

Enhancing diversity: The manufacturing mind-set advantage

Manufacturing companies have not shown as much progress in diversity and inclusion as some other sectors—but they have the capacity to become leaders by applying the distinct problem-solving skills they use for other business challenges.

Yes, you read that right. Manufacturing companies, which have lagged behind other industries in progress on diversity, possess a distinct advantage that can help them quickly catch up to other industries. The secret weapon? The mind-set of manufacturing leaders, who are hardwired to solve problems methodically and systematically.

Every industry today feels the push toward greater diversity and inclusion (D&I) from multiple directions—including from the investing public, employees, and the media. In addition, most are feeling a pull from leaders concerned about performance, and manufacturing and industrial companies are no exception. McKinsey & Company research in both 2015 and 2018 highlights the business benefits, showing a correlation between greater diversity at the leadership level and financial performance: “more diverse companies are better able to attract top talent; to improve their customer orientation, employee satisfaction, and decision making; and to secure their license to operate.”¹ To unlock these business benefits, the manufacturing sector will need to make fostering diversity a higher priority, as one article in *Automation World* noted: “we as an industry need to do our part to attract more women, minorities and Millennials to the manufacturing workforce. That requires a shift in attitude and an overhaul to the current corporate culture in order to make it more diversified and inclusive.”²

1. Vivian Hunt, Lareina Yee, Sara Prince, and Sundiatu Dixon-Fyle, “Delivering through diversity,” McKinsey & Company, January 2018, mckinsey.com.

2. Stephanie Neil, “Diversity and inclusion in manufacturing,” *Automation World*, March 28, 2016, automationworld.com.

Increasing diversity is a formidable challenge for any industry. But that challenge is multiplied in manufacturing companies that must simultaneously deal with the realities and perceptions of the industry that make achieving diversity a steeper climb. For example, women and other underrepresented groups have, historically, not viewed manufacturing companies as welcoming places to build careers. That's little wonder, given an employee pool and senior leadership that lack diversity, combined with the belief that these companies traditionally have not actively recruited women and other diverse groups. This stagnation has become something of a self-fulfilling prophecy—but some manufacturing companies are forging a more promising path.

Viewing diversity in a broader problem-solving context

Based on our significant work with manufacturing company CEOs, chief human resources officers, and boards—as well as more than a dozen interviews with industry leaders—we see this demographic picture changing, and faster than many might expect. To further accelerate progress, we suggest that manufacturing companies shift their thinking from seeing diversity as a unique, isolated challenge to instead viewing it in the context of other business challenges—one that can also be systematically and successfully resolved with an engineer’s mind-set. Based on our research and client discussions, it seems that many companies have already made that shift.

After all, this approach is something manufacturing companies excel at. Several decades ago, for example, lean manufacturing was largely dismissed as a fad, or as something that only worked in Japan. Fast-forward to today: lean is now integral to the operation of US manufacturing companies and key to the continuous improvement of American productivity. Whether tackling operational excellence, globalization, increases in raw material costs, innovation, or learning how to compete against low-cost imports, American manufacturing companies have proven time and again that they are capable of being agile and adaptive when necessary—far from their customary depiction as lumbering giants.

The very same principles that enabled these leaps forward—allowing fresh ideas to bubble up from the plant floor to management; utilizing root-cause analysis; solving a problem in one corner of the organization and then rolling out a practical and proven solution more widely—can also be applied to building more diverse organizations.

Manufacturing solutions may not be the flashiest, but they work. At its core, finding these solutions consists of understanding how the parts of a system fit together, what is undesirable in the system’s output, and, correspondingly, how the input or processes must be changed for the system to produce desired results. The trick is to see the diversity challenge in the same light, as a challenge that can be attacked with the same rigor and discipline and with corresponding tools, processes, and metrics.



A strategic, systematic approach

Though it is clear that companies in this sector have been eager to take steps to promote diversity, many struggle with what that means in practice. Instead of leaning on their problem-solving strengths, many have relied on traditional, isolated tactics to tackle diversity, such as forming executive councils and mentoring programs. The manufacturing company executives we interviewed believe that these individual programs have not gone nearly far enough to advance diversity in their organizations.

But the main problem for manufacturers with this approach of introducing disparate initiatives—which consists primarily of throwing things against the wall to see what sticks—is that it is anathema to the way these companies operate and the problem-solving DNA of their leaders. When they turn to their strengths, our experience and interviews show, manufacturing companies make real, measurable progress on diversity in the workforce. Certainly, no company can get everything right, but we do see the following four actions as best practices worth considering.

1. Focus on a culture of inclusivity, starting at the top

Jim Lico is leading the way toward needed culture change as CEO of Fortive Corporation in Everett, Washington. “We call it Inclusion and Diversity,” says Lico, “since we need to start with the former to achieve the latter. It’s important for us, as we work to create Fortive as a destination for great talent to do their best work, to tackle this as a crucial culture issue.”

For companies facing disruptive challenges to the market and opportunities in new areas, creativity and new solutions and applications will increasingly be advantages and differentiators. Fortive recognizes that inclusion and diversity will help ensure fresh perspectives and spark greater innovation and creativity. Lico says, “Our company needs to be a destination for great people, not just a portion of the population. If our company is to successfully compete—and Fortive is building a community of leaders who can live this belief every day—we will be a stronger, healthier team that’s capable of so much more.” This message, on which Lico’s full leadership team is aligned, is communicated regularly to the larger organization. He adds that Fortive has already seen progress in several areas: “The results are real.” This success highlights the importance of leadership teams’ understanding that inclusion and diversity are crucial to company performance and embracing them.

Leaders at other industrial companies we spoke with also mentioned the key role leadership plays in accelerating greater diversity. Jacobs Engineering CEO Steve Demetriou says diversity has been a priority of the highest order, led by him and his leadership team who work to model inspirational and inclusive leadership. Leaders at Jacobs Engineering have also implemented a process key to maintaining their progress—what they call an “organizational health assessment”—where people blocking that progress are identified and, if necessary, moved. The Jacobs Engineering board shares a commitment to progress on diversity and has made the topic a regular item on its agenda. Both the board and CEO make diversity an overarching objective and regularly communicate this message to the organization.

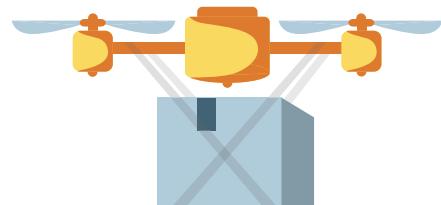
Manufacturing companies that have made the most progress on the diversity front have also introduced other root-cause analyses and systemic changes, including using outside consultants, formalizing the D&I function within their organization, and introducing unconscious bias training to better understand the negative impact of bias on productivity.

2. Use data to understand the current state of diversity and as a touchstone to regularly measure progress

This guideline plays to manufacturing companies’ strengths: gathering, analyzing, and leveraging data. Several of the companies where we interviewed executives drive diversity and inclusion through regular employee pulse surveys. Others analyze performance reviews and employees’ reasons for leaving the firm. The important point here is for companies not merely to gather data, but also to apply the results to enhancing diversity in the organization.

However, our interviews also suggest a pitfall: employees quickly learn to distinguish between pulse surveys intended to support change and those that are mere window dressing. Employee engagement in culture change and with the metrics meant to assess progress is crucial to success, and employees must be reassured that the time they invest will be worthwhile. Results, whether promising or disappointing, should be shared with the organization so employees know where they stand and what initiatives are planned to continue progress.

Each periodic survey represents a snapshot in time, a baseline against which to measure any future change, and a heads-up on where the organization should direct its change initiatives. We asked executives how they applied data analysis to driving diversity progress, and those companies with the most success don't allow the perfect to be the enemy of the good: they make key decisions based on the best data available at the time and view the process as one of continuous improvement. For example, Terex Corporation includes a simple eight-question inclusion index as part of its biannual team member survey. Rockwell Automation, meanwhile, analyzes the reasons people, particularly engineers, voluntarily left the company. This analysis led Rockwell to change its talent management approach, which has had a dramatic impact on diversity at senior levels: a 113% increase in women in the executive ranks from 2008 to 2016.



3. Get diverse future leaders in on the ground floor . . . and keep them

Manufacturing companies that have been successful in attracting and retaining diverse talent have implemented a range of strategies, often reaching far beyond their own walls.

Yuval Wasserman, CEO of Advanced Energy Industries (AEI), has taken bold steps to improve performance in this area. Although headquartered in Fort Collins, Colorado, Wasserman takes a global view when considering recruiting talent. Because AEI occupies a highly specific niche in engineering, it has found the talent pipeline for key engineering roles very limited and not very diverse. To expand access to talent, the company has established alliances with universities to create engineering apprenticeship and internship programs and build its own diverse pool of talent at the entry level.

Once employees are on board, Wasserman has implemented what he calls "talent migration," promoting and moving key subject matter experts and managers to different locations around the world to develop, grow, and generate new ideas and thinking as a result of this broad exposure. When possible, the company actively encourages these future leaders to live as local employees, not as expatriates, to better assimilate into the culture. Wasserman also moved a significant portion of the company's headquarters operation from Fort Collins to Denver, which has dramatically improved AEI's ability to attract diverse talent.

Some companies are finding talent in less-traditional functions. Timothy Heffron, senior vice president of human resources and chief information officer at Meritor, Inc., notes that strong female leadership talent is, increasingly, coming from a variety of disciplines, including sales, quality assurance, finance, strategy, purchasing/supply chain, legal, human resources, information systems, and program management. And a number of companies we talked with mentioned formal mentoring programs as an important tool when part of a broader, more systematic approach to promoting sustained diversity.³

4. Set specific talent management goals and hold managers accountable

General Motors pioneered diversity in the auto industry several decades ago when few companies viewed it as a priority. GM CEO Mary Barra says the company's focus on diversity and inclusion has only intensified, and it continues to make real strides. "Once we started this journey, we stuck with it and have remained deliberate about diversity and inclusion continuing as a priority, no matter what is happening in the business," says Barra. "That wasn't always easy (for example, when we went through bankruptcy), but we stayed committed." She sees diversity as a way for "employees to bring their best, true self to work every day so that everyone can contribute to our success."

3. For more on the benefits of mentoring programs, see Cynthia Emrich, Mark H. Livingston, Larry Oberfeld, Stephanie Page, and David Pruner, "Creating a culture of mentorship," *Heidrick & Struggles*, December 27, 2017, heidrick.com.

Barra credits GM's long-term success in this area to fundamental policies on which its leadership is fully aligned. The company appreciates the need to focus not only on hiring diverse talent but also on retention. She holds regular meetings with business heads to review their specific plans on diversity and, generally, to hold managers accountable; every leader at General Motors is responsible for demonstrating results. If the promotion slate for a senior appointment is not diverse, the manager is on the hook to explain how he or she will make up for this deficit within three years. At the same time, there is a conscious, company-wide effort to ensure that career and promotion paths are as transparent as possible to the organization and to individuals. This approach is helping to position GM as a rewarding, realistic place to build a successful career in an industry battling for the very best talent.

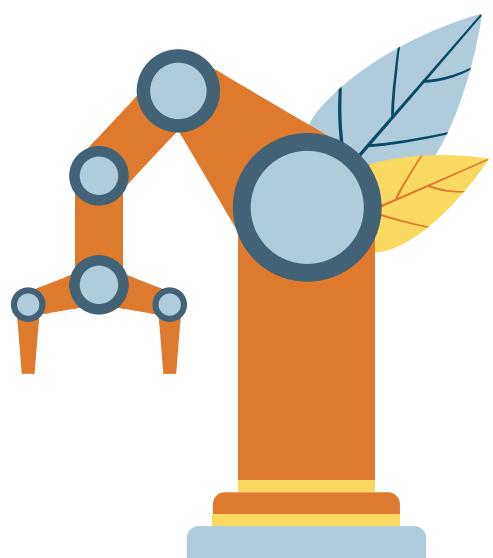
Cause for real optimism

There is little doubt that manufacturing companies have gotten off to a slow start in building diverse cultures, chiefly because certain historical factors specific to the sector have led to a predominantly male workforce from the entry level up to the C-suite. In addition, by nature, manufacturing companies tend to be conservative about change and somewhat risk averse, which is understandable given the asset intensity and large capital expenditures required.

But change is coming. Intense competition and an ongoing war for talent have already spurred some manufacturing companies to place a strong emphasis on diversity, and we believe more will soon follow suit. Although they may have started toward the back of the pack, we anticipate they will quickly become leaders in diversity progress by applying their distinctive manufacturing mind-set and problem-solving skills.

These organizations will be motivated by the recognition that a greater level of diversity and new thinking will make them better, more innovative companies. However, as those we interviewed underscore, and as we have observed in our own work, for diversity efforts to be successful, they must first be embraced and driven by the board and the CEO as a strategic priority. The first step forward is understanding that diversity and inclusion will help to strengthen the company, including its financial performance. This must then be followed by implementation of the practical metrics, processes, and accountabilities that will fuel success.

Yet again, American manufacturing companies must adapt to significant change, and they are rising to the challenge. Indeed, they are well positioned given their core strengths of analytical training, discipline, and an unwavering commitment to flawless execution.



About the author

Jonathan M. Graham
is a regional managing partner
in Heidrick & Struggles'
Industrial Practice; he leads
the Manufacturing Sector and
focuses on executive searches for
manufacturing, distribution, and
service companies.

jgraham@heidrick.com

Industrial Practice

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Leaders of Heidrick & Struggles' Industrial Practice

Global	Bo Herbst Global Practice Managing Partner bherbst@heidrick.com
Americas	Jonathan Graham Regional Managing Partner jgraham@heidrick.com
Asia Pacific and Middle East	David Hui Regional Managing Partner dhui@heidrick.com
Europe and Africa	Jamie Page Regional Managing Partner jpage@heidrick.com

Sector Leaders

Engineering, Infrastructure & Sustainability	Stafford Bagot Global Managing Partner sbagot@heidrick.com
Manufacturing	Jonathan Graham Global Managing Partner jgraham@heidrick.com
Natural Resources	Mark Livingston Global Managing Partner mlivingston@heidrick.com

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