

Black Corporate Directors Time Capsule Project

A project to capture the Corporate Board experiences of seasoned Black corporate directors for aspiring and new Black directors.

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I. Executive Summary



Top 20 Major Findings

- 1. More than 60% of Black corporate directors have been on 5 or more corporate boards in their career.
- 2. More than 80% of all board searches were relationship driven and did not involve executive search firms.
- 3. Race played a significant role in only 30% of searches, as relationships, skill set and fit were often more important.
- Not-for-profit board experience was an important incubator for corporate board service. Civic, industry and government involvement were also mentioned.
- 5. The principal reasons for exploring board service were skill building, participating in a unique experience, and taking the natural next step in their business career.



Top 20 Major Findings (continued)

- 6. The major selection criteria for Black corporate directors was corporate reputation and a strong management team.
- 7. Most seasoned Black corporate directors would recommend starting by serving on the Audit committee to learn the business and then moving to the Nomination & Governance committee, where the power is. Equally imperative is to get on a committee where you can contribute and eventually be Chair.
- 8. Black directors championed diversity, but didn't want to be viewed as a single-issue director.
- 9. The most important contribution made was in asking hard questions, providing advice directly to the CEO, and in promoting diversity.
- 10. The primary thing most Black directors would have done differently was to promote diversity more and sooner, including getting off boards that lacked a clear commitment.



Top 20 Major Findings (continued)

- 11. Black corporate directors thought that their most significant learnings from board service were to be more collaborative, learn how to make contributions, and to speak up.
- 12. The most important factor in being effective on boards starts with the relationship with the CEO/Lead Director. Relationships with other board members was also important, as was knowing how to ask questions.
- 13. The most contentious issue faced on boards was CEO succession planning (and sometimes board succession planning).
- 14. Black corporate board members felt that the main issues with which they had to deal differently was diversity, mainly in order to avoid being considered a single-issue director.
- 15. Black corporate directors thought the key characteristic of the most effective boards was high board engagement and for the most effective CEO was understanding the value of the board.



Top 20 Major Findings (continued)

- 16. Black corporate board members wished they had more opportunities for serving on technology, consumer products, and airline boards (as well as PE/venture backed companies).
- 17. 80% of corporate board members thought relationship would remain the primary factor in getting on boards in the next 5 years.
- 18. Black corporate directors thought that the number of Black corporate directors in 5 years would most likely be the same or increase slightly (mostly for black women). Several mentioned that much depends on the next presidential election.
- 19. Future board searches are likely to be more structured and regulated due to pressure from ISS, institutional investors, and regulators.
- 20. The key advice for aspiring and new Black board directors would be to speak up, be super prepared, and get to know fellow board members.



Key Takeaways

- We need to identify more potential black candidates for board service and train/mentor them (especially women candidates).
- 2. We need to build alliances with other minority groups in our push for board diversity.
- 3. We must strengthen the legislative, regulatory, and institutional routes to apply pressure for board diversity.
- 4. We need to strengthen the efforts of executive search firms regarding diversity.
- 5. We need to get more candidates for board service in leadership positions on not-for-profit boards (and civic and industry organizations).



Key Takeaways (continued)

- 6. We need to get more existing black corporate board members onto the Nominating & Governance committees.
- 7. We have to support existing black corporate board members in their diversity efforts (including in procurement and philanthropy).
- We need to target technology, consumer products and airline boards to provide more opportunities for board service.
- 9. We need concerted efforts to approach the VC & PE communities to provide more board opportunities.
- 10. We need CEO's, Lead Directors and Chairs of Nominating & Governance committees to meet aspiring black candidates for corporate boards.

II. Background

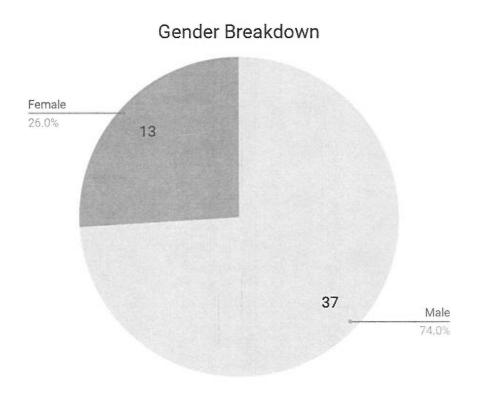


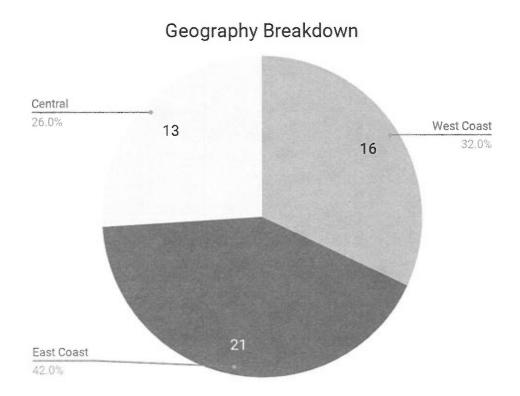
Overview

- Decided to undertake a survey, under my own auspices, of 50 seasoned black corporate directors who served on 274 corporate boards in their careers..
- Became aware of the increasing number of black corporate directors retiring off of boards.
- Wanted to capture the experiences of these seasoned black directors, mainly selected by me, for the benefit of the next generation of black corporate directors.
- Developed a survey of 40 questions for 1-1½ hour interviews.
- Wanted to put the recorded responses into a time capsule for 5 years before being opened for further research.



Breakdown of Survey Participants

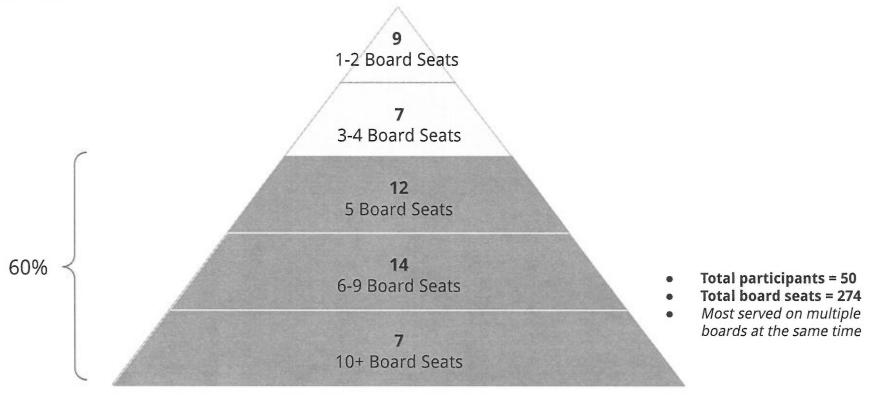




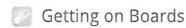
Background

Number of Boards per Participant

Over 60% of responding seasoned black corporate directors have served on 5 or more corporate boards during their career.



III. Getting on Boards



Role of Executive Search Firms

Executive search firms contributed, but did not play a dominant role in participants getting on boards.

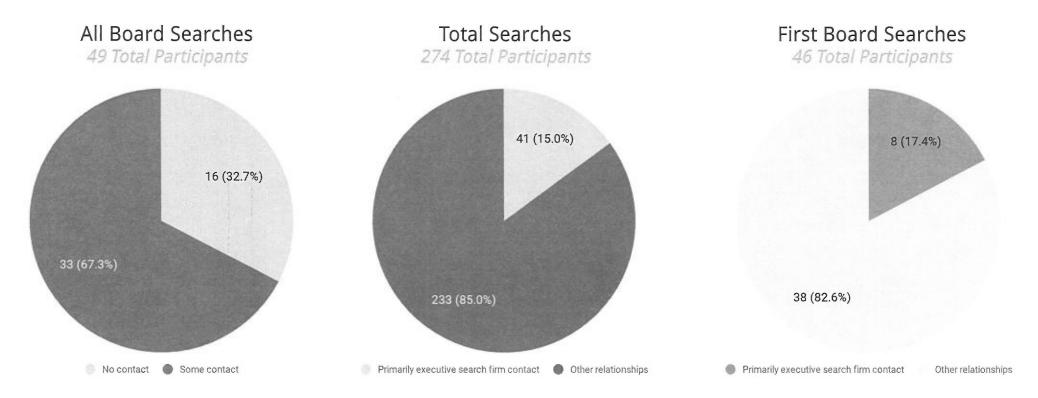
- Most participants got on boards because of business, community or other board relationships.
- Approximately 33% of participants <u>had never had contact</u> with an executive search firm
- 85% of board searches <u>did not involve</u> an executive search firm
- Less than 20% of the first time board searches involved an executive search firm

Note: The survey did not find any patterns as to whether search firms were mainly involved in first time or later board searches.



Contacts with Executive Search Firms

Executive search firms played a limited role in Black participants getting on boards.

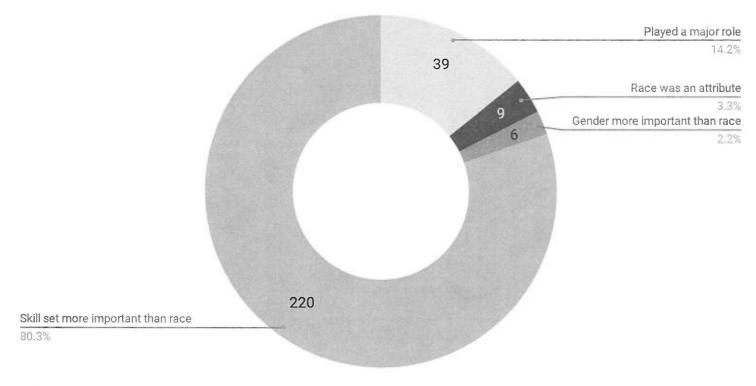


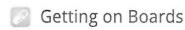


Getting on Boards

Role of Race in Board Selection

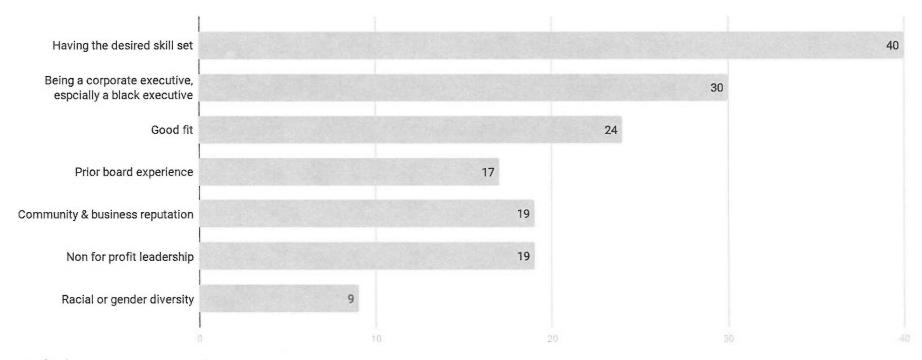
Black directors indicated that race only played a major role in less than 20% of board searches. In another 8% of searches, race was at least an attribute.





Reasons Why Chosen for Board Service

Black corporate directors indicated that first skill set and secondly executive experience were the primary reasons they were chosen for boards.



Note: Multiple responses per participant.



Role of Not for Profit Experience

Most black corporate directors had significant not for profit board experience in which they learned:

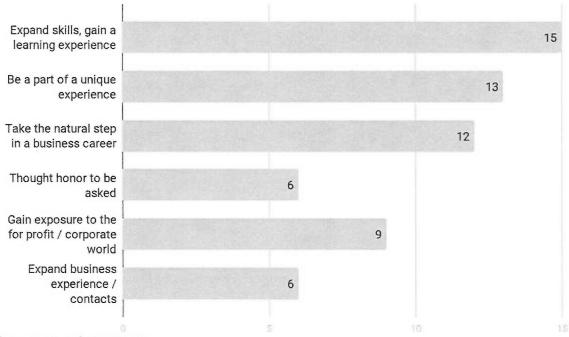
- How boards in general functioned
- How to collaborate
- How to listen and express their voice
- To develop some additional skills
- To exhibit leadership

Note: Several mentioned that civic, industry and government involvement were also important. Others mentioned being selective so that, for example, you don't get bogged down in fundraising.



Principal Motivations for Board Service

Black directors indicated that their principal motivations for seeking corporate board service were to expand their skills, take the natural next step in their careers and be part of a unique experience.

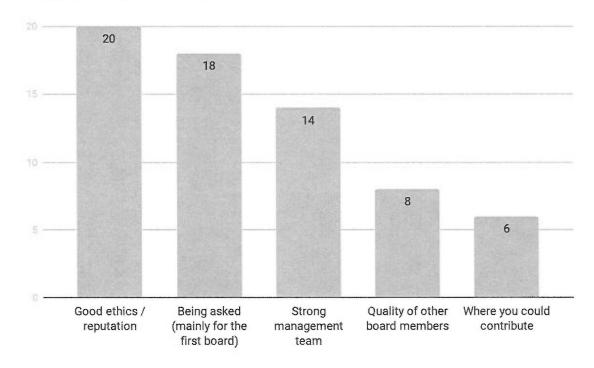


^{*} Several said that compensation was not important Note: 50 total respondents. Multiple responses per participant. Number of most frequent responses = 11.



Board Selection Criteria

Black directors said foremost in their board selection criteria was good ethics/reputation, being asked and working with a strong management team.



Note: 50 total respondents. Multiple responses per participant. Number of most frequent responses = 11

IV. Working on Boards



Committees Served

Most black directors served on most major committees (audit, compensation, nominating & governance) over time

- Around 80% served on either or both the Audit and Nominating & Governance committees
- Close to half served on compensation

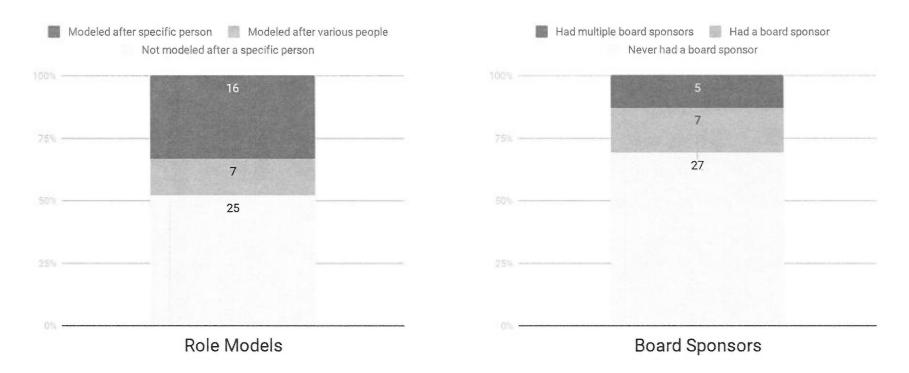
Black directors strongly suggested starting on the Audit committee (to learn the business) and then getting on the Nomination & Governance committees (where the power is) or Compensation (where best get to know the CEO).

Several black directors emphasized getting on a committee where you could eventually become Chair.



Existence of Roles Models & Board Sponsors

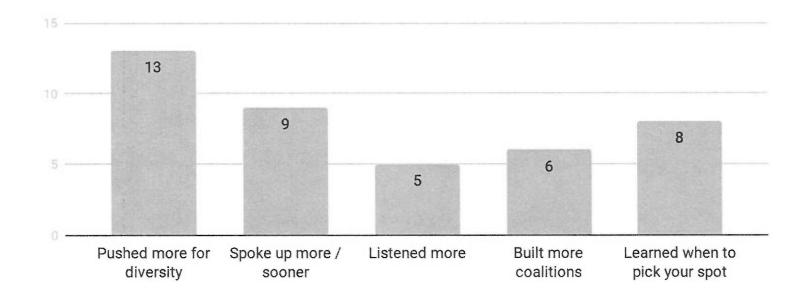
More than half of black directors did not have a special role model whom they modeled their board service after. Most did not have a board sponsor.





Things Would Have Done Differently

The primary thing most black board directors would have done differently was push more for diversity.



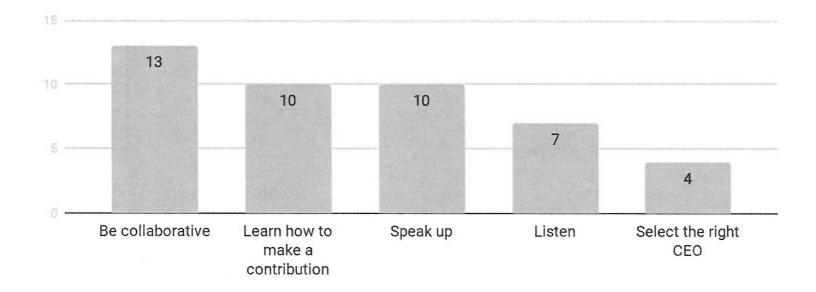
Note: 50 total respondents. Multiple responses per participant.

Several mentioned getting off boards sooner that lacked a clear commitment to diversity.



Most Significant Learnings

Black directors thought that their most significant learnings were to be collaborative, learn how to make a contribution, and speak up.



Note: 50 total respondents. Multiple responses per participant, Number of most frequent responses = 12.



Other Key Learnings

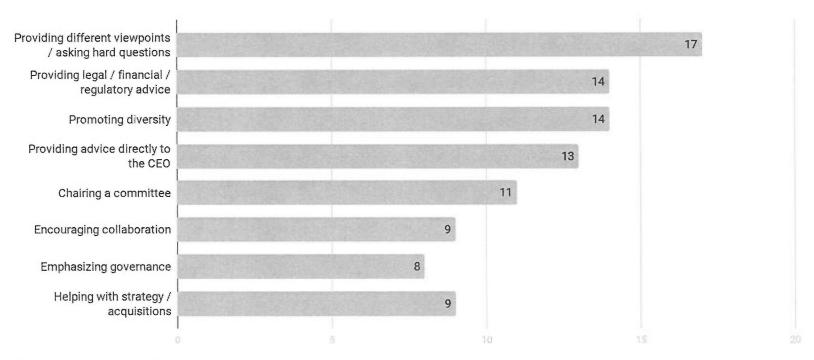
Other key insights to the most significant things learned by seasoned black corporate directors included:

- Focusing on strategy / core strengths of the business
- Learning how to ask the right question in the right way
- Focusing on threats to the business model
- Understanding that you cannot get much done on your own
- Understanding the priorities of the CEO
- Understanding that asking a question is often more important than making statement



Most Important Contributions

Black directors thought their most important contributions were providing different points of view, providing finance and regulatory advice, and promoting diversity.

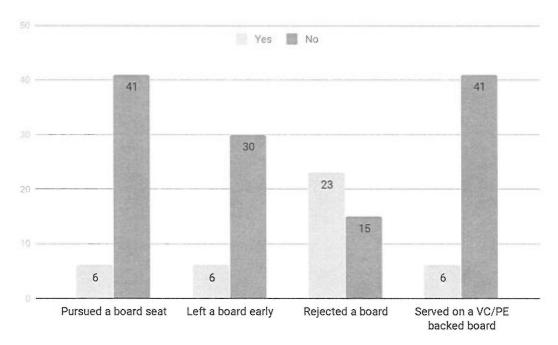


Note: Multiple responses per participant.



Board Experiences

Most black corporate directors did not pursue a board seat on their own, leave early, or serve on a venture capital / private equity backed board. More than half rejected a board because of fit, conflicts and over boarding.



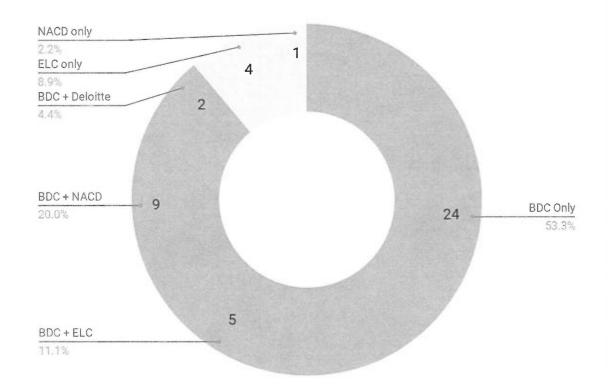
Black corporate directors questioned why they have not been approached more for venture capital / PE backed boards.

Working on Boards

Board Networking / Education

Almost 80% of seasoned black corporate board directors looked primarily to the Black Directors Conference (BDC), for networking and education (with significantly less contact with NACD or ELC).

- 2 more were invited to BDC but had conflicts with attending
- Only an additional 4 used ELC w/o BDC
- Only an additional 1 used NACD w/o BDC





Keys to Being Effective on Boards

Black directors strongly said the most important factor in being effective starts with having a strong relationship with the CEO as opposed to domain knowledge.

Additional factors raised as primary were as follows:

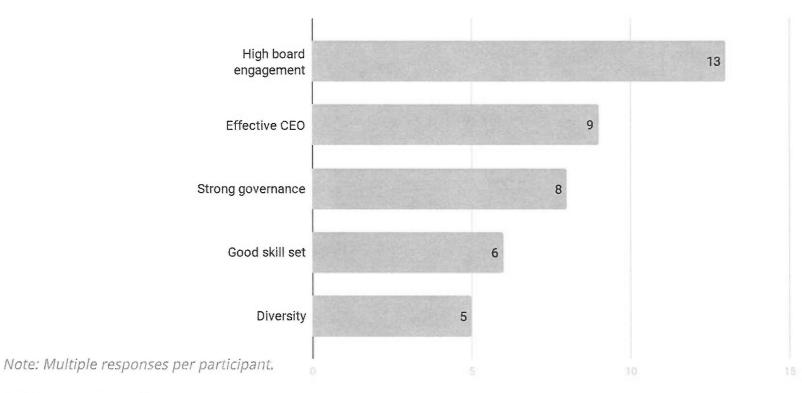
- Committee assignments
- Making contact between meetings
- Chairing a committee
- Relationships with other board members

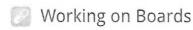
Other important comments were on speaking up on issues in addition to on diversity and building a relationship with the lead director.



Most Effective Boards

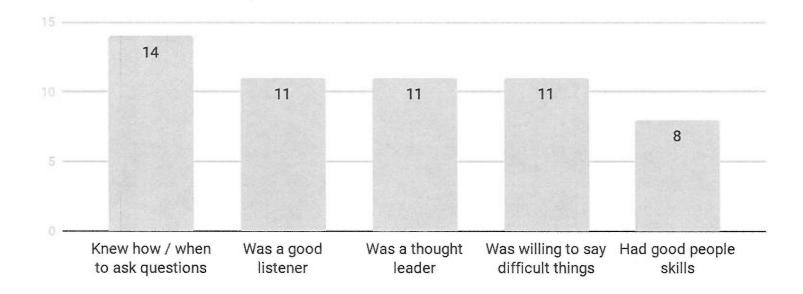
Black corporate directors thought that the most important characteristics of the most effective boards were the following:





Most Effective Board Member

Black corporate directors thought that the most important characteristics of the most effective board member were the following:



Note: Multiple responses per participant.



Most Effective Board Member (continued)

Black corporate directors articulated additional characteristics of the most effective board member.

- Made management think twice before acting
- Asked questions in advance of meetings or in private
- Visited field operations
- Stimulated discussions
- Helped mentor other board members
- Was a consensus builder
- Kept himself/herself knowledgeable
- Knew how to get his/her points across
- Knew when and where to act

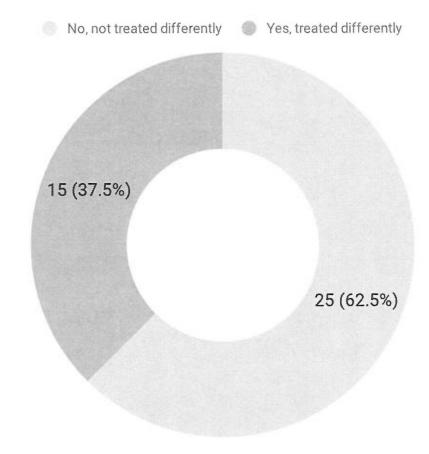
Working on Boards

Different Treatments as a Black Director

30% of black corporate directors thought that they were sometimes treated differently as a black director.

Examples cited were:

- Could say something and get no reaction until someone, non minority, later said the same thing.
- Treated as the spokesperson for diversity.
- Felt some people were not used to treating Blacks as a peer.

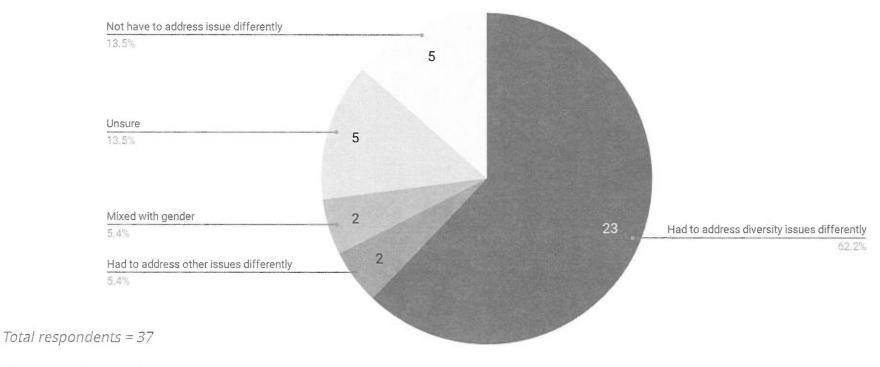


Note: Women said often could not separate treatments between race and gender.

Working on Boards

Discussing Issues as a Black Director

Almost % of black corporate directors who responded to this question indicated that they had to address certain issues differently because they were a black board member, mainly diversity issues.



Black Corporate Directors Time Capsule Project - Copyright Pending

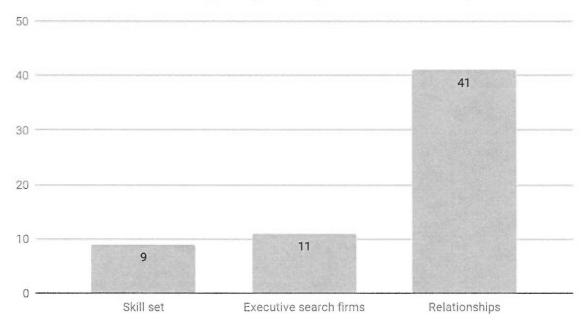
V. Forecast



Future Strategies for Getting on Boards

Most black corporate directors thought existing strengths, mainly relationships, would be the most critical for getting on corporate boards in 5 years.

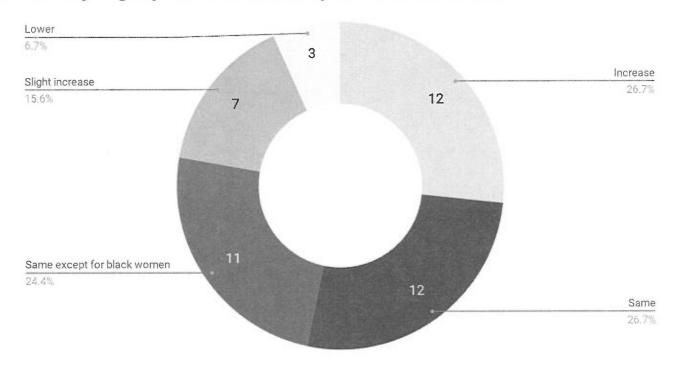
Most critical for getting on corporate boards in 5 years





Forecast for Black Director Representation

Black corporate directors forecast that the number of black corporate directors in 5 years would most likely be the same or only slightly increased (mostly for black women).



Note: Several black directors emphasized the potential impact of the next presidential election.



Forecast for Black Director Representation (continued)

The principal reasons for the outlook of black corporate directors were as follows:

Increase

- Increased availability of black executives
- Legislation
- Outside pressure from ISS, etc.
- Term limits
- Increased availability and opportunity for black women

Same

- Change in politics
- Loss of multi boarded black corporate directors
- o Internal cap on black directors per board

Lower

- Broader definition of diversity
- Declining number of black CEO's, especially black women
- Increased global scope of many companies



Desired Boards

Black corporate directors expressed significant desire to be considered for consumer products, technology (Silicon Valley), and airline boards.

Special boards mentioned included*:

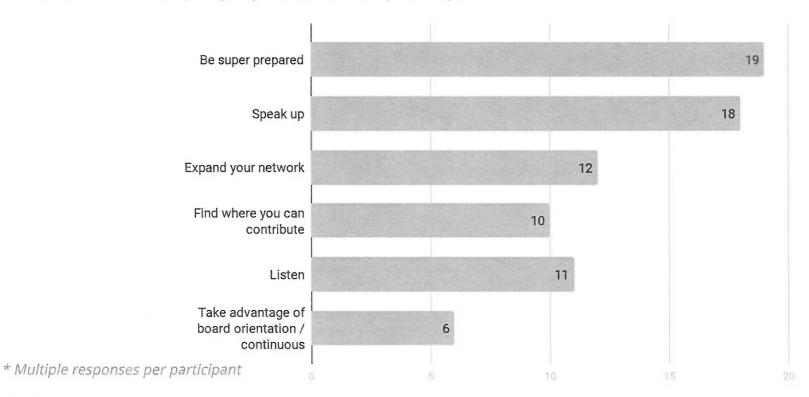
- Tesla
- Nike
- Uber
- GM
- Microsoft
- HP
- Disney

^{*} Seasoned directors also mentioned a high desire to be considered for private equity / venture capital backed boards.

Additional Findings

Advice for Aspiring & New Black Directors

The most important advice seasoned black corporate directors would give to aspiring black corporate directors is to be super prepared and to speak up.





Advice for Aspiring & New Black Directors (continued)

Black corporate directors expressed several important parting comments .

- Learned from the questions asked by other directors
- Only speak when you can add value
- Determine what makes board members effective on this board
- Don't be frightened by not having subject matter expertise
- Become the person with whom others want to be in the trenches
- Don't be afraid to express difficult points of view



Advice for Aspiring & New Black Directors (continued)

- Get involved with organizations like NACD and Rock Center for visibility and education
- Try to see the issues others don't see
- Don't be quiet. People will assume that you are not engaged
- Get on the right committees where you can contribute and eventually become Chair
- Do not limit yourself to diversity issues
- Remember that you are not there because "They ran out of smart white people"

VI. Appendix



Additional Findings

- Almost all seasoned black corporate directors championed diversity in people, but less so in procurement and philanthropy.
 - a. Most didn't want to be viewed as a single-issue director (i.e. the black board member).
- 2. Only 10% of seasoned black corporate directors indicated that they had significant issues with another director (and most got resolved by direct discussions or conferences with the CEO / Lead Director)
- Black Directors thought that the most important characteristics of the most effective CEO were understanding the value of the Board and being a leader.
- 4. Black directors were evenly split on whether they would be replaced by a black director but were committed to laying the groundwork.
- 5. Many Black directors thought that women directors advocated gender diversity better than black directors advocated race diversity.



Suggested Steps for Aspiring Black Corporate Directors

- Get some leadership experience and learn how boards operate through, for example, not-for-profit boards.
- Gain access to influential people also through, for example, not-for-profit boards.
- Develop board oriented resumes for executive search firms.
- Develop some expertise attractive for corporate board service.
- Identify a board mentor/sponsor.
- Create a continuously growing network of relationships.