceiling is the one for you. Second, it is important to know yourself well and understand what habits and attitudes are essential to obtain and succeed in executive and/or directorships. And third, it is important to gather data about positions behind the scenes. What does the position really entail? The emotional context of words describing the job tells the real story.<sup>3</sup> Taking these factors under consideration will determine whether you can be successful in the top ranks.

To read more about women and racial minorities in director/executive positions, see these additional resources:

#### **Additional Resources: Articles**

- Davis, S. (2000, April). Minority execs want an even break. *Workforce*, 79, 4, pp. 50-52, 54-55.  
**Abstract:** Although there has been an effort to hire minority executives, companies are doing little to keep them. Learn what minority executives are looking for and how to create an environment where they can thrive.
- Epstein, G. (2003, May 26). Breaking the glass. *Barron's*, 83, 21, 17-18.  
**Abstract:** Women who work in Corporate America are already conducting a quiet revolution that could eventually shatter the glass ceiling once and for all. But there are still plenty of challenges. Sexism at the top remains strong. Labor with leadership potential will become scarce, which will give women greater opportunity to grab the brass ring.
- Hymowitz, C. (2003, July 8). In the lead: In the U.S., what will it take to create diverse boardrooms? *The Wall Street Journal*, p. B1.  
**Abstract:** The glass ceiling has been barely cracked in boardrooms. Corporations are coming under increasing pressure to diversify, and although CEOs say they can't find qualified candidates, the search is doable and requires solid determination.
- Scott, M. S. (2001, August). For women, the glass ceiling persists. *Black Enterprise*, 32, 1, 30.  
**Abstract:** Although the percentage of women among the highest-paid corporate officers has increased in small increments over the last five years, the number of women of color among that group remains stagnant, according to the 2000 Catalyst Census of Women Corporate Officers and Top Earners.

#### **Additional Resources: Books**

- Morrison, A. M. (1992). *The new leaders: Guidelines to leadership diversity in America*. San Francisco: Jossey- Bass Publishers.  
**Abstract:** This book provides best practices for promotion of women and people of color to the executive ranks, and offers step-by-step actions to create

diversity strategies that achieve measurable results.

- Thomas, D. A., & Gabarro, J. J. (1999). *Breaking through: The making of minority executives in Corporate America*. Boston: Harvard Business School Press.

**Abstract:** This book provides clear insight into the issues confronting minorities in their pursuit of the executive suite. Real-life examples are offered, coupled with keen analysis, to powerfully illustrate the obstacles to advancement.

- International Labor Organization. (2001). *Breaking through the glass ceiling: Women in management*. ISBN 92-2-110845-7; [www.ilo.org](http://www.ilo.org).

**Abstract:** Although significant progress has been made in gender equality, there remain attitudinal and institutional barriers to women assuming managerial roles. Women around the world face the challenges of balancing family life and work, and obtaining the education and training necessary to break through the glass ceiling. This book, building on a 1997 report, illustrates the status of women in the workplace. The ILO reviews national and international policies and suggests strategies for advancement. The book includes an extensive bibliography and country rankings on gender-related development.

### Internet Resources

- Catalyst: [www.catalystwomen.org](http://www.catalystwomen.org)
- Center for Women's Business Research: [www.nfwbo.org](http://www.nfwbo.org)
- Centre for Research and Education on Women and Work: [www.business.carleton.ca/research/creww](http://www.business.carleton.ca/research/creww)
- Glass Ceiling Research Center: [www.glass-ceiling.com](http://www.glass-ceiling.com)
- Institute for Women's Policy Research: [www.iwpr.org](http://www.iwpr.org)
- International Center for Research on Women: [www.icrw.org](http://www.icrw.org)
- Institute for Research on Women & Gender: [www.columbia.edu/cu/irwg](http://www.columbia.edu/cu/irwg)
- The Institute for Research on Women and Gender: [www.stanford.edu/group/IRWG](http://www.stanford.edu/group/IRWG)
- National Association for Women Business Owners: [www.nawbo.org](http://www.nawbo.org)
- National Women's Business Council: [www.nwbc.gov](http://www.nwbc.gov)

### Footnotes:

<sup>1</sup>Hymowitz, C. (2003, July 8). IN THE LEAD: In the U.S., What will it take to create diverse boardrooms? *Wall Street Journal*, B1

<sup>2</sup>M. S. Scott. (2001, August). For women, the glass ceiling persists. *Black Enterprise*, 32, 1, 30.

<sup>3</sup>A. Savage. (2002, October). The real glass ceiling. *T & D*, 56, 10, 49-51.

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**Society for Human Resource Management**

1800 Duke Street • Alexandria, Virginia 22314 USA

**Phone** US Only: (800) 283-SHRM;

**Phone** International: +1 (703) 548-3440

**TTY/TDD** (703) 548-6999

**Fax** (703) 535-6490

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