BOARD DIVERSITY

Strategies to Increase Representation of Women and Minorities

What GAO Found

Prior GAO reports found limited diversity on both publicly-traded company boards (corporate boards) of directors and Federal Home Loan Bank (FHLBank) boards. For example, GAO’s 2019 report on FHLBank boards found women’s board representation was at 23 percent in 2018; in 2015 it had been 18 percent. In a 2015 report on corporate boards, GAO projected the representation of women into the future—assuming that women join boards in equal proportion to men—and estimated it could take more than 40 years for the number of women directors to match the number of men directors. GAO’s report on FHLBank boards also showed an increase in FHLBank directors from some minority groups, including African-American, Hispanic, and Asian since 2015, but they still reflected a small portion of these boards. The size of the increases in minority directors on FHLBank boards was less clear than for women directors due to incomplete board member demographic data.

Similar factors may limit corporate and FHLBank boards’ efforts to increase diversity, according to stakeholders, board members, and others GAO interviewed. These factors include not prioritizing diversity in board recruitment efforts, limitations of the traditional board candidate pipeline, and low turnover of board seats.

GAO identified a number of strategies for increasing the representation of women and minorities on corporate and FHLBank boards based on a review of relevant literature and discussions with researchers and corporate and government officials (see figure).

Barriers and Corresponding Strategies for Increasing Representation of Women and Minorities on Corporate and Federal Home Loan Bank Boards

- Not prioritizing diversity in recruiting efforts
  - Set voluntary targets
  - Require a diverse slate of candidates
  - Fill interim board seats with diverse candidates
  - Emphasize importance of diversity
  - Mentor board candidates
  - Improve information on board diversity

- Limitations of the traditional candidate pipeline
  - Expand board search beyond Chief Executive Officers (CEOs)

- Low turnover of board seats each year
  - Adopt term limits and/or age limits
  - Expand board size
  - Evaluate board performance

Source: GAO analysis of factors and strategies that can affect board diversity based on a review of relevant literature. | GAO-19-637T

View GAO-19-637T. For more information, contact Chelsa Gurkin at (202) 512-7215 or GurkinC@gao.gov.