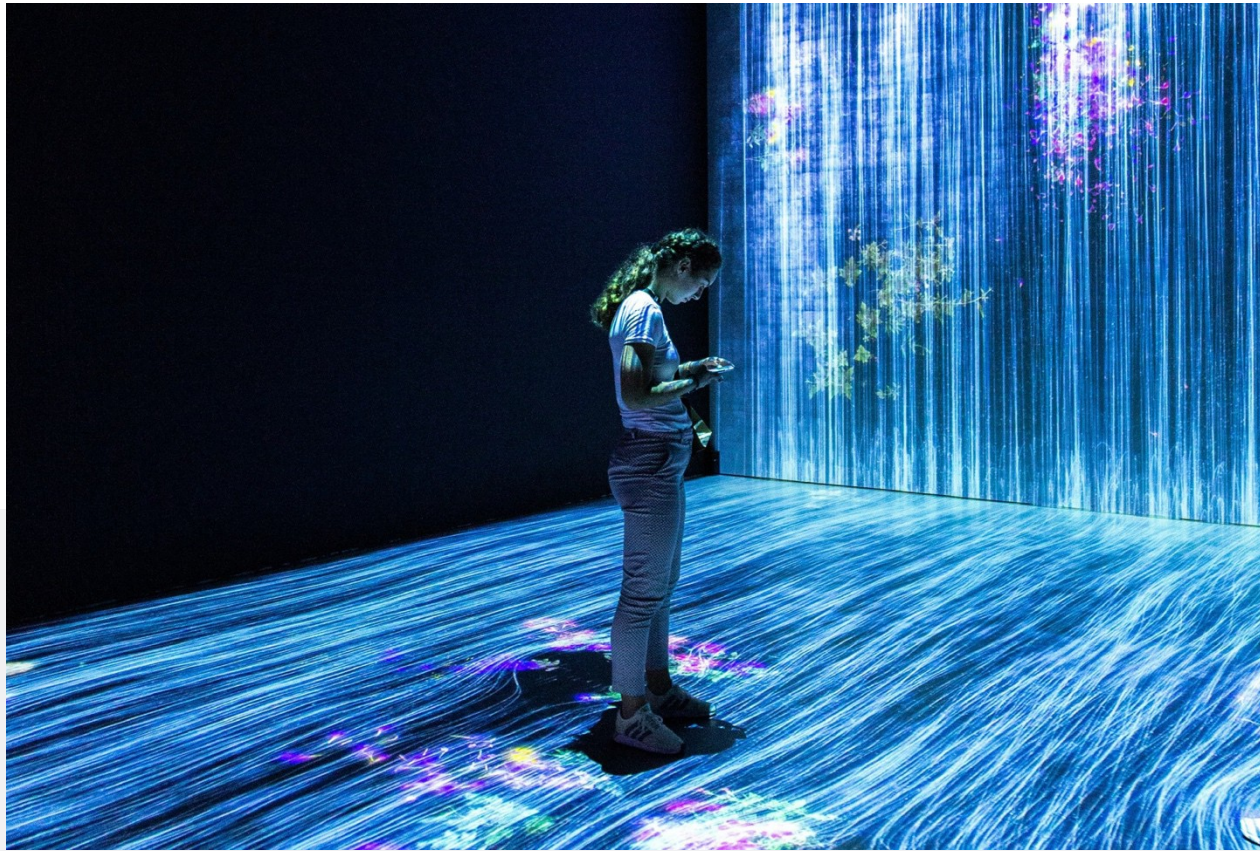


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Board Diversity: Is Everyone Surfing in California?



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Stanton Chase is a global leader in diversity placements on boards and management teams.

Established in 1990, Stanton Chase is a leading global executive search firm, with over 70 offices across 45 countries. Stanton Chase is unique in the field of executive search, offering clients the global reach of one of the world's ten largest executive search firms, complemented by the industry expertise and personal relationships usually reserved for small boutique practices.

California

In 2018, the state of California approved Senate Bill 826 (SB826) into law, mandating board gender diversity for public companies headquartered in California, regardless of where they are incorporated. While not widely supported, the law has elevated the conversation about the importance of diversity in the boardroom.

Public companies traded on the NYSE or NASDAQ exchanges were required to have at least one female director by December 31, 2019. That minimum increases to two by December 31 2021 if the corporation has five directors, and to three women directors if the corporation has six or more directors.

On the first deadline of December 31, 2019, significant progress had been made, with only 27 companies (4 percent) of California-headquartered companies with all-male boards, representing a 25% improvement from June 30, 2018, according to a KPMG study released in February 2020.

Why Comply?

For start-ups and high-growth companies to succeed in the long-term, they must be open to opinions and strategies that reflect the growing diversity in their workplace, communities, customers, stakeholders, and markets.

Companies are simply better prepared to manage all these challenges with sound governance and leadership offered by board members with different backgrounds.

Beyond the proven business case for diversity, the real costs of non-compliance can be onerous. SB826 mandates that all companies must disclose the number of women on their boards as part of their annual corporate disclosures. Any violation carries hefty penalties. A \$100,000 fine may be imposed for the first violation of non-compliance, and \$300,000 for subsequent violations, with each seat that is not filled by a woman constituting a separate violation.

Ultimately, diversity must be recognized as a cornerstone of corporate growth strategy. In this document we look at the law's early impact and analyze what steps must be taken to make the best hiring decisions for the next hiring deadline of 2021.

Key Analysis

Based on our understanding of how the 2019 first phase of board hiring turned out, we see several recommendations for the 2021 hiring cycle:

1.

Only 28% of the women hired in the first phase had public board experience. We see that this ratio will only decrease for the 2021 appointment cycle and companies should start the search process early if they want to access very limited talent.

2.

Of all the 2019 female board intake, 94% of the new hires joined their boards as outside directors. This means that there is a significant number of women not getting hired from within the company. Only nine female executives joined the board of their own company in 2019. Is there a good argument here for elevating and training the existing women on your management team?

3.

The data, although incomplete, suggests that nearly three quarters of female directors hired in 2019 served on at least one board committee. There should be an expectation that the 2021 hires will want to contribute early.

4.

Those candidates with prior board experience are in high demand and “overboarding” has become an issue for the most-qualified executives. These directors might be considered to be stretched too thin because of their involvement with too many boards. Beyond Glass Lewis and ISS guidelines, it’s important to consider candidates’ bandwidth.



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5.

We should not discount the candidate pool because few hires have board experience. Executives with general management experience can be highly effective. Meg Whitman, Sheryl Sandberg, Marissa Mayer and Safra Katz didn't have experience before they joined their first public boards.

6.

Will female nominees meet the minimum threshold? This is a real question given that several hundred women need to be recruited. However this is a group that has been underrepresented at the executive level for decades. Will companies have a valid argument

that they're unable to find strong talent? Will some companies consider reducing the number of people on their board? Is it easier to avoid hiring the extra females that a larger board requires? Will the next round of hires have enough experience to take part in the committee work? These are important questions to consider as we move forward.

7.

The key here is speed. We have 18 months before the next board hiring deadline. Those companies that start early are more likely to find the level of talent they require. Those that leave it later will have fewer options locally and will have to seek talent further afield.

Will the next hiring deadline force California companies to rely on recruiting out-of-state talent? If that's the case, will companies find working women who want to accommodate long-distance travel to California four to six times per year?

There will be increased difficulty finding working women willing to accommodate long distance travel to California four to six times per year.



About the Stanton Chase Global Diversity Practice

The expanding global marketplace has resulted in a more diverse workplace. Executive talent is being sought out from around the world and women have taken on an increasing number of leadership roles in the boardroom. The impact is vast and significant. To affirm our commitment to diversity and inclusion, we formed a Global Diversity Practice in 2011.

We have started several unique initiatives. In 2015, we solidified our position as a leader in promoting gender inclusion with our acceptance into the prestigious 30% Club (www.30percentclub.org), an international organization founded in 2010 to redress gender inequality by encouraging organizations to achieve a level of 30 percent female representation on their boards by 2022.

In 2015, Stanton Chase was recognized as the “Best Global Senior Executive Search Firm & Innovator for Diversity Recruitment” by Corporate Vision Magazine for our “dedication to innovation and moving their industry forward, while simultaneously providing the very best for their customers, allowing them to take their rightful place at the vanguard of their industry.”

Additionally, at our 25th Anniversary International Conference, we presented our Global Diversity Award to three of our most distinguished clients who demonstrate this commitment to gender, ethnic diversity and inclusion.



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Board Search, Assessment and Development Services

Corporate boards have achieved much over the last 20 years; nonetheless, they also recognize that boardroom practices must remain flexible and dynamic to allow corporations to survive and thrive in rapidly changing markets. Being a board member today is about active leadership, personal accountability and senior executive coaching. Strong, dedicated board members are critical for making a positive difference to the organizations on whose boards they serve. The Global Board Services Practice at Stanton Chase is about making our clients' boards better as a result of our interaction, and making sure that impact lasts in our absence.

Board Search

In a world where CVs are available everywhere on the internet, we add value and insight to the identification of singularly viable candidates. Our work is founded on a comprehensive, disciplined approach that ensures finding suitable candidates who match above and beyond your technical requirements.

Our approach enables us to respond with a rapid and deep understanding of your needs, including hands-on service by senior consultants and partners, prospect research and identification, presentation, assessment, and placement follow-up.

Board Assessment

Tailored assessment tools, combining both a quantitative and qualitative approach, contribute to a smooth, swift and insightful experience. Our assessment process is matched to a Board's maturity and experience and allows for rapid but accurate and complete identification of both a board's strengths and its opportunities for improvement.

Board & Director Development

The ability of an organization to identify growth and potential in executive leaders is probably the only way to help both the organization and the leader to maximize their potential.





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Michael Lee is a director at the Stanton Chase San Francisco office, where he is a member of the Technology, Board Services, and CEO practice groups.

Michael has focused on technology executive search for over 20 years, working from San Francisco, New York, and London. He focuses on placing Board Members, CEOs, and VP teams into tech companies in the venture, PE, and public communities. Prior to executive search, Michael worked in corporate tax with Coopers & Lybrand Deloitte and was a freelance journalist based at the United Nations in New York.

He believes the key to successful searches is constant calibration. Michael invests significant time in understanding his clients' business models and culture to enable him to recruit leaders who make an immediate and significant positive impact on the business.

Michael graduated from the University of Leicester and won the Barnett Janner Travel Scholarship, the United Kingdom's largest overseas travel bursary. On the weekends, you'll find him struggling up the Bay Area hills on his road bike.

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Cathy has over 30 years of executive and leadership search experience and is the founding Managing Director of the Stanton Chase Toronto office, focusing on Board and leadership roles within the Consumer Products, Cannabis, and Industrial sectors.

As Global Leader of the Stanton Chase CFO & Private Equity Practice Group, Cathy is supported by an exceptional global team of consultants and subject matter experts.

Cathy has worked extensively with global publicly-traded companies as well as entrepreneurial, mid-market and private equity portfolio companies, and is a trusted partner to many long-standing clients. Her track record of success includes Board and C-Suite roles including CFO, CEO, COO, and key strategic hires across all areas of Finance, as well as Sales & Marketing, General Management, and Operations.

She obtained her Chartered Accountant designation with Ernst & Young in Ottawa and Bachelor of Business Administration (Honours) degree from Bishop's University. She is fluently bilingual in English and French, and welcomes the opportunity to work with clients in either language.

Cathy is proud to represent Stanton Chase on the global Board of Directors of the Association of Executive Search and Leadership Consultants (AESC) and as Chair of the Nominating and Governance Committee of the AESC Americas Council.

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