

2023 Spencer Stuart S&P MidCap 400 Board Index

Boards of S&P MidCap 400 companies are continuing to focus on their composition and taking a strategic approach to director appointments. With boardroom turnover consistently low, boards are using new director appointments to add fresh skills, qualifications and perspectives.

Similar to large-cap companies, the number of directors appointed by S&P MidCap 400 boards fell; this year, 255 executives joined mid-cap boards, the lowest number since we started our research on mid-cap companies with our 2020 report, and down from 313 in 2022. Overall turnover remained flat, with the incoming class of directors representing 7% of all directors, the same as S&P 500 companies.

The professional backgrounds of directors joining both large- and mid-cap boards changed. Compared with the year before, boards appointed more top-level executives — active or retired. The proportion of new directors serving on their first public company board remained high at mid-cap companies.

Mid-cap boards recruit more top-level executives

As in the large-cap universe, the number of retired or active top executives (consisting of active and retired CEOs, chairs, COOs and presidents) recruited to S&P MidCap 400 boards rose this year to 26%, up from 22% last year. The percentage of retired CEOs more than doubled, to 11% from 5% last year, while the share of active CEOs dropped from 12% to 9%. Overall, top executives represent a smaller percentage of new directors on mid-cap boards than at large-caps.

Mid-cap boards appointed a higher proportion of functional leaders this year: they comprise 28% of new appointments, up from 25% last year and compared with 16% among the S&P 500. Mid- and large-cap boards appointed a similar proportion of financial executives this year, with mid-cap appointments down slightly from 27% in 2022 to 25%.

Across both mid- and large-cap boards, the proportion of new directors who are actively employed fell. This year, 56% of new mid-cap directors are actively employed, down from 65% last year; among the new directors appointed to large-cap boards, 50% are actively employed, also a decline compared to 56% a year ago.

EXPERIENCE OF NEW DIRECTORS

	S&P MidCap 400	S&P 500
CEOs	20%	30%
<i>Active</i>	9%	14%
<i>Retired</i>	11%	16%
Chairs/presidents/COOs	6%	4%
<i>Active</i>	4%	2%
<i>Retired</i>	2%	2%
Functional leaders	28%	16%
P&L leaders	9%	10%
Financial executives	25%	27%
<i>Financial executives/CFOs/treasurers</i>	14%	15%
<i>Bankers/investment bankers</i>	1%	2%
<i>Investment managers/investors</i>	9%	7%
<i>Public accounting executives</i>	1%	3%
Legal executives	3%	3%
Total		
<i>Active</i>	56%	50%
<i>Retired</i>	44%	50%

Consumer, technology/telecommunications and healthcare contribute the largest share of new mid-cap directors

The industry backgrounds of the incoming class of mid-cap directors in 2023 are similar to last year. The most common are financial backgrounds (financial services and PE/investment management), followed by technology/telecommunications and consumer. Healthcare is fourth, accounting for 11% — up from 8% last year.

About six in 10 new mid-cap directors (61%) are from five industries:

- » Technology/telecommunications
- » Consumer
- » Healthcare
- » Financial services
- » Private equity/investment management

NEW DIRECTOR INDUSTRY BACKGROUNDS

	S&P MidCap 400		S&P 500	
	2023	2022	2023	2022
Technology/telecommunications	15%	13%	18%	17%
Consumer	15%	14%	14%	13%
Healthcare	11%	8%	9%	8%
Financial services	10%	8%	10%	12%
Private equity/investment management	10%	13%	7%	6%
Industrial	9%	9%	10%	10%
Energy/utilities	6%	3%	8%	7%
Real estate	2%	4%	1%	0%
Education/nonprofit	2%	5%	3%	5%

Mid-cap boards average 9.7 directors

S&P MidCap 400 boards have, on average, 9.7 directors — fractionally more than in recent years (9.6 in 2022, and 9.5 in 2021 and 2020). S&P 500 boards are larger, with 10.8 directors on average in 2023 — unchanged since 2022.

Mid-cap boards continue to appoint a high percentage of first-time and next-gen directors

Mid-caps are more likely to appoint first-time and next-gen directors than large-caps.

First-time directors — those serving on their first public company board — make up 46% of the mid-cap class of 2023, down two points from 2022 but still higher than in 2021 or 2020, and almost 1.5x times the percentage appointed to S&P 500 boards (31%).

The average age of first-time directors appointed to S&P MidCap 400 boards is comparable to that of S&P 500 boards (56 versus 56.3) and is significantly lower than the 59.5 year average of other appointments to mid-cap boards. The overall average of the 2023 mid-cap incoming class is 57.6, compared to 58 for the S&P 500 incoming class.

Next-gen directors — aged 50 and younger — account for 19% of all new mid-cap directors, compared with 11% among large-caps.

Nearly two thirds (63%) of new next-gen mid-cap directors are serving on their first public company board, compared with 50% of next-gen directors appointed by large-cap boards.

Mid-cap boards are slightly older than last year, and formal retirement policies continue to be far less prevalent than among large-caps

The average age of mid-cap directors is 63 years, compared with 62.8 in 2022, 63.2 in 2021 and 61.7 in 2020. The average age of large-cap directors is slightly higher (63.3).

The share of mid-cap boards with a mandatory retirement age is the same as in 2022 (53%), considerably lower than among large-cap boards (69%). The average age limit of 74 is the same across mid-caps and large-caps.

Few mid-cap boards have tenure limits, and average tenures have fallen slightly

Term limits are in place at 8% of mid-caps, unchanged from last year and the same as at large-caps.

Where mid-cap boards have tenure limits, the average is 13.7 years, slightly lower than among large-caps (14.4 years). Fewer mid-caps have long tenure limits (15 years or more) than large-caps (55% compared with 72%), and they are less common than a few years ago: in 2020, 68% of mid-caps with tenure limits set them at 15 years or more.

The average tenure of S&P MidCap 400 directors is 7.7 years, very similar to S&P 500 directors (7.8 years). The average is slightly lower than a few years ago: in 2020, it was 8.2 years.

Other turnover mechanisms are less prevalent at mid-cap boards

Director elections take place annually at 70% of S&P MidCap 400 boards, compared with 71% in 2022 and 89% of S&P 500 boards. In addition, 84% have some form of majority voting for director elections (down from 87% in 2022 and compared with 88% of large-caps).

More than half of mid-cap boards (56%) have a policy requiring directors to tender their resignations in the event of a material change in occupation or circumstances, compared with 88% of S&P 500 boards.

Limits on the number of boards that directors can serve on are applied by 63% of mid-caps, up slightly from 2022 but still less than large-cap boards (72%). The average limit is 4.3 boards.

Few mid-cap boards conduct individual director evaluations

Similar to S&P 500 boards, nearly all mid-cap boards (97%) report engaging in annual board evaluations, slightly below the 98% of large-cap boards. However, just 21% of mid-caps report conducting individual director evaluations, compared with 47% of large-caps in 2023.

Board leadership differs at mid-caps and large-caps

Mid-cap CEOs are considerably less likely than their large-cap counterparts to also serve as the board chair: 31% at mid-caps and 41% at large-caps. Mid-caps are more likely than large-caps to have independent chairs — 47% compared with 39% — although that number has remained the same among mid-caps and risen among large-caps. The percentage of mid-cap boards with lead or presiding directors has also remained consistent at 50%, but has fallen among large-caps — from 68% in 2022 to 65% in 2023.

Fewer mid-cap CEOs serve on boards of other companies than their large-cap peers: 29% versus 42%.

The frequency of board meetings is slowing

Over the past year, mid-cap boards met on average just under eight times (7.7), slightly less than the year before (8.2 meetings on average). The same trend was apparent at large-caps, where the average frequency fell from 8.3 to 7.6. Aside from fewer, on average, audit committee meetings, mid-cap committees generally have the same meeting frequency as large-caps.

COMMITTEE SIZE AND MEETINGS

	S&P MidCap 400	S&P 500
Average number of committees	3.9	4.2
Audit committees		
Size	4.2	4.5
Meetings	7.1	8.2
Compensation committees		
Size	4.1	4.3
Meetings	5.5	5.8
Nominating/governance committees		
Size	4.2	4.4
Meetings	4.1	4.6

Additional committees vary by sector

Similar to the S&P 500, additional mid-cap board committees vary by sector. Utilities, communication services and financial services sector boards have the highest percentage of executive committees. Risk committees are frequently required for financial services companies, and most risk committees of mid-cap boards are housed in the financial services sector. Healthcare sector boards have the highest percentage of legal committees, while real estate and financial services boards have the highest percentage of investment committees. The highest percentage of environmental/health/safety committees are at energy boards.

S&P MIDCAP 400: ADDITIONAL STANDING COMMITTEES ACROSS SECTORS

	COMMUNICATION SERVICES	CONSUMER	ENERGY	FINANCIAL SERVICES	HEALTHCARE	INDUSTRIALS	INFORMATION TECHNOLOGY	REAL ESTATE	UTILITIES	TOTAL
Executive	44%	22%	14%	42%	3%	22%	10%	13%	50%	22%
Finance	11%	10%	29%	9%	16%	20%	12%	13%	19%	14%
Risk	0%	1%	0%	67%	0%	3%	4%	6%	6%	12%
Science/ tech/cyber	11%	10%	0%	14%	14%	4%	16%	0%	0%	9%
Environmental/ health/safety	0%	0%	50%	0%	0%	7%	2%	0%	13%	4%
Investment	0%	3%	0%	14%	0%	0%	0%	16%	6%	4%
Legal	0%	3%	0%	9%	19%	1%	4%	0%	0%	4%
Strategy	0%	3%	0%	0%	0%	7%	8%	0%	13%	4%
Social responsibility	0%	4%	0%	2%	0%	1%	0%	0%	0%	1%

Most mid-cap boards expect directors to own some amount of company stock

A supermajority of mid-cap boards (89%) disclose share ownership guidelines for directors, slightly up from 2022, compared with 93% among large-caps. Typically, these require directors to own a certain number of shares or a multiple of the retainer value within a specified number of years, with the aim of aligning directors' interests with those of shareholders.

The percentage of diverse new directors has dropped

Similar to large-cap boards, the incoming class of mid-cap directors is less diverse in terms of gender and race or ethnicity.

This year, 63% of mid-cap boards' new directors are diverse, using the Nasdaq definition of directors who self-identify as female and/or an underrepresented minority (Black or African American, Hispanic or Latinx, Asian, Native American or Alaska Native, Native Hawaiian or Pacific Islander, or two or more races or ethnicities), and/or LGBTQ+. That is a smaller proportion than in 2022 (73%) and in 2021 (67%). Among large-cap boards, diverse individuals account for 67% of new directors, also a smaller share than a year ago (72%).

DIVERSE DIRECTOR APPOINTMENTS

	S&P MidCap 400	S&P 500
New directors	255	388
% women	44%	46%
% underrepresented minorities	35%	36%
% <i>female</i>	16%	15%
% <i>male</i>	19%	22%
% diverse	63%	67%

The representation of women among new mid-cap directors has also dropped slightly, from 46% in 2022 to 44%. The equivalent for S&P 500 boards is unchanged at 46%.

The number of new directors who self-identify as an underrepresented minority has fallen from 49% in 2022 to 35%, lower than in 2021 (42%) but still substantially higher than 2020 (18%). Large-cap boards posted a similar decline: underrepresented minorities account for 36% of new directors, down from 46%.

Of directors joining mid-cap boards in 2023, 14% are Black or African American (down from 27% in 2022), 14% are Asian (up from 12%) and 7% are Hispanic or Latinx (down from 10%).

UNDERREPRESENTED MINORITY APPOINTMENTS

	S&P MidCap 400	S&P 500
New directors who self-identify as an underrepresented minority	35%	36%
Black or African American	14%	15%
Hispanic or Latinx	7%	9%
Asian	14%	11%

More first-time and next-gen directors are diverse

Underrepresented minorities account for 44% of first-time directors among the incoming mid-cap class of 2023, up from 33% in 2022 and considerably more than among large-caps (36%). Women make up 46% of the mid-cap first-time directors, the same percentage as in 2022, compared with 56% of first-time directors appointed to S&P 500 boards.

Overall, 68% of first-time directors appointed to mid-cap boards this year are diverse, down from 79% last year and fewer than among large-cap appointments (75%).

DIVERSITY AMONG NEW FIRST-TIME DIRECTOR APPOINTMENTS

	S&P MidCap 400	S&P 500
First-time diverse directors	68%	75%
First-time directors who are women	46%	56%
First-time directors who self-identify as an underrepresented minority	44%	36%
% female	23%	17%
% male	21%	19%

Three quarters (75%) of the next-gen directors appointed to mid-caps are diverse, compared with 82% among large-caps. Half (50%) are female (versus 45% of S&P 500 next-gen appointees) and 48% self-identify as an underrepresented minority (versus 52%).

Transparency about boardroom diversity is still increasing

A supermajority of mid-cap boards (91%) now disclose details about their board diversity, up from 83% a year ago and 60% in 2021. Twenty-five mid-caps report on LGBTQ+ representation, compared with 15 a year ago, but this is a considerably smaller number than among large-caps (124 companies).

Most of the S&P MidCap 400 (60%) provide aggregate information about diversity, slightly up from 59% in 2022, while 31% provide director-specific details, up from 24%.

The increase in Rooney Rule-type commitments to include diverse candidates in director searches continues: this kind of policy is now in place at 32% of mid-caps, up from 27% last year. This has more than tripled since 2020, when just 10% of mid-caps had such a policy. But mid-caps lag large-caps, where 56% disclose a policy like the Rooney Rule — up from 50% in 2022.

The percentage of diverse directors on mid-cap boards continues to increase

Overall, 46% of mid-cap directors are diverse, up from 44% last year, compared with 48% of the S&P 500.

The percentage of women in mid-cap boardrooms continues to increase, but slowly: from 30% to 31%. The share of women is smaller than the S&P 500; there, it is now 33%, also up one point compared with 2022.

The proportion of mid-cap boards with at least two women directors has increased from 94% last year to 96%, while boards with at least three women directors has increased from 61% to 69% — as recently as 2020, this was just 42%.

The percentage of directors who identify as an underrepresented minority on mid-cap boards increased from 20% to 22%. The share is smaller than the S&P 500; there, it is now 24%, also up two points compared with 2022.

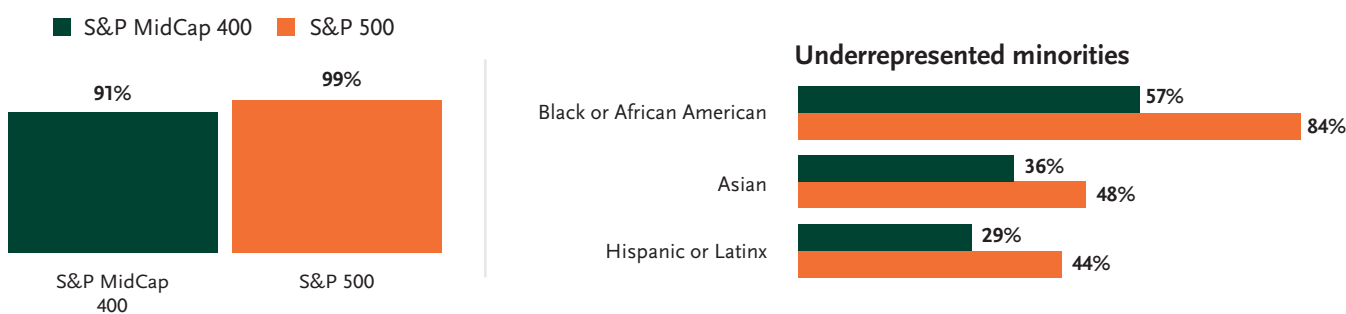
The number of mid-cap boards with at least one director who self-identifies as an underrepresented minority is 91% this year, compared with 96% in 2022, and 60% disclose having more than one underrepresented minority on the board.

The proportion of women and underrepresented minorities among S&P MidCap 400 board directors is generally smaller than the corresponding proportions of the U.S. population.

BOARD DIVERSITY COMPARED TO THE U.S. POPULATION

	S&P MidCap 400	S&P 500	U.S. Census Bureau
Diverse directors	46%	48%	N/A
Women	31%	33%	50.2%
All underrepresented minorities	22%	24%	43%
<i>Black or African American</i>	8%	11%	13.6%
<i>Asian</i>	6%	6%	6.1%
<i>Hispanic or Latinx</i>	4%	5%	18.9%

BOARDS WITH AT LEAST ONE DIRECTOR WHO SELF-IDENTIFIES AS AN UNDERREPRESENTED MINORITY



For detailed analysis of diversity among large-cap boards, see the [Spencer Stuart 2023 S&P 500 New Director and Diversity Snapshot](#).

The gender diversity of board and committee leadership is increasing slowly

The share of mid-cap board leadership roles held by women has increased in every category except lead director, which dropped from 13% to 11%. The proportion of independent board chair roles held by women, for instance, has almost doubled in just two years, now standing at 13% compared with 8% a year ago and 7% in 2021.

However, the share of leadership roles held by women on mid-cap boards is still smaller than at large-caps in nearly all categories. It is only among nominating/governance committee chairs that women hold the same share across the two indices (39%).

WOMEN IN BOARD LEADERSHIP ROLES

	S&P MidCap 400	S&P 500
Independent board chair	13%	18%
Lead director	11%	15%
Audit committee chair	28%	34%
Compensation committee chair	30%	36%
Nominating/governance committee chair	39%	39%

How S&P MidCap 400 and S&P 500 boards compare

	S&P MidCap 400	S&P 500
Board composition		
Average board size	9.7	10.8
Independent directors	83%	85%
Average age of independent directors	63.0	63.3
Average tenure of independent directors	7.7	7.8
Oldest board (average age of independent directors)	73.0	74.0
Longest-tenured board (average tenure of independent directors)	23.4	16.5
Board turnover (% of new independent directors to total directors)	7%	7%
New independent directors		
Total number	255	388
Average age	57.6	58.0
Oldest new director	76	74
Youngest new director	29	27
First-time directors		
# of first-time directors	117	120
% of all new directors	46%	31%
Average age	56.0	56.3
Women directors		
Women as % of all directors	31%	33%
Boards with at least one woman director	100%	100%
Boards with at least two women directors	96%	99%
Boards with at least three women directors	69%	87%
CEO profile		
% of CEOs serving on one or more outside boards	29%	42%
# of women CEOs	25	39
Boards where CEO is the only non-independent	62%	65%
Average age	58.1	58.5
Average tenure with company	16.7	19.5
Board meetings		
Average number of board meetings	7.7	7.6
Median number of board meetings	7.0	7.0
Retirement policies		
Mandatory retirement policies		
<i>Boards with a mandatory retirement age</i>	53%	69%
<i>Average retirement age</i>	74.1	74.0
<i>Boards with a mandatory retirement age of 75+</i>	64%	58%
<i>Boards with a mandatory retirement age of 72+</i>	98%	98%
Tenure policies		
<i>Boards with tenure policies</i>	8%	8%
<i>Average tenure limit</i>	13.7	14.4
<i>Boards with a tenure policy of 15+ years</i>	55%	72%

Editor's note

The Spencer Stuart S&P MidCap 400 Board Index is based on our analysis of the most recent proxy reports from the S&P MidCap 400 Index. This edition draws on the latest proxy statements from 400 companies filed between June 1, 2022, and June 1, 2023. Data for the S&P 500 is taken from the 2023 U.S. Spencer Stuart Board Index.

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Data in tables may not total 100% due to rounding.

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