

2020 Spencer Stuart Industrial Sector Snapshot

In many respects boards of industrial companies in the S&P 500 index — defined as 97 companies in the materials and industrials primary sectors — are similar to S&P 500 boards.

- » The average age of independent directors on industrial boards is 63.1 years, compared to 63.0 years for S&P 500 boards.
- » The youngest industrial board averages 53.3 years of age, the oldest, 83.8.
- » Industrial boards average 10.4 directors, compared to 10.7 members on S&P 500 boards.
- » Independent directors represent 86% of all directors on industrial sector boards, compared with 85% of all S&P 500 directors.
- » The average board tenure of independent directors on industrial boards is 8.0 years, just below the 7.9 year average for the S&P 500 index.
- » The longest-tenured industrial board averages 35.5 years of board service.

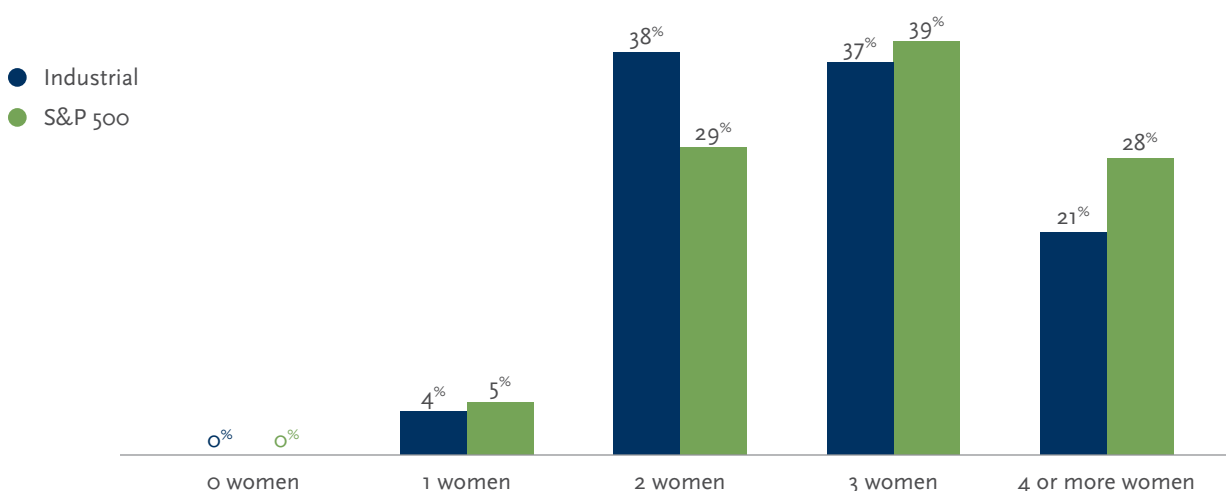


Diversity

Gender diversity of industrial boards slightly lags the S&P 500 universe, with women representing 27% of all industrial board members in 2020, compared to 28% of S&P 500 directors.

Every S&P 500 board has at least one female director. Ninety-five percent (95%) of the S&P 500 index have at least two female directors, and two-thirds (67%) of S&P 500 boards have three or more female directors. In contrast, just under 60% of the industrial boards have three or more women directors. Thirteen S&P 500 boards are composed of at least 50% women, including one industrial board.

Representation of Women Directors on Industrial Boards



When it comes to race/ethnic diversity of the boardroom, 18% of the directors of the 42 industrial companies in the top 200 companies are minorities (defined as Black/African American, Hispanic/Latinx and Asian), slightly below the 20% average for the S&P 500 index. The diversity breakdown of industrial boards generally matches the S&P 500: 11% Black/African American (compared to 10% of S&P 500 directors); 4% Hispanic/Latinx (compared to 4% S&P 500); and 3% Asian (compared to 5% S&P 500). According to the U.S. Census Bureau, about 40% of the U.S. population is estimated to be a minority, including 18.5% Hispanic/Latinx, 13.4% Black/African American, 5.9% Asian.

New independent director backgrounds

Fifty-five companies — 57% of the surveyed S&P 500 industrial companies — added at least one director over the past year. Appointees averaged 58.4 years of age, slightly higher than the 57.8 average for all independent directors joining S&P 500 boards. First-time directors represented 28% of directors joining industrial boards, matching the 28% overall average for the S&P 500.

Of the 87 directors joining industrial boards over the past year, 62% are diverse: 49% are women; 13% are minority men. The appointments slightly outpace the S&P 500, where 59% of the incoming 2020 class are diverse, including 47% women and 12% minority men.

Less than half (46%) of the directors joining industrial boards are actively employed, compared to 49% of independent directors joining S&P 500 boards. Compared to the S&P 500 incoming class of independent directors, industrial boards recruited in 2020 a higher percentage of leaders of divisions/subsidiaries and functional units and former government/military officials. Industrial boards appointed relatively fewer directors with financial experience.

	2020 Industrials	2020 S&P 500
CEOs	29%	29%
<i>Active</i>	15%	13%
<i>Retired</i>	14%	16%
Chairs/presidents/COOs	7%	6%
<i>Active</i>	5%	3%
<i>Retired</i>	2%	3%
Line and functional leaders	20%	16%
Division/subsidiary presidents	11%	7%
Finance/accounting executives	14%	27%
<i>Financial executives/CFOs/treasurers</i>	9%	14%
<i>Investment managers/investors</i>	3%	8%
<i>Bankers/investment bankers</i>	1%	4%
<i>Public accounting executives</i>	1%	1%
Academics/nonprofit executives	2%	3%
Consultants	2%	3%
Legal	1%	2%
<i>General counsel</i>	1%	2%
<i>Lawyers</i>	0%	0%
Others	12%	7%
<i>Government/military</i>	10%	5%
<i>Others</i>	2%	2%

Board leadership

The chair and CEO roles are separated at 49% of industrial boards — lower than the 55% average for the S&P 500 index. Executive chairs are in place at 14% of industrial boards, compared to 13% for the S&P 500. Independent directors chair 33% of industrial boards (compared to 34% of the S&P 500), while 71% of industrial boards have an independent lead director (compared to 73% of the S&P 500).

Board organization and process

Compared to the S&P 500 index, more industrial boards have three-year terms (classified boards) and age limits for directors. Industrial board committees — number, size and meeting frequency — are similar to S&P 500 committees.

	2020 Industrials	2020 S&P 500
Classified board	13%	10%
Board meetings (avg #)	7.9	7.9
Board committees (avg #)	4	4.2
Audit committee		
<i>Size (avg #)</i>	4.6	4.4
<i>Meetings (avg #)</i>	7.9	8.2
Compensation committee		
<i>Size (avg #)</i>	4.6	4.3
<i>Meetings (avg #)</i>	5.3	5.9
Nominating/governance committee		
<i>Size (avg #)</i>	4.7	4.4
<i>Meetings (avg #)</i>	4.3	4.5
Mandatory retirement	85%	70%
Retirement age (avg)	73.8	73.6

Industrial sector companies

3M Company	Flowserve Corporation	Packaging Corporation of America
A. O. Smith Corporation	FMC Corporation	Parker-Hannifin Corporation
Air Products & Chemicals	Fortive Corporation	Pentair plc
Alaska Air Group	Fortune Brands Home & Security	PPG Industries
Albemarle Corporation	Freeport-McMoRan	Quanta Services
Allegion Public Limited Company	General Dynamics Corporation	Republic Services
Amtcor	General Electric Company	Robert Half International
American Airlines Group	Honeywell International	Rockwell Automation
AMETEK	Howmet Aerospace	Rollins
Avery Dennison Corporation	Huntington Ingalls Industries	Roper Technologies
Ball Corporation	IDEX Corporation	Sealed Air Corporation
C.H. Robinson Worldwide	IHS Markit	Snap-on
Caterpillar	Illinois Tool Works	Southwest Airlines Co.
Celanese Corporation	Ingersoll-Rand	Stanley Black & Decker
CF Industries Holdings	International Flavors & Fragrances	Textron
Cintas Corporation	International Paper Company	The Boeing Company
Copart	J.B. Hunt Transport Services	The Mosaic Company
Corteva	Jacobs Engineering Group	The Sherwin-Williams Company
CSX Corporation	Johnson Controls International	Trane Technologies
Cummins	Kansas City Southern	TransDigm Group
Deere & Company	L3Harris Technologies	Union Pacific Corporation
Delta Air Lines	Linde plc	United Airlines Holdings
Dover Corporation	Lockheed Martin Corporation	United Parcel Service
Dow	LyondellBasell Industries N.V.	United Rentals
DuPont de Nemours	Martin Marietta Materials	Verisk Analytics
Eastman Chemical Company	Masco Corporation	Vulcan Materials
Eaton Corporation	Newmont Corporation	W.W. Grainger
Ecolab	Nielsen Holdings plc	Wabtec Corporation
Emerson Electric Company	Norfolk Southern Corporation	Waste Management
Equifax	Northrop Grumman Corporation	WestRock Company
Expeditors International of Washington	Nucor Corporation	Xylem
Fastenal Company	Old Dominion Freight Line	
FedEx Corporation	PACCAR	

ABOUT SPENCER STUART

At Spencer Stuart, we know how much leadership matters. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 70 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness. For more information on Spencer Stuart, please visit www.spencerstuart.com.

Social Media @ Spencer Stuart

Stay up to date on the trends and topics that are relevant to your business and career.



© 2020 Spencer Stuart. All rights reserved.
For information about copying, distributing and displaying this work,
contact: permissions@spencerstuart.com.

