An Industry Transforming: *Developing and Leveraging Diversity*

September 2018
Jennifer Rockwood

Agenda

1. State of the industry

2. Diversity and Inclusion as a business priority

3. The impact of culture on tech enablement

Russell Reynolds ASSOCIATES

Public power executive teams– a 2018 profile

There is still little gender diversity in public power executive leadership
Only 26% of power company exco members are female

74%   26%

Human Resources and Legal have the greatest number of women on power executive committees

Role distribution of females on power Excos (%)

Legal	HR	BU Leader	Finance	CEO	Other*
25%	22%	14%	10%	4%	24%

Diversity and Inclusion and Transformation roles and representation are not prevalent on leadership teams
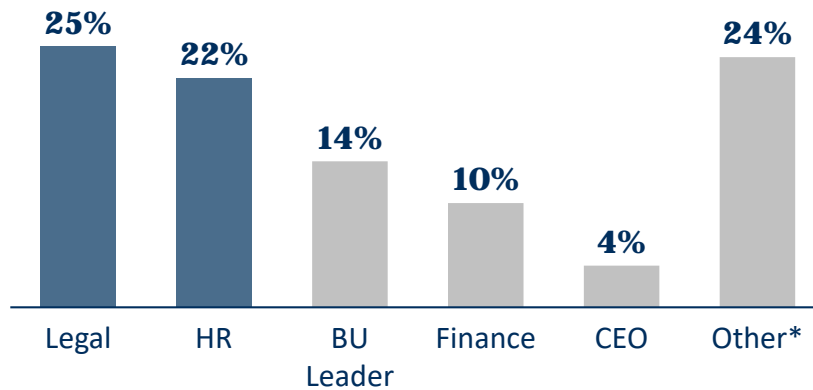
	Power Executive Committees
Female CEOs (gender diversity)	12%
Diversity and Inclusion Leader	<1%
Transformation/Innovation leader	<1%

3

Russell Reynolds ASSOCIATES

Energy companies are beginning to implement diversity strategies

40% of energy executives state that there company has a diversity strategy

Does your company have a diversity strategy?
% of respondents who state their company has an official diversity strategy

Category	%
Energy	40%
All Industrial & Natural Resources	37%
Non-Profit	45%
Healthcare	41%
Financial Services	44%
Technology	39%
Consumer	30%
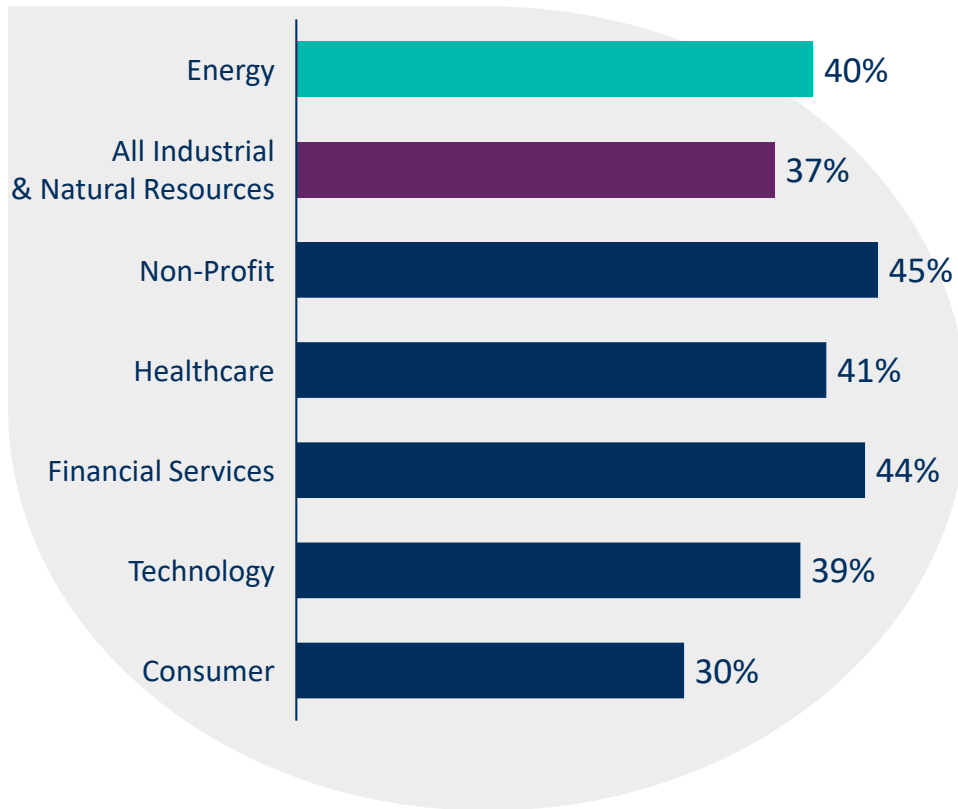
49%
Agree that their organization aligns its efforts toward an inclusive culture as part of its business strategy

47%
Believe that their senior leadership in their organization makes a visible effort to support the company's diversity and inclusion initiatives

33%
Feel that their organization places a priority on fostering an inclusive culture

67%
See that it is clear how diversity and inclusion will improve the performance of their organization

Russell Reynolds ASSOCIATES

There has been significant improvement in attracting, developing and retaining diverse talent for energy companies

2017

2018

Attracting
31%
Feel their organization is very effective or extremely effective at attracting diverse talent
48%

Developing
29%
Feel their organization is very effective or extremely effective at developing diverse talent
42%

Retaining
31%
Feel their organization is very effective or extremely effective at retaining diverse talent
37%

Source: Russell Reynolds Associates Diversity and Inclusion Pulse Survey, 2017 & 2018 (Energy 2017 N=151 Energy 2018 N= 95)

Russell Reynolds ASSOCIATES

Only a small number of industrial companies make it to the Forbes list of best employers for diversity in America

Share of industrial companies among the Forbes list best employers for diversity in America
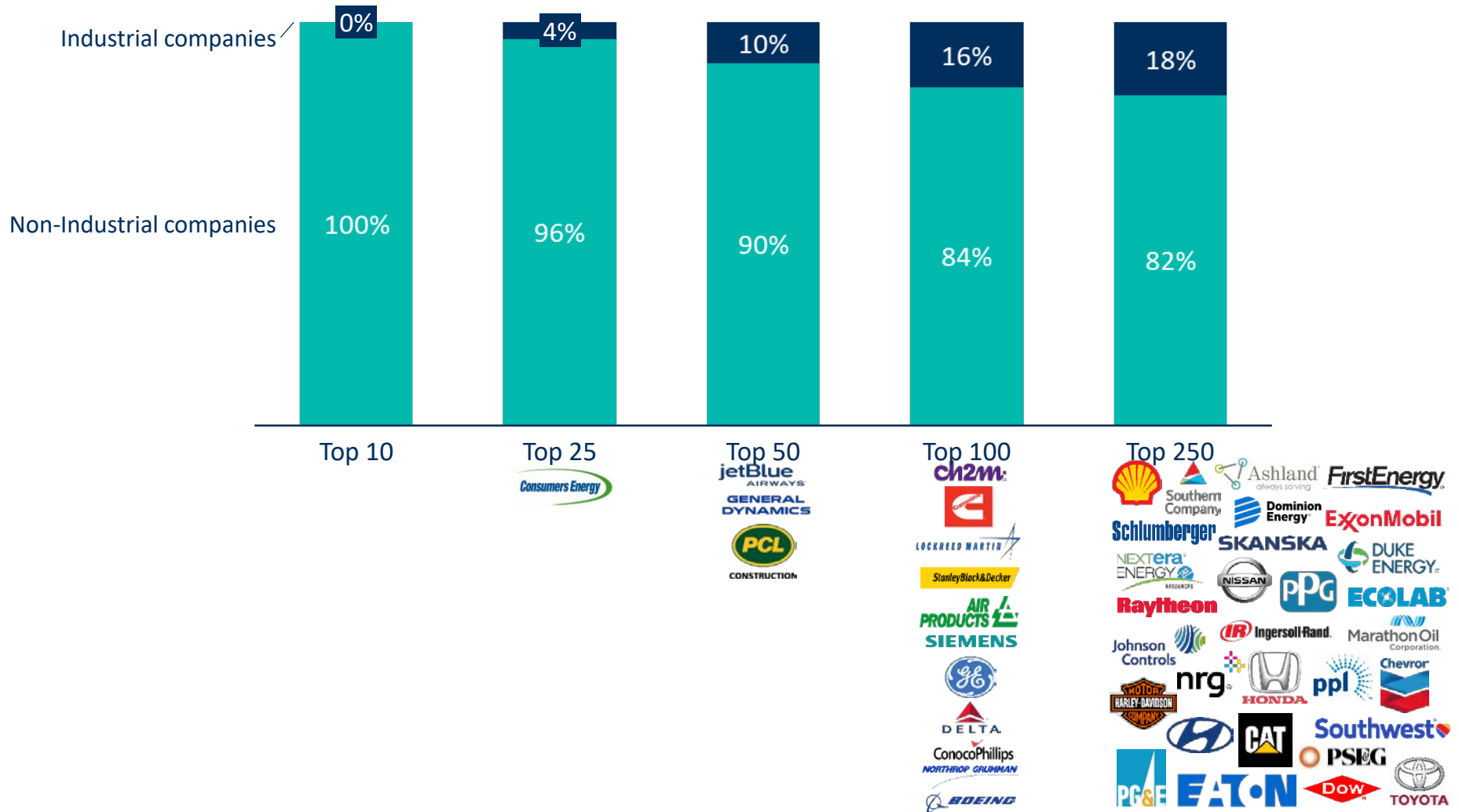
Industrial companies

Non-Industrial companies

	Top 10	Top 25	Top 50	Top 100	Top 250
Industrial companies	0%	4%	10%	16%	18%
Non-Industrial companies	100%	96%	90%	84%	82%

Russell Reynolds ASSOCIATES

Diversity and Inclusion as a business priority

D&I has gone from being "nice to have" to a "must have"

Why do companies commit to D&I?

Internal Priorities

44% empower workforce

40% strengthen employer brand

33% innovation

External Priorities

39% compete globally

36% deepen understanding of customers

19% improve financial performance

How do companies demonstrate their commitment?

Internal Priorities

46% establish workforce diversity goals

40% measure inclusion via surveys/ employee feedback

39% establish senior leadership diversity goals

Internal and External Priorities

40% hold themselves accountable for meeting established goals

> In this day and age, companies are being pressured to make these goals public and brand themselves around a D&I agenda

Source: Diversity and Inclusion Pulse: 2017 Leader's Guide, Russell Reynolds Associates. N = 2,167
Private and Confidential

8

Russell Reynolds ASSOCIATES

The media landscape:
Increasing pressure for companies to take a stand

The responsibility of leadership to drive diversity and inclusion

Leadership must be actively committed to enabling diversity and inclusion and empowering the workforce around its importance

Inclusive Leadership

Diversity & Inclusion Processes

- Working across differences
- Fairness and respect
- Enabling a diverse pipeline
- Amplifying voices

- Fostering a safe space
- Understanding and empowering others
- Leveraging differences for success

- Bottom line growth
- Talent attraction and retention
- Competitive advantage
- New opportunities
- Investor value

Business Outcomes

Notes: Diversity and Inclusion #Gamechangers, Russell Reynolds Associates, 2016.

Russell Reynolds ASSOCIATES

Inclusive leadership has real business impact

When senior leadership champions D&I, employees are more likely to feel...

25%
More
ENGAGED

41%
More
as if they BELONG

47%
More
CREATIVE

43%
More likely to
STAY

% Reporting Key Human Capital Outcomes

100
90
80
70
60
50
40
30
20

Leadership unsupportive of D&I
Leadership supportive of D&I
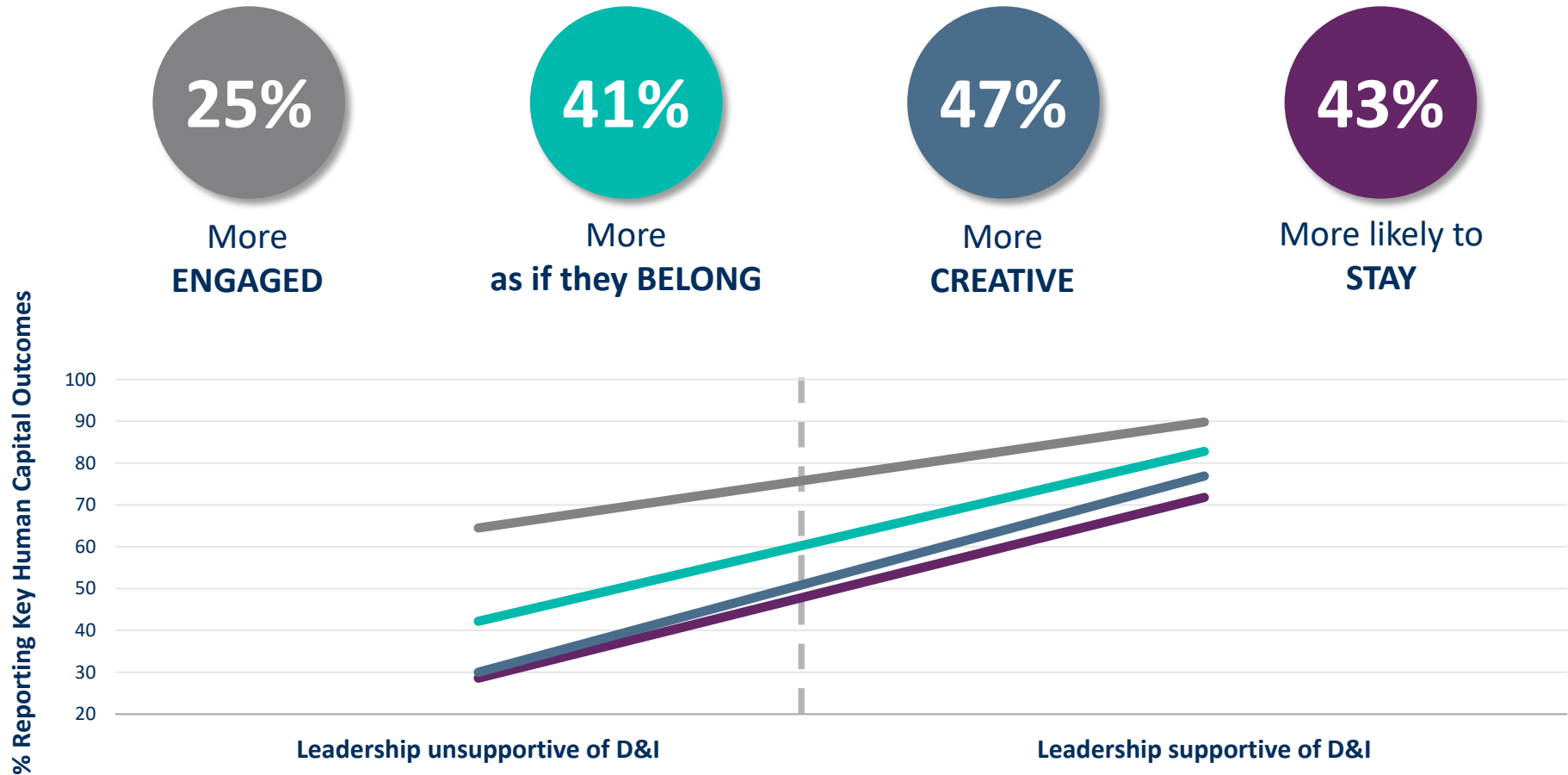
Notes: Diversity and Inclusion Pulse, Russell Reynolds Associates, 2017.

Russell Reynolds ASSOCIATES

The impact of culture on tech enablement

Culture Is a Key Factor in Technology Enablement, but Most Organizations Are Focused Elsewhere
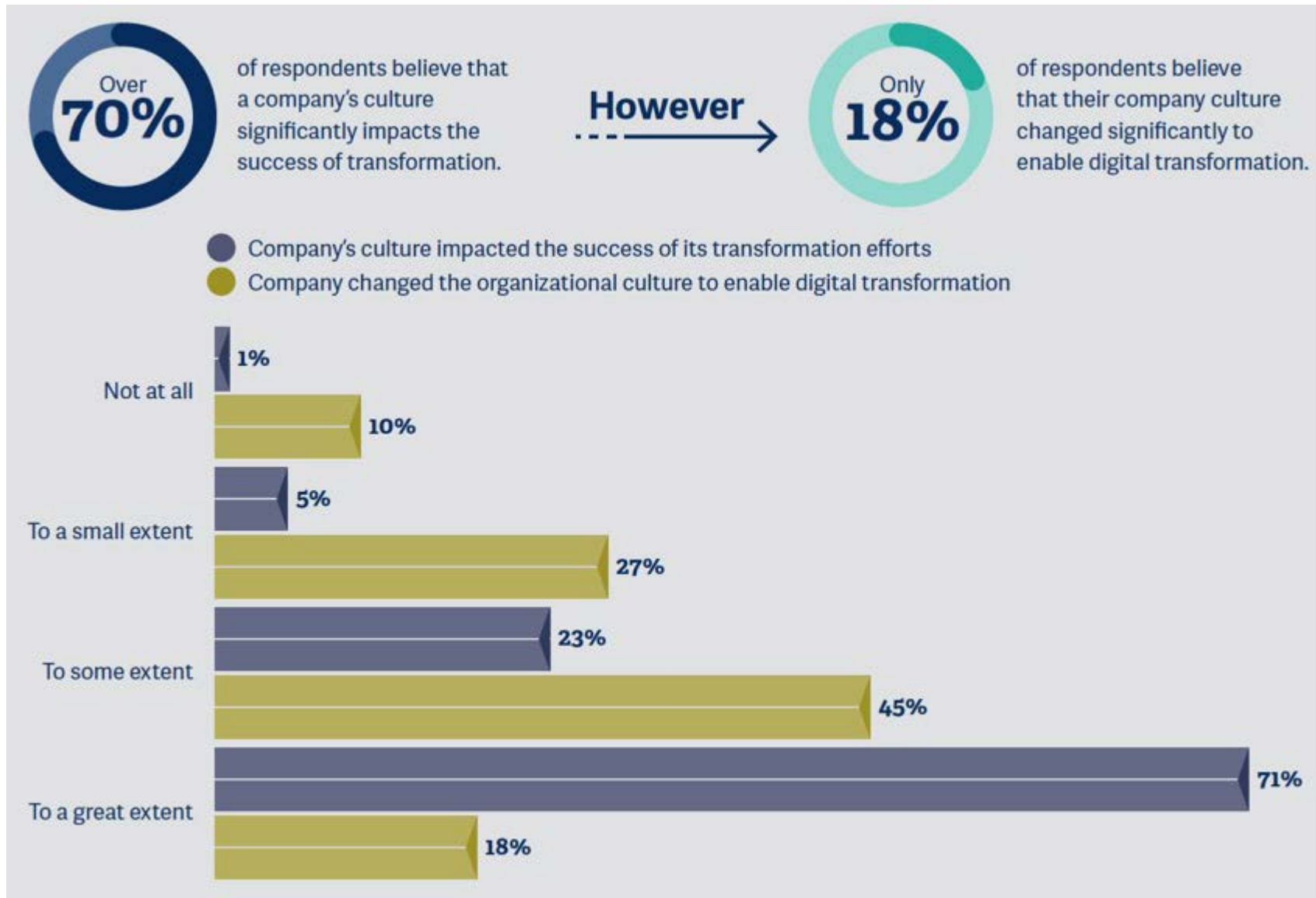
Seven Cultural Dimensions that Underpin Digital Transformation

Although culture is seen as a critical factor in the success of digital transformation, respondents indicate that there is room for progress across the seven cultural dimensions imperative for change.

Percentage of respondents who rated their companies as good or excellent at the following*

55%
INNOVATION
To drive innovation as a concept, the culture must be characterized by curiosity, a willingness to engage in productive and challenging conversations, diversity of thought and independent perspectives.

41%
AGILITY
Agile cultures promote pace and flexibility. The ability to pivot quickly as an organization and culture is championed.

50%
INSIGHT
Insight-driven cultures connect the dots between the inner workings of and ongoing developments within the organization itself and across the industry as a whole, which is essential to digital success.

60%
FUTURE ORIENTATION
A culture that focuses on pushing their organization toward productive change and articulating its future state.

51%
OPEN-MINDEDNESS
A culture that explicitly values diversity of thought and open-mindedness to enable new ideas to emerge more easily.

54%
TRANSPARENCY
Clarity around the digital agenda and that the mission is communicated often and consistently as well as an understanding as to how the organization is holding itself accountable.

52%
DIGITAL ORIENTATION
Digital-oriented cultures emphasize the expertise of their people and highlight their contributions to the digital realm and across the organization.

* Among those who view culture as a key element of success for transformation

Russell Reynolds ASSOCIATES