

# Inclusive Culture and DE&I: Gold Medal Boards Take the Lead

2022 Global Board Culture and Director Behaviors Study



**Every three years, Russell Reynolds Associates surveys a global group of board directors, asking them about their board, their fellow directors, how they spend their time, and what topics they focus on the most. This year, over 1,100 directors participated. Russell Reynolds Associates uses the information they provide us in our work assessing directors, recruiting and evaluating board leaders, and as part of our board effectiveness and advisory work.**

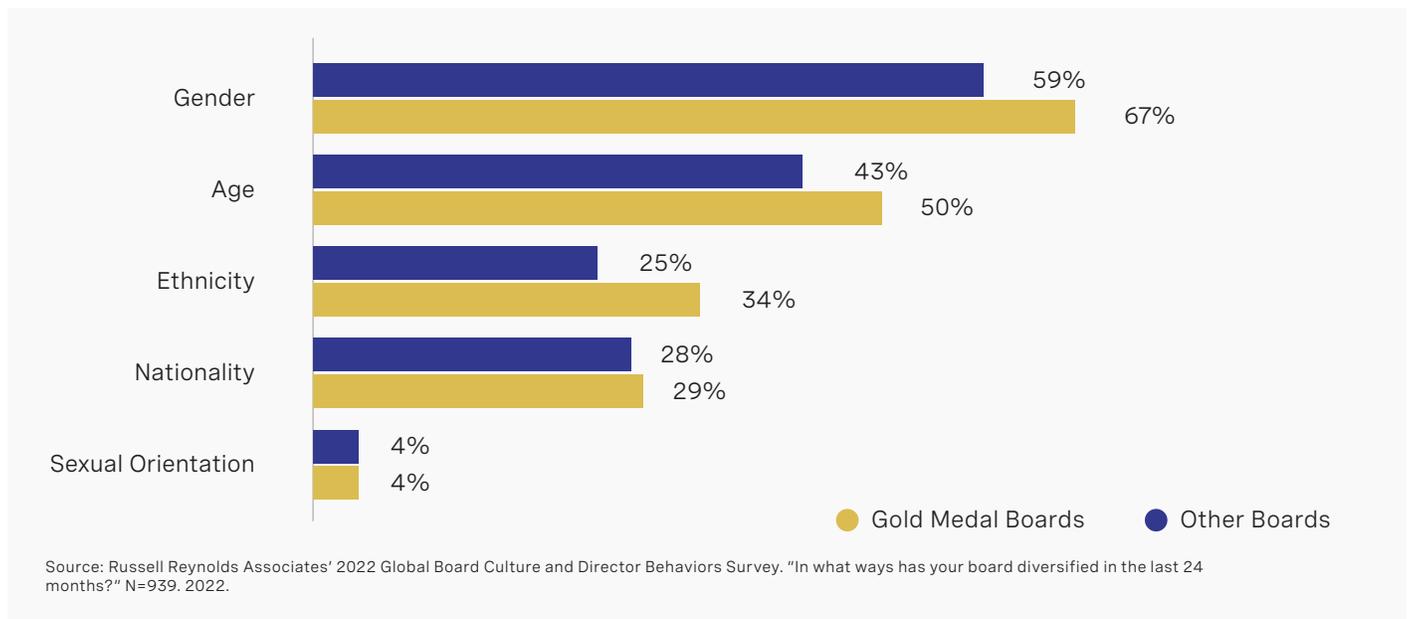
The 2022 survey data was particularly rich, and Russell Reynolds Associates will be publishing a series of reports throughout this year looking at high performing director and board leader behaviors, the attributes of high performing boards, sustainability, DE&I, and other topics. This series will help directors around the world understand the latest trends and insights in each of these areas, and learn what they can do to enhance their own board performance and effectiveness.



Around the globe, diversity, equity, and inclusion (DE&I) has grown to become a critically important boardroom topic given the increasing focus by legislatures, regulatory bodies, stock exchanges, investors, and the general public. Many of these stakeholders have enhanced their expectations around DE&I because of the growing body of research that shows improving DE&I results in improved business performance, not to mention the reality of an increasingly diverse workforce and labor market. (Please see our earlier study on this topic, undertaken in partnership with State Street and the Ford Foundation, “The Board’s Oversight of Racial and Ethnic Diversity, Equity, and Inclusion.”)

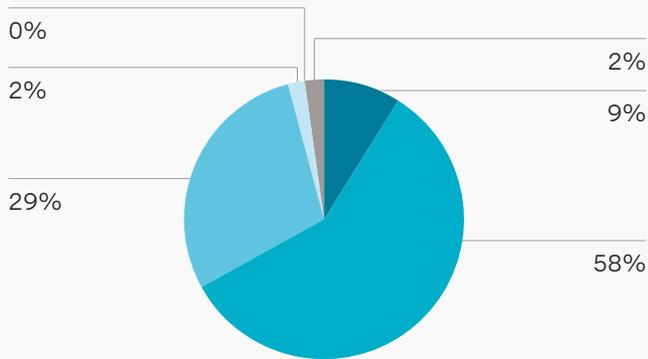
Given increases in investor and stakeholder expectations, directors are focusing in equal measure on DE&I in the boardroom and DE&I in the enterprise. It is therefore no surprise that the majority of directors we surveyed reported that their board diversified itself in at least one of five ways (gender, age, ethnicity, nationality, or sexual orientation) over the last 24 months.

Yet as with so many other topics, Gold Medal Boards (boards whose directors rate their board effectiveness as a 9 or 10 on a 1-10 scale, and report the company as having outperformed relevant TSR benchmarks for two or more consecutive years) went above and beyond: 67% reported diversifying by gender (compared to 59% of all respondents), 50% diversified by age (compared to 43%), 34% by ethnicity (compared to 25%), 29% by nationality (compared to 28%), and 4% by sexual orientation (the same as all respondents).

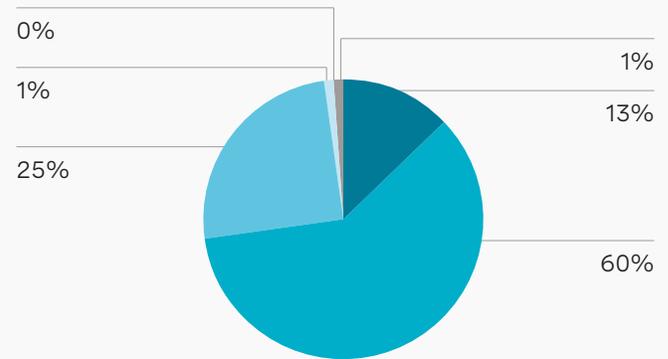


Many critics of the increased corporate focus on diversity argue that diversifying organizations does not actually make the organization any better. But the directors who say that their board diversified disagree, reporting overwhelmingly that the increased diversity has had a positive, or strong positive change on the board:

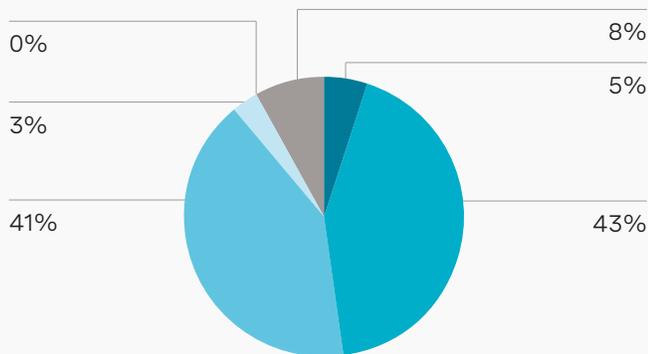
### Age



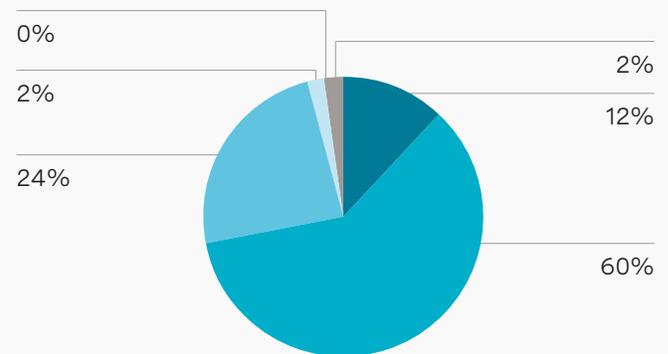
### Gender



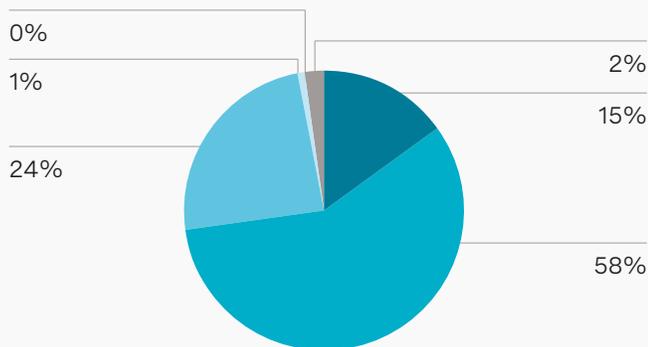
### Sexual Orientation



### Ethnicity



### Nationality



“An effective board should be independent and reflect both diversity of personal characteristics (such as gender, race, and ethnicity) and diversity of skill, experience, and opinion.”

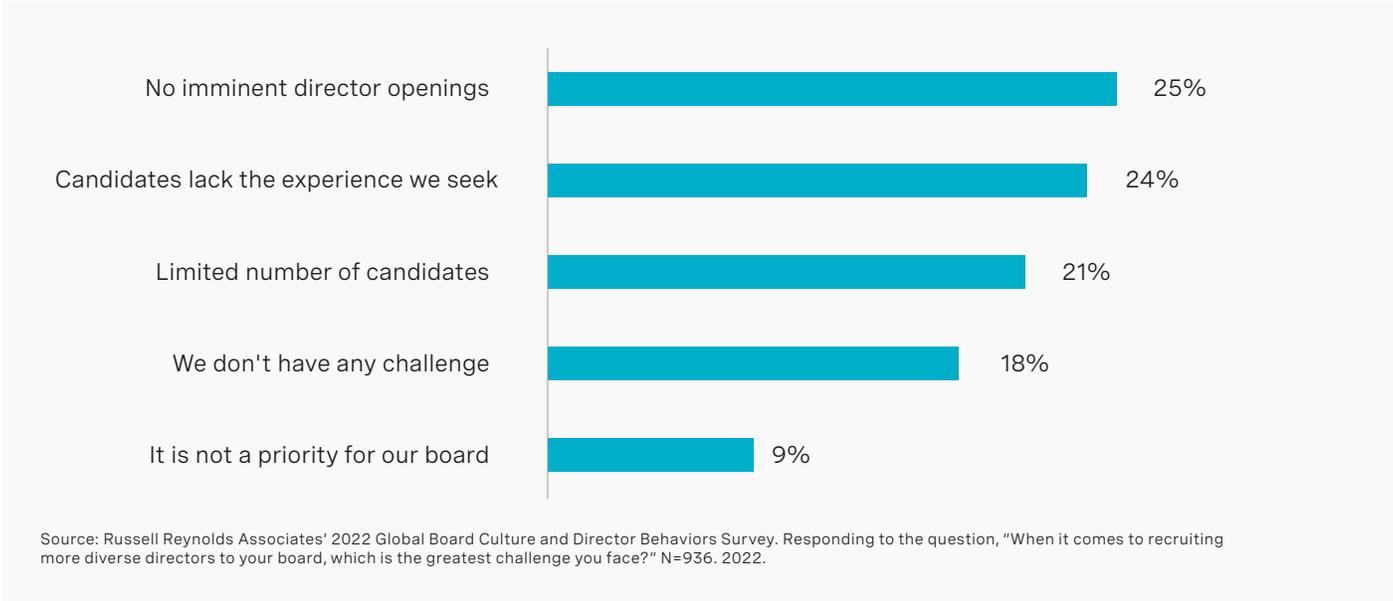
Source: Vanguard

● Strong Positive   
 ● Positive   
 ● No Change   
 ● Negative   
 ● Strong Negative   
 ● Unsure

Source: Russell Reynolds Associates' 2022 Global Board Culture and Director Behaviors Survey. "How has the increase in different aspects of diversity among directors impacted the dynamics or culture of your board?" N=939. 2022.

As major investors like Vanguard, BlackRock, and State Street are pushing for increased diversity, DE&I will be an even bigger focus moving forward. Unfortunately, while many of the directors completing our survey this year reported diversity improvements on their board, there were still 23% of respondents whose board had not improved their diversity in the past two years. Many will need to soon: in addition to increasing investor demands and their growing willingness to withhold support for director nominees, legal requirements are changing across the globe. For example, in the US, Nasdaq's board diversity rule was approved by the SEC last year, and will eventually mandate all Nasdaq companies have two diverse directors or explain why they do not. United Kingdom companies are facing the Park Review target for boards to appoint at least one minority ethnic director by 2024.

If diversity leads to positive changes in board culture, why are some companies slow to act? When directors were asked to identify the greatest challenge facing their board when it comes to recruiting more diverse directors, they pointed to issues as wide ranging as a lack of director openings (25%), candidates from historically underrepresented populations lacking the relevant expertise (24%), a limited number of candidates (21%), and a simple acknowledgement that it is not a priority for their board (9%). (18% said they don't have any challenge finding these directors at all.)





## From Insight to Action

Lack of (or sluggish) movement towards increased diversity can be due to several reasons, but these survey responses emphasize a false impression of the talent market. In almost every market where we operate, there are more than enough sufficiently qualified director candidates from historically underrepresented groups who are qualified for, and interested in, serving on corporate boards. What is the real problem? By some estimates, approximately half of boards complete board searches themselves, relying on “friends and family” to find candidates. Therefore, it is not surprising those companies struggle to find diverse, qualified candidates given the artificial limitation they are putting on the director talent pool.

Increasing board diversity and ensuring the board’s oversight of DE&I in the enterprise has the potential to greatly improve company performance and overall stakeholder engagement.



## Methodology

Over 1,100 supervisory board-level directors from more than 41 countries participated in the Russell Reynolds Associates' 2022 Global Board Culture and Director Behaviors Survey, with 55 percent of respondents based in Europe, 27 percent in the Americas, 12 percent in Oceania, 3 percent in Asia, 2 percent in Africa, and 1 percent in the Middle East. Industries represented included financial services (26 percent of respondents), industrial and natural resources (22 percent), consumer (11 percent), technology (11 percent), healthcare (10 percent), and professional and business services (6 percent). Forty-four percent of respondents' companies had annual revenue over \$1 billion.

# Authors

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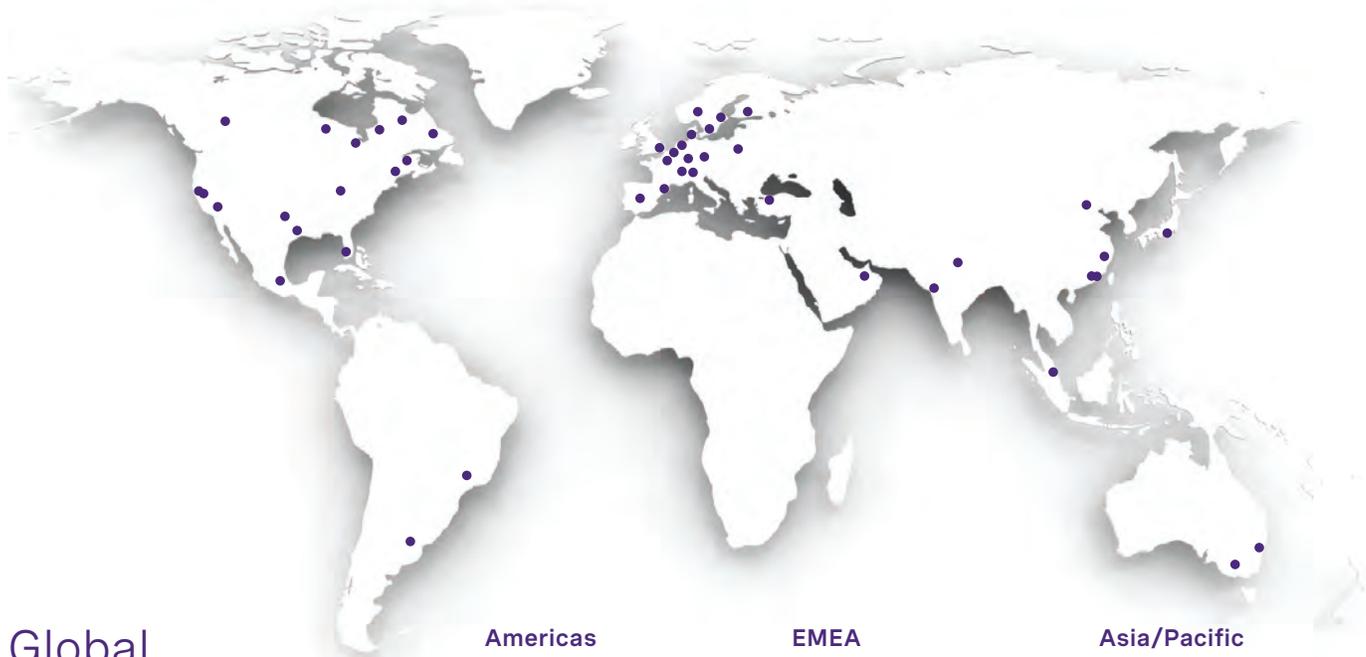
## References

1. <https://www.russellreynolds.com/en/insights/articles/the-boards-oversight-of-racial-and-ethnic-diversity-equity-and-inclusion>

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Russell Reynolds Associates is a global leadership advisory and search firm. Our 470+ consultants in 47 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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