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THE NEXT FRONTIER

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The term “best practices,” in a business context, describes how companies identify corporate practices that result in but are not limited to encouraging employee loyalty and productivity. Corporate best practices include making an investment in employees, e.g. human capital. Until the 1964 Civil Rights Act, President Johnson’s subsequent Executive Order 11246 (1967) establishing equal employment requirements, and the 1969 “Revised Philadelphia Plan,” that emulated the “Reasonable Persons” Doctrine (dictating that minorities’ and women’s tax contributions to the economy outweighed race and gender in federal and corporate procurement practices), investing in human capital did not include women and minorities.

The movement, first known as Equal Employment Opportunity in the 1970s, then Affirmative Action in the 1980s and 1990s, and now Diversity Best Practices has left its mark on America by enfranchising millions of minorities and women in the U.S. economy and converting them to job holders, home owners, and community builders...assets to their communities and their Nation. The asset base now represents a rich resource of talent to be tapped for service in U.S. corporate boardrooms: **“The Next Frontier.”**

National demographics paint a picture of a changing America. If the primary focus of the first half of the 20th Century and the last half of the 19th Century had been “Race” and “Gender,” then America has entered the 21st Century having moved beyond those issues to a more dynamic paradigm of education and equal opportunity. Considering, that 80 per cent of the world’s population was born after 1950, and World War II, today’s focus is transitional.

The development of women in the human capital equation, an end to racial segregation and an end to religious discrimination has expanded the foci of human capital development. From 1969 forward, minorities and women have helped fuel the American economy sufficiently to become a Mecca for those in the world who seek freedom, education, medical care and opportunity for financial self-sufficiency.

To the more than six billion people in the world in all stages of development, America's best practice of developing its human capital on a diverse basis has set an enviable standard.

Examples include:

Black Americans

- The Black American population is the most urban of any citizen subset (85%)
- Black educational attainment in the age 25 to 44 shows the greatest percentage increase of any citizen subset
- Black home ownership continues to outpace any other citizen subset
- Blacks expend One Trillion Dollars in the consumer market and act as a stable force in multiple industries: Fast foods, automobiles, travel and leisure activities, motion pictures, liquor and beer
- Black families headed by women who have completed high school, attended college, have AA degrees or BA degrees are more stable and have higher incomes than comparable single female-headed families from other subsets of America.
- Black women have achieved political, economic and education jobs at a faster rate than other American women

Women (General)

- More American women than men earn associate, bachelor's and master's degrees
- The number of women receiving degrees has increased at a faster rate than for men. In 1999-2000 the number of women receiving MA's rose to 61.2 per cent
- Over half of the workforce is female
- Women are starting business enterprises at a rate twice that of males
- Single American women live longer than married women

Each of these bullet points represents ways in which American minorities and women have directly benefited from equal employment law and affirmative action programs. In today's world, applying best practices strategies and tactics when hiring, training, developing and promoting minorities and women, and or contracting with the latter means that corporate America's leadership has and is analyzing the diversity record, and in so doing has arrived at a realistic practical vision of the future. Consequently, the following has happened: Business leaders have not only clearly seen the handwriting on the wall but are moving toward the use of diversity programs to develop human capital within minority and women's communities. Why? Because it is strategically and fiscally sound to do so.

Leaders know that they would be courting disaster should they follow 19th and 20th Century business practices. This is true because skilled, technical and professional employees and effective small business owners are in short supply. That is the case not just in America but also throughout the entire global market.

This obvious new reality is causing America's business leadership in every industry to do the following:

- Acknowledge the facts
- Assess the future
- Embrace the truth and step-up to lead the economic equity "Diversity Best Practices Initiative"

Although diversity initiatives are in their start-up stages as corporate best practices, they are daily being accepted by America's premier corporate leadership – guided and driven by the profit motive.

After more than 3 decades of Affirmative Action Enforcement Policy, business appears to be seeing the light, acknowledging it and stepping-up to lead a movement designed to assure economic equity and social justice for women and minorities. That said, it is important to point out that, presently, these opportunities exist only in employment, not yet in corporate board service. However, post-Enron, women and minorities can benefit companies at that level by bringing to the table a new perspective and their life experiences.

Corporate America is in need of an endless supply of qualified employees, dependable women, and minority small business owners to whom they can out-source. This is where enlightened self-interest can cause companies to do the right thing: In today's ultra-competitive domestic and global markets, adding the element of diversity to their mix of best practices is a pragmatic action.

However, companies must not exclusively use Diversity Best Practices in employment. Rather companies would benefit by implementing these practices in top management and in the corporate boardroom. Now is the time to be a first-mover and create better balance in the boardroom by tapping the enormous pool of talented women and minorities.

The Facts:

Due to a convergence of events, e.g., recent accounting scandals/mega-bankruptcies and the public's loss of trust in American financial and corporate institutions, legislators are identifying themselves with corporate accountability issues. With both Republican and Democratic parties seeking to renew public trust in corporate business practices, changes are taking place in the corporate boardroom. These changes are widening the window of opportunity for companies to capitalize on minority and women's talent and translate it to corporate board service.

A backlash against the Enron era will influence today's and tomorrow's boardrooms. According to Nell Minow, corporate scold and partner in The Corporate Library, a Washington, DC-based research group, tomorrow's directors must be activists. In an address to the National Association of Corporate Directors, Minow noted that 4 of Enron's 13 directors owned no stock in the corporation (in October, 2000). Minow believes financially enfranchised board members make themselves better informed, take more responsibility, attend more meetings and are less vulnerable to CEO influence.

Furthermore, current research by the Washington, DC-based Center for Women's Business Research, and data in the 2000 U.S. Census document a demographics picture that affects companies.

The picture:

- A. By 2008, white males will constitute the Nation's LARGEST "MINORITY" group
- B. Women already own over 28 percent of America's privately-held businesses
- C. Women and minorities are ascending into corporate senior management in unprecedented numbers
- D. Combined, women and minorities currently affect over 80 per cent of consumer decisions

Changing Corporate Governance:

According to Sen. Phil Gramm of Texas, the Banking Committee's senior Republican, "No one sitting on a corporate board or an audit committee will ever be the same." Publicly held companies will be required to increase the number of independent directors, with board audit committees getting new authority and seats filled with these independent board members. Boards are likely to meet more often without management present. Companies entering the IPO

process will have to appoint new independent directors and private companies will voluntarily follow suit (to appease lending sources).

These changes contribute to an increase in director resignations. Further, according to Dennis Carey, a vice chairperson of the recruiting firm Spencer Stuart, "Even before Enron, one in four board candidates already declined seats....citing 'time constraints.'" Suddenly, there is an anomaly: open board seats and a shortage of nominees to fill them (though it won't last since the trend is toward smaller boards). Predictably, those already tied to the existing system will fill the majority of board slots.

Example: Like their male counterparts, women CFO's are advancing to the boardroom. For instance, the EMC Corp., under pressure from shareholder activists named a new, independent director to its board in July of 2002. The Hopkinton, Mass., maker of data-storage computers and software appointed Gail Deegan, CFO at publisher Houghton Mifflin Co. from 1996 to 2001.

Due to the shifting demographics, there should be a slight increase in the number of women being tapped to fill board slots. However, with fewer old-boy era candidates willing to serve, and board assignments becoming more time consuming, larger corporate boards will shrink, making board appointments more competitive. Factors supporting this conclusion include the following trends:

- A. Companies are beginning to look beyond the old-boy's network for ways to identify qualified candidates. (See Item "D.")
- B. Business schools such as the Kellogg School of Management at Northwestern University are beginning to capitalize on the changing corporate governance climate/demographic shift by offering Director Development seminars
- C. With disgraced executives taking "perp walks" in handcuffs and others taking the Fifth Amendment in congressional hearings, many companies want to be seen as doing something different to look like the "good guys."

It is important to note that today; only 20 per cent of the world can actively remember America's internal struggles with building the Nation's human capital. That step was necessary for America to add diverse skills and talents to the workforce. Part of America's challenge today is to build on the progress of the diversity movement and to begin to implementing Diversity Best Practices in all phases of American life. In order to re-establish trust in corporate practices, and move the Nation onto the next frontier: using its 20th Century investment in diversity to protect, grow and prosper in the 21st Century.

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