



Diversity on US chemical company boards: Three steps to accelerate progress

Some US chemical company boards have made progress on diversity by adding directors with nontraditional backgrounds. But more progress is needed. To continue to improve, boards should focus on process, performance, and culture.

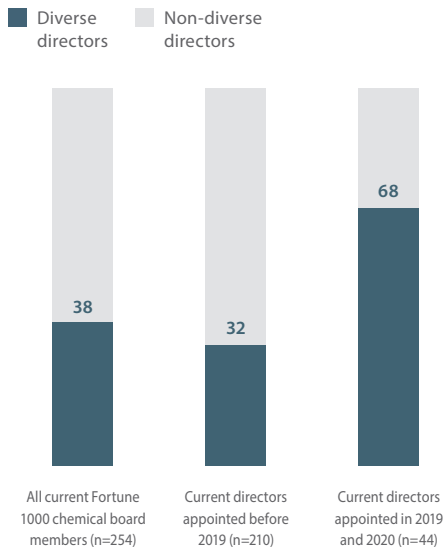
Chemical companies, like all others, are facing increasing calls for diversity on their boards. Among the 254 current directors of Fortune 1000 chemical companies, only 27% are women and 14% ethnically or racially diverse. Only 8% are Black. However, these boards have made some notable strides in recent years: among the 44 new directors appointed to Fortune 1000 chemical companies in 2019 and 2020, 68% are diverse in some way, including 14% who are Black.¹ This puts chemical companies slightly ahead of the overall Fortune 1000.

That said, overall, the current pace of refreshment means that many of these boards are still not meaningfully diverse. The gaps are particularly large for Black and other ethnically diverse leaders.

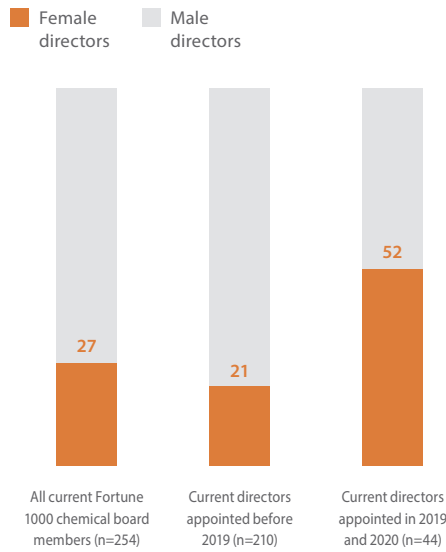
¹ Heidrick & Struggles analysis.

Diversity of Fortune 1000 chemical boards

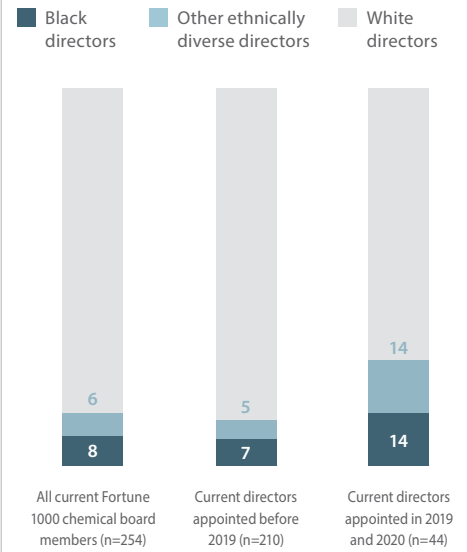
Overall diversity (%)



Gender diversity (%)



Ethnic diversity (%)



Progress so far

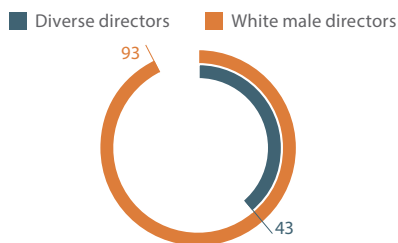
A deeper look into the backgrounds of the new directors in 2019 and 2020 suggests that some nominating and governance committees have already started to change their expectations for new directors' previous experience and consider new profiles. They are creating slates filled with executives from nontraditional backgrounds and with fresh perspectives that reflect changes in strategic needs and the broader business landscape.

For example, incoming white male directors have more than twice as often been CEOs or CFOs than have diverse directors. Diverse new directors, meanwhile, are more often P&L leaders, functional specialists (such as commercial and information officers), or executives from industries outside of chemicals and even outside the broader industrial sector.

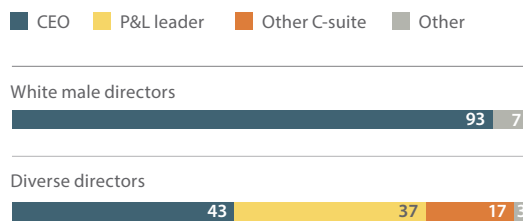
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Background of 2019/2020 Fortune 1000 chemical boards appointments

CEO/CFO background: White male directors vs. diverse directors (%)



Backgrounds of 2019/2020 chemical boards appointments: White male directors vs. diverse directors (%)



Openness to adding board members from consumer and branded product companies, for example, is linked to chemical companies' increased focus on branding down the value chain to customers, who are increasingly discerning about what goes into the products they buy. Boards' interest in backgrounds such as chief information or commercial officers relates to the growing importance of digital, both as a tool to reach customers and as a source of risk. Similarly, P&L leaders have strong operational backgrounds, allowing them to advise companies during times of volatility.

Chemical company boards that seek diverse directors who bring new perspectives integral to business strategy are taking the first crucial steps toward seeing real business value from that diversity, other Heidrick & Struggles research has shown.² All companies should seek to follow this model in order to move the needle and make the industry's boards more diverse.

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² Krishnan Rajagopalan and Lyndon A. Taylor, *Meeting the Inclusion Imperative: How Leaders Can Link Diversity, Inclusion, and Accelerated Performance*, Heidrick & Struggles, April 30, 2020, heidrick.com.

The way forward

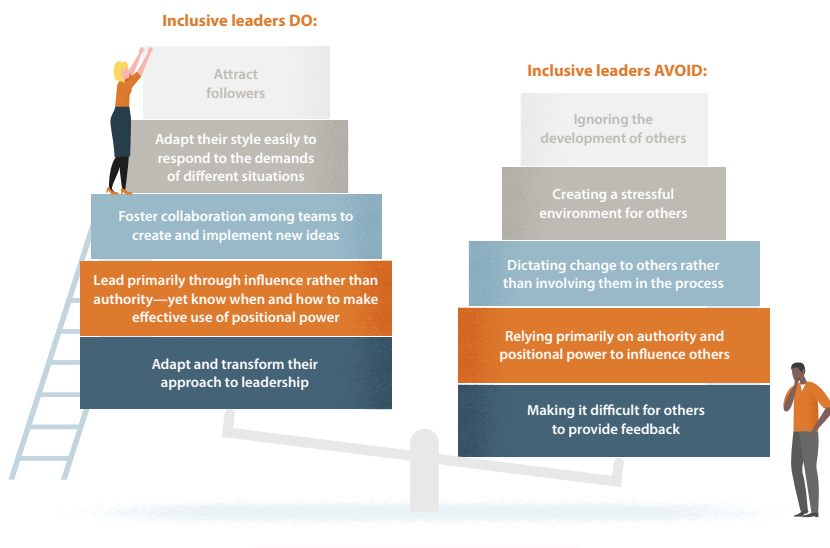
Our experience and research suggest three additional steps that board chairs and nominating committees can take to continue to increase diversity and ensure they get the most business benefit from it.

1 Reconsider the board refreshment process: Despite considered efforts, it is clear that many boards are unable to change as quickly as they now need to. They will benefit from stepping back to reassess their current size, term length, term or age limits, and cadence of refreshment.³ In our experience, most can make some changes in these areas, allowing them to become more diverse and effective.

2 Gather data on board performance: For boards to not only track success with D&I but also build momentum for further work, another important step is assessing whether the current areas of expertise and competencies directors bring are contributing to the business success as expected and where more diversity could make the board more effective. Such assessments should always take into account future strategy and expectations for economic and political conditions. Assessments are most effective when they are a regular part of reviews of board performance that also include factors such as alignment on priorities, transparency of board dynamics, and agility.⁴

3 Create a truly inclusive culture: Inclusion—trusting others and feeling trusted and being able to collaborate freely—is central to a productive culture.⁵ New directors’ influencing skills, along with agility, adaptability, and the ability to leverage lessons from one unique scenario to the next, will help them contribute quickly. But it is equally important for the board to be welcoming of their perspectives. Other Heidrick & Struggles work shows how inclusive leaders act differently:

To create a truly inclusive culture, it is important for the board to be welcoming of diverse perspectives.



US chemical company boards have made a good start on improving their diversity but, like those in most industries, still have a way to go. They can accelerate their current efforts by reevaluating their refreshment process, board effectiveness, and level of inclusion to create space for diverse directors from a wide range of backgrounds.

3 Alice Breeden, Theodore L. Dysart, and David Hui, “Building the foundation for better board refreshment,” Heidrick & Struggles, January 7, 2021, heidrick.com.

4 Alice Breeden and David Hui, “A board review that accelerates competitiveness,” Heidrick & Struggles, April 16, 2020, heidrick.com.

5 Larry Senn and Jim Hart, *Winning Teams, Winning Cultures*, 2nd ed., Huntington Beach, CA: Senn Delaney, 2006.

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