

The Hispanic imperative

Although Hispanics wield growing, impressive power and influence in the US marketplace, they are woefully underrepresented in the C-Suite and the boardroom.



Gaps and challenges.

Economic data present a compelling picture of the power and influence of Hispanics in the US marketplace, yet Hispanic business leaders are woefully underrepresented in the C-Suite and the boardroom.

Consider these recent statistics:

- Roughly 1 million US Hispanics turn 18 every year, and this rate is expected to continue for the next 20 years (Taylor et al. 2012)
- Latino entrepreneurs accounted for 86% of new business formations in this country during the last half decade (Rivers et al 2015)
- Hispanic families bought 51% of homes purchased in the last year (Hispanic Wealth Project 2015)
- Hispanic consumers accounted for 73% of Toyota's 2015 US sales growth (Berenson 2015)

At the same time, Hispanics represent barely more than 2% of directors of boards of Fortune 1000 companies (see Figure 1). In light of the growth of the US Hispanic population, this crucial demographic group's underrepresentation at the top has only widened. "The Latino presence on boards hasn't really changed; essentially it has been flat for 10 years," said Tom Castro, a just-retired director of Time Warner Cable.

Figure 1

Hispanics on corporate boards.

		Total seats	Total Hispanic seats	% Hispanic	Total female Hispanic seats	+% of total companies lacking Hispanic directors	% of total companies
Fortune 500 companies	2011	5,493	119	2.2	NA	338	77.6
	2015	5,312	135	2.5	29	376	75.2
Fortune 1000 companies	2011	10,250	164	1.6	NA	870	87
	2015	9,868	208	2.1	52	827	82.7

“The urgency for appointing Hispanic directors has become even more compelling today,” said Sol Trujillo, who in three decades has served as CEO for several companies and as a director for corporations on three continents. “It is an imperative for business success to add leaders who understand the fastest-growing portion of the domestic market, the fastest-growing entrepreneurial sector and the workforce of today and tomorrow.”

The reality, however, is that the numbers of overall board seats in the Fortune 500 and Fortune 1000 companies have decreased and that board turnover is painfully slow, statistics show. In a recent Korn Ferry study of the top 100 US companies by market capitalization, their boards, with roughly 1,200 seats, added just 100 new directors, and only a quarter of those board members had never before served on a corporate board (KFMC100 2015). The obstacles to Hispanic advancement into corporate leadership roles are important, and the varied paths to overcome them is the subject of this white paper, captured in conversations with more than a dozen Hispanic directors serving on corporate boards. Who are the current Hispanic directors of major companies? How have they achieved their positions? Where have they found barriers? Where do they see opportunity? How do they make the next five years count?

Good for business.

Recognizing their increasing economic clout and growing numbers in the workforce, Hispanics are taking steps to expand their participation in the highest echelons of companies, including the boardroom. The Latino Corporate Directors Association, established in 2012, is made up of Hispanic corporate directors who are united in their goal of increasing Hispanic participation in boardrooms. The group collaborates with US companies to identify director opportunities, and it hosts director education seminars and networking events, speakers, and panels. It conducts research on Hispanic representation and shares its database with corporate boards and search firms.

Diversity of thinking is an undisputed core of innovation. Diversity studies are legion, emphasizing the ways diversity makes us smarter by enhancing creativity and by encouraging better conversations, better problem-solving, and decision-making (see, for example, Tapia and Lange 2016). All are critical for companies working to improve their bottom lines.

Without a reinvigorated effort to include more Latinos, America’s Fortune 1000 companies could enter the next decade gravely weakened in the highly competitive global marketplace and in competing for US Hispanic buying power, now estimated to exceed \$1 trillion (Blanco 2016).

While both the Latino Corporate Directors’ Association and the Hispanic Association of Corporate Responsibility are striving to advance Hispanics’ inclusion in corporate America, individual Hispanic directors, working with these organizations and on their own, also are blazing new paths. They are serving as mentors and sponsors, and they are making a difference.

Their paths to success have varied. Some have achieved their board seats through traditional corporate advancement, others through their visibility and impact as appointed and elected public servants. Still others have made their way to boardrooms via nonprofit board service, networking, and relationship building. Some have advanced through entrepreneurship. Some find helpful the assistance of talent organizations. Their stories are as compelling as their resolve to increase Hispanic representation in the boardroom and ensure its impact.

Organizational hurdles.

Boards, observed Gerry Lopez, CEO and President of Extended Stay America, “face complex challenges from every angle in this economy. Boards need to be responsive to shareholders; that’s the traditional view. But they must also be attentive to all sorts of other stakeholders, which means, depending on the business that you’re in, employees, customers, regulators, other influencers, and the population at large. Latinos are significant cultural and economic stakeholders and a growing share of the employee base. Companies need to understand this, so it’s important to have a voice that represents Latinos at the board level.”

Lopez, who has served for a decade in corporate boardrooms, is now on the “twin boards” of his company and its paired-share real estate investment trust, ESH Hospitality Inc. He’s also a director at Brinker International and CBRE Group.

“There is less director turnover than people think,” said Antonio Garza, former US Ambassador to Mexico. “Boards must recognize that they will have a limited number of opportunities to diversify their composition.”

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– Gerry Lopez,
CEO and President, Extended Stay of America

Garza also noted that a perception exists that there are too few boardroom-ready Latinos in the pipeline. “There may not be as many Latino CEOs and CFOs as we’d like to see,” he said, “but farsighted boards have moved beyond viewing those backgrounds as the sole gateway and are looking to other skills that will add value in the boardroom. The bottom line is that it takes real planning on the part of the board in order to use their opportunities wisely, and then the vision to commit to looking beyond traditional notions of who should be in the room.

“Boards need to understand that good outreach is also good business,” he said. “And if they’re able to do that, they’ll be on the road to a more dynamic board and serving critical shareholders’ interests.”

Patricia Salas Pineda, group vice president for Hispanic Business Strategy for Toyota Motor North America and a Levi Strauss board member, believes that boards have focused unduly on finance expertise (often the domain of Chief Financial Officers) when adding new members, because of federal regulatory crackdowns requiring more corporate financial reporting, including the 2002 Sarbanes-Oxley law. This may have had an unintended consequence, stalling Hispanics’ advance into the boardroom.

“Prior to Sarbanes-Oxley, in the ‘80s and ‘90s, there seemed to me to be more discussion about diversifying boards with women, African Americans, Hispanic Americans, and Asian Americans,” she said. “However, with the shift in focus to financial expertise under Sarbanes-Oxley, the interest in Hispanics waned, particularly since there were not a lot of Hispanic CFOs, CEOs, and financial experts at the time.”

She is optimistic as the number of Latino executives, including those with financial expertise, grows and as companies recognize Latino emergence into the mainstream and the importance of bringing Hispanic consumers’ perspective to the boardroom.

Boardroom paths.

J. Paul Raines went from plant supervisor at a Frito-Lay factory on the potato chip processing line to CEO of GameStop Corp. and a director at JC Penney's. An engineering graduate of Georgia Tech, he was the only Spanish-speaker on the engineering staff, and he put on a third-shift largely populated by Hispanics. "I found that our Hispanic associates required more hands-on learning around the methodologies—this was in the days of statistical process controls. No one had ever sat down and explained it to them. I did that, and we were able to have great success."

After a decade consulting with the global management consulting firm Kurt Salmon, Raines was recruited by LL Bean and Home Depot to run operations and sourcing lines in the Caribbean and South America. But it was his attention to culture that distinguished him in the eyes of the founders of GameStop, who wanted to grow the business but preserve the culture. "Companies looking for leaders assume competency in any COO [chief operating officer] or CEO candidate," Raines said. "But the GameStop owners focused on culture. We had conversations over seven months before I became COO."

Culture continues to be a guiding force at GameStop, he said, adding, "We look at our decisions through the prism of how does this affect our family of associates, our family of shareholders and our family of customers."

A similar focus on culture led Marvin Ellison, Raines' onetime Home Depot colleague, to seek him out. It's also why Raines responded. Ellison, an African American, is CEO of J. C. Penney and is working to reinvent a company that went through a near-death experience with a corporate raider. Ellison sees culture as a critical element of the turnaround. "I wasn't looking for another board, but I know Marvin and his belief that culture will determine his success."

Corporate climbs.

Seasoned CEO Sol Trujillo and Grace Lieblein followed corporate paths to success, each in an inimitable way.

Trujillo's three decades of experience on three continents in the rapidly changing telecommunications and media industries made him a natural for CEO positions, including at US West, Orange SA, and Telstra. He serves on corporate boards in the United States, European Union, and China. The corporations include, in the United States, Western Union and ProAmerica Bank; in the EU, WPP plc, an advertising and public relations multinational; and, in Asia, SouFun Holdings Ltd., China's leading real estate Internet portal, and China's Silk Road Technologies, where he is board chairman. He also has served as a trade policy advisor to the Clinton and George W. Bush administrations and remains active in public policy issues related to immigration, trade, productivity, and fiscal affairs.

Trujillo said he sees two key drivers of the future—the digital technology disrupting every business and “the tsunami of Hispanics, who are driving this country's GDP and spend more than millennials. Hispanics are the new mainstream consumer, and if you're not addressing them, you're not going to be in business.”

As for Lieblein, her Cuban-born father's General Motors assembly plant in South Gate, a Los Angeles suburb, sponsored her at Kettering University, then known as General Motors Institute or GMI. She earned a mechanical engineering degree and launched into a 37-year career at General Motors. She began as a first-line supervisor and manager of die engineering for Oldsmobile. Ultimately, she became vice president of GM's global purchasing supply chain. That gave her responsibility for 6,000 people in 41 countries. She had revenue responsibility for \$12 billion. Her purchasing responsibility exceeded \$100 million. Now retired from GM, she serves on the boards of Honeywell and Southwest Airlines.

“It's up to us,” Lieblein said. “Those of us who are on corporate boards must do what we can to support the recruitment of Hispanic directors.” That means ensuring that boards consider a diverse slate of directors. She had not thought of board work until a neighbor in Mexico City asked about her plans to be a corporate director. Then President of GM Mexico, she had moved on to the presidency at GM Brazil when she was asked to join the Honeywell board.

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– Grace Lieblein,
Corporate director, Honeywell, Southwest Airlines

Grateful for the many opportunities GM gave her to advance her career, she sees a responsibility “to pave the way for others,” she said. Those aspiring to be directors, she noted, must take ownership of the effort, first by achieving success in their current roles. In addition, she says, “use your network, make contact with executive recruiters, join a well-governed not-for-profit board. They're always looking for help.”

She has turned down boards that she didn't fit her experience, but she always takes recruiter's calls and makes suggestions.

Like Lieblein, Pineda was a rare female corporate executive in the automobile industry, working for Toyota. A lawyer by training, she spent most of her career as a general counsel but always worked closely with the Hispanic market, through communications, philanthropy, and human resources. She had primary responsibility for national philanthropy and the Toyota USA Foundation. "Wherever I was in the organization," she said, "I brought important insights and perspectives of being a female, and a Latina, two of the fastest-growing segments in the country." Pineda was recruited to the board of Levi Strauss & Co. As chair of the Latino Corporate Directors' Association, she serves as a mentor and advocate for Latino director candidates.

Jose Luis Prado Becerra charted his success at iconic American companies, including Frito Lay International, PepsiCo Inc., and Quaker Foods - North, but his was an atypical path. An engineer by training and the first member of his family to attend college, he challenged himself to take on assignments that expanded his capabilities. These included top finance roles, leading a company's information technology area, a CFO gig, and the presidency of multiple divisions.

Yet his first board appointment, election to the Northern Trust Corp. board, came about through networking. The second, for Brinker International, occurred after a search firm identified and presented him as a director candidate. "I'm proud of my deep understanding of the global business market, and I love contributing that to the Chicago and USA communities," he said.

Government service.

Government service catapulted a number of Hispanic business leaders into the boardroom, as these examples illustrate:

- Former ambassador Garza was elected chairman of the Texas Railroad Commission, a state energy regulatory agency, and now serves as counsel in Mexico City to the law firm of White & Case.
- Aida Alvarez had a successful career as a news reporter and investment banker before serving as Administrator of the Small Business Administration from 1977 to 2001, thus becoming the first Latina to hold a US Cabinet-level position.
- Patricia Diaz Dennis was confirmed by the US Senate for three high-level presidential appointments: first by President Reagan to the National Labor Relations Board in 1983; again by him in 1986 as commissioner of the Federal Communications Commission; and finally in 1992 by President George H.W. Bush as Assistant Secretary of State for Human Rights and Humanitarian Affairs.

In his conversations with board members about a possible position, Garza was gratified that his new board colleagues weren't looking to simply check the CEO box or fill in missing sector expertise. As he puts it, "One director told me, 'We know business. What we need is someone that understands diverse cultural, legal, and regulatory environments and can anticipate risk.'" Garza serves on the boards of Basic Energy Service Inc., Kansas City Southern, and MoneyGram International.

As Diaz Dennis observed: "Businesses are subject to so much government regulation that understanding how regulatory agencies function helps companies operate in the regulatory arena more effectively."

She was selected for the NLRB because of her decade's work in labor law representing management. While at the American Broadcasting Company, she developed a reputation as a rare labor lawyer whom the unions would not oppose. She began to bring her regulatory knowledge and experience into the boardroom when appointed a director of Telemundo, a Spanish-language broadcaster then owned by corporate raider Saul Sternberg. She was fresh off the FCC and spoke Spanish. She now serves on the boards of Entravision Communications, Massachusetts Mutual Life Insurance Co., and US Steel Corp.

By her own account, she "zig-zagged her way around the glass ceiling" in her 10 jobs after law school, retiring from AT&T in 2008. She regards hard work and competency as table stakes for C-Suite or board positions. But she also acknowledges that understanding how to maneuver politically is critical. She added that it is crucial to "be nice to everyone. You never know who might be your connection to an opportunity." She noted that a colleague at the law firm Paul Hastings, for whom she routinely made tacos, suggested her for the NLRB.

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- Patricia Diaz Dennis,
Corporate director, Entravision,
Massachusetts Mutual Life Insurance Co,
US Steel Corp.

Raines concurs about the importance of collegial contacts. He had been a candidate for CEO of Advance Auto Parts when another candidate, Darren Jackson, got the job. But Jackson stayed in touch with Raines, meeting regularly and discussing ideas and strategies. Later, Jackson asked Raines to join his board. Raines had just become CEO at GameStop and declined. A year or so later, Jackson asked Raines again. The time was right, and Raines joined the Advance Auto Parts board.

Diaz Dennis noted the importance of both mentors and sponsors, observing: "A mentor is someone who can guide you, and with whom you can be honest and vulnerable. A sponsor is someone who sees to it you get the right experiences for advancement. Sometimes, with luck, you can have one person be both your mentor and sponsor."

Sponsors and mentors.

Joseph Alvarado, the son of a shop floor steelmaker at Inland Steel, credits sponsors for playing critical roles in his success. While he clearly had “the right stuff” to become Chairman, President, and CEO of Commercial Metals Co., a global enterprise that recycles, manufactures, fabricates, and distributes steel and metal products, his experience at Inland Steel imbued in him a commitment to mentoring and giving back, particularly on matters of inclusion.

He began his career at Inland in the finance department of the company where his father had worked for 30 years. Although he had earned an economics degree from Notre Dame and an MBA from Cornell, Alvarado said his career was shaped by the sponsorship of Robert Darnall, Inland’s chairman and CEO, and Robert Powell, the company’s executive vice president of sales. “My mentors saw to it that I gained experience in every area of our business,” said Alvarado, who progressed through increasingly responsible management positions in accounting, sales, customer service, strategic planning, and manufacturing.

Inclusion is now a big part of his mission, he said, noting: “One-third of Commercial Metals Company employees in Texas are Hispanic, and we want them to grow with our company. We also focus on guiding Hispanics to advance to managerial and executive positions because they can serve as great role models.” Alvarado’s commitment to diversity and inclusion is demonstrated by his Executive Leadership Team, which has a female COO and female CFO.

Alvarado recently has mentored Anthony Herrera, executive director of the Cox School’s Latino Leadership Institute at Southern Methodist University, and he noted the importance of the region for Hispanics: “There are more than 70,000 Latino-owned businesses in the Dallas-Fort Worth area that generate \$10.7 billion in annual revenue. Many of these are family-owned businesses where individuals feel they have a better chance to manage their own destiny as an entrepreneur rather than in the corporate world.” Besides the Commercial Metals board, Alvarado also serves on the board of Spectra Energy Corp.

Entrepreneurial paths.

Nina Vaca charted her own path as the founder, chairman, and CEO of Pinnacle Group, which was named the fastest-growing woman-owned business in the United States in 2015. Since its founding in 1996, Vaca has revolutionized the original Pinnacle Technical Resources from a niche IT services provider into a workforce solutions powerhouse. In addition to her own company and board, she serves on the boards of Cinemark Holdings, Comerica Bank, and Kohl's Corp.

"I think the entrepreneurship angle was to a certain degree a secondary issue in terms of my own board appointments," she said. "Overall, boards are looking for people with a demonstrated level of high achievement over a period of time, as well as relevant experiences for their industry. In my case, the fact that I founded and led a technology-based company that became one of the fastest-growing businesses in the US for the past ten years was certainly a key driver. I believe the richness of my experiences in leading my own firm combined with my multi-year leadership of a significant not-for-profit organization led to my selection."

She acknowledges that being on multiple boards and running her own company has its challenges but says: "Having highly capable and independent thinkers in my organization enables me to spend the vast majority of my time setting the vision rather than personally ensuring that everything is functioning properly. As for board service, I actually find that there are a number of common challenges that all companies big and small face today—including talent, technology, and scalability. These are the core issues I've been tackling for two decades, and it's extremely fulfilling to be able to contribute some of the insights I've gained through outside board service."

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– Nina Vaca,
Corporate director, Cinemark Holdings,
Comerica, Kohl's Corp

Raul Vazquez expanded his entrepreneurial capabilities during his time at start-ups of different sizes and in different industries, as well as through his service at Walmart and as CEO of Walmart.com. "It was a great opportunity to learn from my bosses, start-up founders and leaders," he said.

Becoming CEO of Oportun was a natural fit for Vazquez, he said. The new company uses advanced data analytics to provide responsible, affordable, credit-establishing loans to those in underserved Hispanic communities. Another helpful experience that Vazquez picked up at Walmart was the opportunity to join the Hispanic Scholarship Fund's board of directors. His interaction with the Walmart board, as well as having Aida Alvarez as a board mentor while at Walmart, helped prepare him for future board service. "I appreciated the investment Walmart made in my development," Vazquez said. "Walmart has an exceptional board. That experience helped me when I joined the Staples board."

With bachelor's and master's degrees in science from Stanford University and an MBA from the Wharton School of the University of Pennsylvania, Vazquez had the technical training to make him successful. Vazquez, who serves on the board of Intuit Inc. besides being an Oportun director, said he is optimistic about greater inclusion of Hispanics in the C-Suite and corporate boards: "I like to assume good intent and that more boards want to be more inclusive. We have to make it easier to make good candidates more visible and available, and we have to help talented young people get the experiences they need to advance their careers."

Nonprofit boards as a way up.

Gilbert F. Casellas had high-profile government appointments, first as general counsel of the US Department of the Air Force, and later as Chairman of the Equal Employment Opportunity Commission. And while he brought one-of-a-kind government experience to a board, it was his relationship with Roy Vagelos, the former Chairman and CEO of Merck and Co., and Chairman of the Board of Trustees at the University of Pennsylvania, that brought Casellas to the attention of the board of the Prudential Insurance Company of America, on which Vagelos also served. Casellas joined the Prudential board in 1998.

After almost 20 years as a Prudential corporate director and especially because the company is regularly recognized for its superior corporate governance, Casellas said he is exceptionally proud of the diversity and effectiveness of Prudential's board: "As Chairman of the Nomination and Governance Committee, it makes me very proud that Prudential has such a diverse board. Over 70% of our independent directors are diverse: women, or people of color, or LGBT. Having a diverse group of people around a table drives healthy discussion and decision-making. And there are very few Fortune 100 boards as diverse as ours."

The Power of School Ties

Korn Ferry's Victor Arias knows from personal experience the power of service on nonprofit boards.

Proud of the opportunity that Stanford Business School afforded him, Arias volunteered with the university's alumni association to help his school and to give back. His work brought him to the attention of Stanford's leadership, and he was invited to join the university's Board of Trustees. That move also changed the trajectory of his career, shifting him out of real estate, exposing him to talent management, and eventually landing him in executive search.

Among the 33 Stanford trustees with whom he served was Brad Freeman, who led a large private equity holding company, Freeman Spogli. He asked Arias to serve on the board of what was then AFC Enterprises. It owned four brands: Popeye's Chicken, Church's Chicken, Seattle's Best Coffee and Cinnabon. AFC Enterprises sold three and retained Popeye's Louisiana Kitchen, giving Arias a 15-year run as a director.

External identification.

As Prado Becerra discovered in his second opportunity to join a corporate board, search firms can play a key role in identifying candidates and assisting director nominating committees. But forward-looking committee members, as well as executive search organizations, should be aware of gaps and challenges that can hamper efforts for organizations to make their boardrooms optimally inclusive (Arias and Garcia 2009).

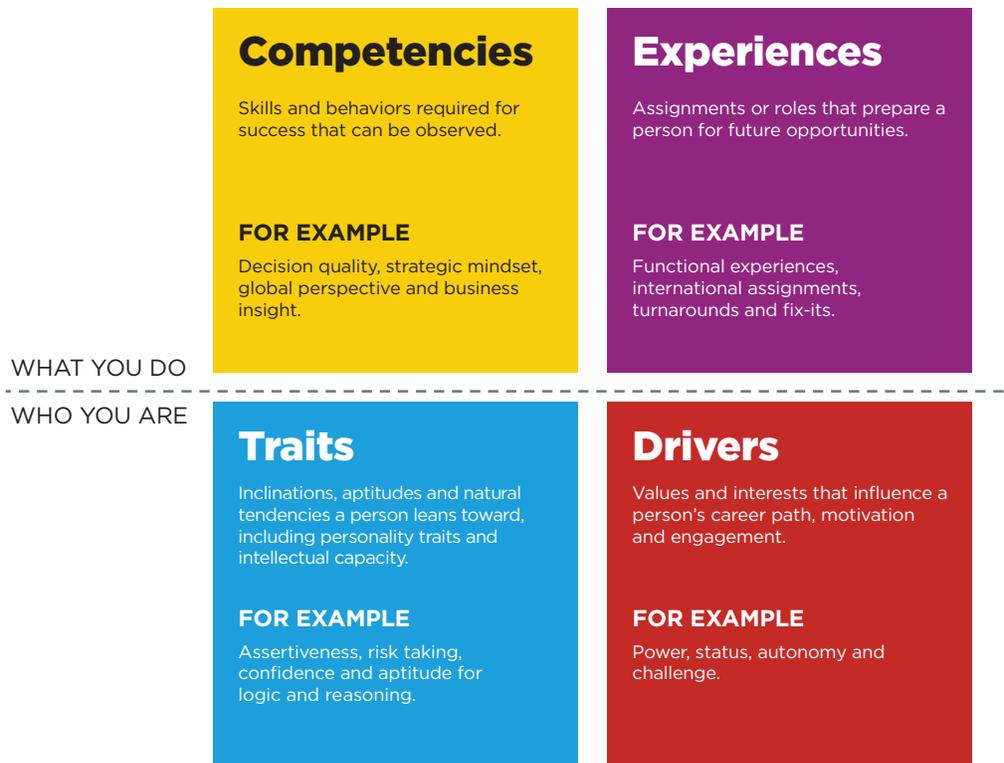
Although external expertise can be helpful in finding qualified candidates with whom board members, CEOs, and organizations' chief human resource officers may be unfamiliar, narrow search specifications can produce a too-familiar slate of candidates (e.g., current or former CFOs or a former head of an audit committee) or those already serving on several other boards.

Further, boards and nominating committee members, especially, may wish to leverage their external experts to help determine gaps or challenges in knowledge and experience that new corporate directors can address. This critical review of the current directors' capabilities and experiences might ask: What skills and capacities already exist on the board? What leadership gaps exist? Companies tell Korn Ferry that, besides pursuing directors with financial acumen, their boards could benefit from seasoned leaders who are more tech savvy, who have proven knowledge of ways to deal with a deluge of digital data and more background not just in cybersecurity but also in securing organizations, their people, and their supply chains in uncertain times. Depending on the sector and maturity of the business, some companies want expertise for their boards in reaching new consumers, audiences, and markets, especially through technology and social media. Boards that are seeking to broaden their capacities may well be considering candidates from sectors far from their enterprises. If nominating committees narrow their searches too early, fail to reach out in appropriate ways to both rising and established but unfamiliar talent, and elect to limit interviews to too few aspirants, organizations can miss out on opportunities to make their boards deeper and more inclusive.

Boards seeking to be more inclusive also must look at themselves and the way they work, some seasoned female directors recently have told Korn Ferry (Stevenson and Norris 2016). Are boards ready to open themselves up, to reevaluate, and if necessary to change their procedures to take full advantage of corporate directors who may be different than they are? All candidates must be qualified, of course. They must possess competencies that the board has identified; each candidate must meet terms outlined in a search specification. But a qualified candidate still may not be the best fit. CEO and audit-committee experience does not mean a candidate necessarily brings a nuanced understanding of other strategic issues vital to board oversight. Neglecting candidate fit also can prevent search consultants and nominating committees from considering less traditional experience that demonstrates specified competencies.

Figure 2

Korn Ferry’s Four Dimensions of Leadership and Talent.



Organizations are finding greater success, Korn Ferry has found, with more holistic and rigorous searches for corporate directors and executives. These go beyond gut instinct and beyond familiarity with peers at similar businesses in the sector, resume reviews, and interviews. Those evaluation criteria can be complemented by scientific assessments of behavior, leadership approaches, and decision-making dynamics (see Figure 2). Korn Ferry’s Four Dimensional Executive Assessment (KF4D-Exec), for example, can offer deep insights into candidates’ various leadership roles and the ways they systematically differ; the firm’s assessments also are rigorously validated by social science research (Lewis and Jones 2016).

Conclusion

Although trailblazing Hispanic leaders have labored and found many and varied paths to the boardroom, organizations themselves need to become ever more proactive to increase their inclusiveness at the top. Candidates from underrepresented groups, including women, Hispanics, African Americans, Asian Americans, and the LGBT community, are bolstering their credentials and capacities, individually and collectively. To benefit them and the organizations for which they might work, boards and their nominating committees also must go the mile further to ensure boardroom inclusiveness.

Aida Alvarez, who recently joined the board of HP Inc., credits the board and company leadership for its focus on diversity and inclusion of women and people of color. She completed her 10-year term on the Walmart board in June. As an example of how diversity is part of the HP culture, chief marketing officer Antonio Lucio asked the company's five advertising agencies to lay out plans for increasing the number of women and minorities in key creative and strategy roles.

Smart companies like HP are paying attention to diversity. "They recognize that women and minorities are a huge pool of talent to be tapped," said Alvarez.

As for the ultimate pay-off and why board work is satisfying and valuable: "As a director I use a different set of intellectual muscles, and I strongly believe it makes me a better executive," said Gerry Lopez of Extended Stay America.

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