

Companies need to do more to create diverse boardrooms

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Page 11A

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A recent *Dallas Morning News* editorial highlighted the fact that local companies must do a better job of increasing their boardroom diversity. That disappointing phenomenon isn't limited to just local companies.

A 2003 report from the Investor Responsibility Research Center indicated that minorities accounted for only 8.8 percent of the 7,498 director seats of the Standard and Poor's 1500 companies. Similarly, the proportion of S&P 1500 companies with at least one minority director was only 36 percent.

A company's commitment to diversity doesn't need to be an altruistic gesture; it can be based on economic reasons. Companies with an inclusive workforce and diverse board can reap the benefits of having individuals with a variety of backgrounds, experiences, perspectives and skills to succeed in a changing marketplace.

So what can companies do to ensure and promote a more diverse workplace and board? While there are many strategies, some best practices include:

Appoint a chief diversity officer.

Isn't diversity as important as "accounting" or "information" to a business? Many businesses such as Kirkpatrick & Lockhart, Kodak and Sprint have created and empowered a chief diversity officer to strengthen a company's diversity and inclusion among its employees, customers and vendors. A well-supported chief diversity officer also can identify potential board candidates, improve existing programs and develop new strategies.

Form a board-level diversity committee.

Forward-thinking companies like AMR Corp. and Choice Hotels International have created board committees to provide director-level oversight of diversity initiatives, multicultural programs and charitable contributions. Those types of committees can show a company's commitment to diversity at the highest level of the organization.

Look in new places for board members.

Companies need to broaden their search for potential board members. As a result of few minorities being senior executives at public companies, companies searching for new board members should look at noncustomary sources. Many former government officials, nonprofit executives and university administrators have public policy experience, monitor large budgets and oversee substantial numbers of employees. Companies such as PETSMART and ChevronTexaco have diversified their boards by taking such an approach.

Recent studies also have shown that minority board members are much more likely to be independent directors. With new stock exchange requirements that public companies must have a majority of independent directors, minority candidates are logical choices for new board seats.

Expand your board's size.

When I was on the Dallas City Council, I grilled a local chief executive on why there was no Latino on his board. He told me that he wouldn't remove any current directors, since they had been part of his company's success. In short, he told me that loyalty was more important than diversity.

My response: I wasn't asking him to kick any one off the board. I simply was asking him to add someone. At its next annual meeting, the board was increased, and the first Latino was elected. Most corporate governance guidelines allow for a board to expand to accommodate outstanding candidates.

With today's growing global economy, companies are beginning to embrace and respect diversity at all levels, including the boardroom. Companies, big or small, no longer can operate in a vacuum when it comes to diversity issues.

Let's hope that every public company in Dallas-Fort Worth has a more diverse boardroom soon.

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