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## Press Release

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### Diverse Corporate Boards Achieve Higher Performance, CalPERS Report Says

**SACRAMENTO, CA** – Companies that have diverse boards perform better than those with similar director profiles in terms of ethnicity, gender and skill sets, according to a report delivered to the California Public Employees' Retirement System's (CalPERS) Investment Committee.

The report -- *Board Diversification Strategy: Realizing Competitive Advantage and Shareowner Value* – said companies without ethnic minorities and women on their boards eventually may be at a competitive disadvantage and have under-performing share value. The report was commissioned by the CalPERS Board at the request of John Chiang, California's State Controller and member of the CalPERS Board.

"Research suggests that companies with more diverse boards, especially gender based diversification, have higher performance and key financial metrics such as return on equity, return on sales, and return on invested capital," said the report by Virtcom Consulting.

"These findings validate our ongoing efforts to diversify boards and improve portfolio companies' operating performance and stock returns," said Rob Feckner, President of the CalPERS Board. "Companies can no longer compete in the changing global marketplace by staying with the status quo."

Virtcom said core business concepts such as competitive advantage, organizational performance, creativity, innovation and shareowner value are the new talking points linked to a diverse slate of board directors.

The report also expanded the traditional definition of "diversity" beyond gender and ethnicity to diverse skill sets that also tend to enhance performance.

"Corporate directors should address accounting or finance, international markets, business or management experience, industry knowledge, customer-based experience or perspective, crisis response, leadership and strategic planning as well as address historically underrepresented groups on the board, including women and minorities," said the report.

Other key findings included:

- Women comprise more than half of the U.S. population but hold only 17 percent of corporate board seats at Fortune 100 companies.
- A selected group of companies with a high ratio of diverse board seats exceeded the average returns of the Dow Jones and NASDAQ indices over a five-year period.
- Each of the selected companies had an executive responsible for managing their diversity initiatives.

"Corporate boards need to recognize that diversity is an important business issue that will give them a competitive advantage," said George Diehr, Chair of CalPERS Investment Committee.

CalPERS has written diversity guidelines into its Principles of Accountable Corporate Governance to encourage companies to take into account "historically under-represented groups on the board, including women and minorities." The pension fund also is raising the corporate board diversity issue with candidates for its 2009 Focus List of underperforming companies, and is encouraging proxy advisors to adopt a principles-based approach on the issue.

A copy of the report can be viewed in the CalPERS Press Room at [www.calpers.ca.gov](http://www.calpers.ca.gov).

CalPERS is the nation's largest public pension fund with approximately \$174 billion in market assets. It provides retirement benefits to more than 1.6 million State, school and local public employees, retirees and their families, and health benefits to nearly 1.3 million members. For more on CalPERS, visit [www.calpers.ca.gov](http://www.calpers.ca.gov).

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