
REVERSING THE FORMULA FOR DIVERSITY AND INCLUSION IN THE CHEMICALS INDUSTRY: **MOVING TO A LEADER-LED, BUSINESS-DRIVEN APPROACH**



In an industry where progress on diversity and inclusion has been fitful and uneven, a handful of companies are leading the way. How? By putting inclusion first and making it a business priority.



Achieving diversity and inclusion (D&I) in the chemicals industry has never appeared more pressing or more challenging. Companies need the innovation and superior performance that a diverse workforce yields, yet a tight labor market and an industry where the executive ranks have traditionally been homogenous and risk averse make attracting and retaining diverse talent particularly difficult. Progress in the industry on improving diversity and inclusion is hampered by the varying definitions and focus on what the end state should be (see “A snapshot of D&I in the chemicals industry” on the next page).

That is the picture that emerged from extensive interviews we conducted over the past year with senior executives at 26 leading chemicals companies around the world. These companies, which are broadly representative of the industry, span all market segments and range in size from regional competitors to global giants, collectively representing \$152 billion in revenue. Fourteen are headquartered in North America, 11 in Western Europe, and 1 in South Korea.

The good news is that the majority of companies we talked to are seeking more innovative ways to pursue diversity. Most have moved away from an exclusively HR focus on compliance to thinking about diversity targets as part of meeting their long-term talent needs. A few have developed what we call a mature approach to maintaining a diverse workforce by moving from a focus on diversity alone to seeing inclusion as a necessary precondition for building sustainable diversity and harnessing its undeniable business value. A small number are taking a novel approach by making their most senior leaders accountable for creating more diverse and welcoming workplaces.

These leading companies are already realizing the benefits of an inclusion-first, business-driven approach to improving diversity. Their success provides a road map that other organizations can leverage. Nevertheless, some significant challenges remain. To aid in the journey, we have distilled some practical recommendations for addressing them.

The majority of companies we talked to are seeking more innovative ways to pursue diversity.

A SNAPSHOT OF D&I IN THE CHEMICALS INDUSTRY

Over the past year, we spoke extensively with senior executives at 26 leading chemicals companies about diversity and inclusion. Here are 10 notable things we found at these companies:

22% 

Out of 246 board members, only 55 (22%) are women. Five companies have all-male boards.

8 

Eight companies have all-male executive committees.



Focus

In Europe, gender diversity has been a primary focus, followed by diversity of nationality. In North America, the primary focus has also been on gender, followed by a focus on racial/ethnic diversity.

Maturing

At a slight majority of companies, D&I has evolved from an HR concern to a proactive effort led by top management.



Inclusion

A handful of companies see inclusion as the key to harnessing the full business value of diversity. They work to create inclusive cultures, which has resulted in more diverse hiring, better retention, and organization-wide ownership of the issue.

Obstacles

Executives at companies that lag in D&I pointed to numerous obstacles, including risk aversion, a lack of leadership understanding and sponsorship, and a focus on other priorities, such as restructuring and cost cutting.



Blind spot

A majority have no formal programs in place to drive greater inclusion.

12



More than half of the companies we spoke with have no specific recruiting plans aimed at diverse candidates, and only 12 have specific diversity goals.

17

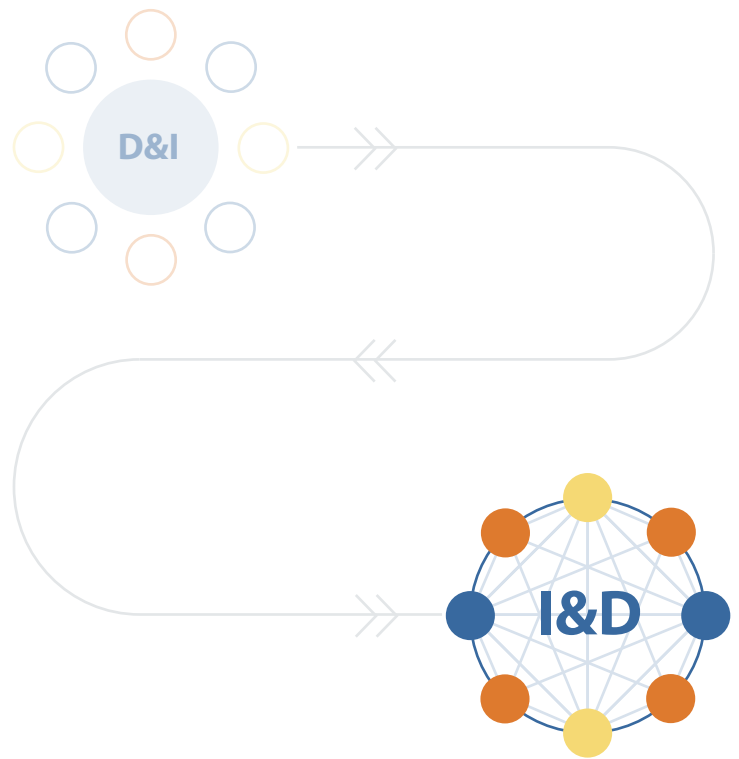
Some 17 companies have undertaken initiatives designed to develop their organizations' diverse internal talent.



Recruitment

Although more than half of the companies are recruiting people from outside the chemicals industry, they are doing so primarily to acquire specific capabilities, not to help achieve diversity.

TAKING THE BUSINESS FROM D&I TO I&D



Infineum, a joint venture between Exxon Mobil Chemical Company and Royal Dutch Shell Chemicals, with global headquarters in Milton Hill in the United Kingdom and operations in Europe, the Middle East, the Americas, and Asia, has been the most explicit about reversing the order of D&I. “We quite intentionally view it not as D&I but as I&D,” says Nicola Pickup, global account executive and executive sponsor of the group’s I&D program. “You can put up as many D&I targets as you want, but if the environment is not inclusive, then nothing will stick, because people will not ultimately feel welcome.”

Though Infineum is small, with just under 2,000 employees worldwide, its challenges in diversity and inclusion are the same as for much larger organizations: it is widely dispersed over many geographies and cultures, each with differing legacies and norms. Infineum’s leaders, through a series of workshops conducted to gauge the state of diversity in the organization, concluded that simply increasing the number of diverse employees was not enough. “You cannot retain people who do not feel included,” says Pickup. “We knew we needed to embrace a different way of working and thinking and create a culture in which diversity would thrive.”

To realize this inclusion-first vision, the company undertook a broad set of initiatives. It trained the entire employee population on unconscious bias. More than 60 employees volunteer to be I&D champions at the various sites driving efforts locally to improve inclusiveness. They are supported by five global I&D executive sponsors to drive I&D efforts across the global operations. Local champions wrote articles and created videos about their cultures for the organization’s intranet. The executive sponsors are also charged with developing the I&D strategy at the corporate level in four key areas: bias in promotions, recruitment and retention, inclusiveness, and communication. The highly visible involvement of these top leaders made it clear that inclusion was seen as a strategic imperative for the entire organization. At the same time, Infineum realized that it couldn’t dispense with diversity targets altogether. “If you want to achieve 25% representation at one layer, then you need considerably more representation at the layer below,” says Rebecca Oldfield, the group human resources director. To ensure a full cohort of diverse employees earlier in the pipeline, Oldfield sits in on all decisions around promotions to the first layer of management and insists on a diverse slate of candidates.

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Nicola Pickup, global account executive and executive sponsor of I&D program, Infineum

A handful of other companies we talked with have also undertaken measures to prioritize inclusion, and several others are leveraging a leader-led, business-driven approach to accelerate D&I progress. Following are some examples:

One of the world's oldest producers of specialty chemicals concluded in 2017 that its four-year-old efforts in D&I, directed from corporate headquarters, had made disappointing progress. **So it pushed accountability out to its global business units and function heads.**

Around 30 people in top leadership roles were charged with setting ambitious D&I objectives aligned with business objectives, and progress against those objectives is now a part of each leader's annual performance evaluation. The result? Increased support for D&I at the leadership level.

For a European-based multinational undergoing a global transformation of its leadership structure and culture, the first step, says the company's vice president for global talent development, was to **"set a vision that connects the goal to business success."**

Formerly, 99% of the company's 350 top executives were nationals of the company's home country. Having come to realize that homogeneity was a drawback for the business, the company created global hubs in five other countries. In each hub, it created global roles in order to build an inclusive global leadership team that represents all of the continents in which the company operates. Today, only 40% of the top 350 executives are nationals of the company's home country. In addition, all 300 people managers within the company are undergoing global culture and diversity workshops and training. Gender and cultural awareness training also have been incorporated into the company's leadership development programs.

A market-leading, global specialty chemicals company has instituted **fast-track management development for selected diverse talent and focuses on cultural differences and multicultural adaptability in training and development for all of its future leaders.**

Leaders are also encouraged to take cross-border assignments to expose them to other cultures and perspectives on the business. The company maintains a diversity board that oversees D&I throughout the company, proposes relevant initiatives, and ensures the implementation of those that are adopted. A training center disseminates D&I training programs and materials. Company leaders role-model inclusion from the top: three of the nine members of its supervisory board are women. The seven-member executive committee includes two women and encompasses five nationalities. "The strategy is to walk the talk," says the firm's CHRO, "until diversity and inclusion become natural."

A top 20 global company in the chemicals sector is undergoing a **company-wide cultural transformation that has put inclusiveness at the top of the agenda.**

"Our goal is to go from a traditional, risk-averse, US-centric corporation to a more dynamic, open, and global one," says the vice president for human resources. "Inclusiveness will help us create a 'culture of impact' through everyone's ability to listen to other points of view." Talent reviews have been undertaken with a view to accelerating the careers of previously overlooked diverse employees. The integration of newly hired, diverse staff has been extended from onboarding to encompass their ongoing careers in the company. "The key is not just to manage the indicators of progress," says the vice president, "but to better manage our way of working."



Drive inclusion, and diversity will take care of itself.

Rebecca Oldfield,
group human resources director, Infineum

One of the world's top producers of commodity chemicals pursues **a variety of D&I efforts and rigorously tracks progress, going beyond the usual demographic figures and looking at distribution and attrition rates across the various organizational levels.**

The company applies a D&I scorecard at all levels—senior management, executives, managers, supervisors, professionals, and hourly employees. In addition, nonvoluntary attrition, promotions, and people designated as "high performers" and "high potentials" are also closely tracked. "We have internal goals for all of those," says the D&I leader, "so we can see if we are moving the needle." The organization also maintains an advanced leadership development program and a midlevel leadership development program and makes sure that diverse talent flows into both.

In our experience, those that put inclusion first can create a virtuous circle. The focus on inclusion results in a very low attrition rate among diverse employees, which allows organizations to focus even more closely on inclusion and reap its business benefits (see sidebar, "The business case for D&I," on page 7). Says Infineum's Oldfield, "Drive inclusion, and diversity will take care of itself."

REMAINING CHALLENGES



While the business case for diversity and inclusion is strong, for all the companies we talked with, including those that are leading the way, challenges remain, both for achieving diversity and for putting it to work through inclusion. Our interviews suggest that perhaps the biggest obstacle is at the level of the board and the executive committee. As of the time the survey was kicked off in 2018, except for one Asian CEO and one female chairperson, the CEOs and chairmen of all 26 companies we studied were white males. Five companies in our study had all-male boards, and out of 246 board members, only 55 (22%) were women. Eight companies had all-male executive committees. The boards and executive teams of all 26 companies generally consisted of nationals of the country where the company was headquartered. In addition, only nine of the companies, all headquartered in the United States, had an Asian, African-American, or Hispanic person on their boards, and no company had more than one.

Not surprisingly, then, more than a third of the companies we talked with identified a lack of sponsorship from the top as their chief obstacle. "It is not on the radar of our senior leaders as a critical business issue," says the executive vice president for human resources of a specialty chemicals firm.

"They just don't think about a diverse staff and inclusive culture as a weapon in achieving our strategic goals and objectives." Many leaders, said a number of our interviewees, are preoccupied with other issues such as restructuring and cost cutting.

Another obstacle to achieving diversity, according to many of our interviewees, lies in leaders and managers who are risk averse when it comes to hiring diverse talent. There exists an even greater unwillingness to hire diverse talent from outside the industry. Those companies that do make such hires say they do so not with an eye to diversity but in order to acquire specific skills such as digital expertise or marketing prowess. "We have been brought up in the industry, for good reason, to mitigate risk," says Infineum's Oldfield. "Trying new things is challenging for us, but we are going to have to put our faith in people we are not accustomed to putting our faith in."

However, a willingness to hire outside the industry is particularly important to chemicals companies' overall success as well as their diversity goals, our interviews indicate. Indeed, a third of the companies we talked with said that they are hindered by what they see as a shallow pool of diverse talent in chemistry and related fields.

The biggest obstacle is at the level of the board and the executive committee.

22%

Out of 246 board members in our study, only 55 (22%) are women.

While the pool of diverse talent at the highest levels of leadership may be limited due to low rates of diverse students entering the field in the past, the landscape at lower levels is changing. In the United States between 2000 and 2015 (the latest year for which figures are available), the number of doctorates in science and engineering (S&E) earned by men (from nearly 17,000 to 24,000) were outpaced by those earned by women (from almost 11,000 to almost 20,000).¹ In chemistry, women earned 38% of the PhDs (Figure 1). In the European Union in 2016, women earned 46% of doctorates awarded in the natural sciences, math, and statistics and 29% of the doctorates in engineering, manufacturing, and construction.² And in the 35 member countries of the Organisation for Economic Co-operation and Development (OECD) in 2015 (the latest year for which figures are available), half of the college degrees awarded in natural sciences, mathematics, and statistics were earned by women.³ And if current graduation rates in science, technology, engineering, and math (STEM) fields in India and China continue, those two countries will account for more than 60% of STEM graduates in G20 countries by 2030.⁴

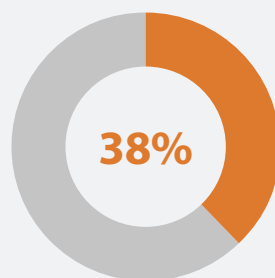
The number and the percentage of science and engineering doctoral degrees earned by minorities also rose between 2000 and 2015. In the United States in 2015, black students completed 1,855 science and engineering doctorates; Hispanic students earned 2,019; and American Indians and Alaska Natives completed 137. Taken together, these doctorates represented 9% of all doctoral degrees in S&E fields earned in 2015, an increase from 6% in 2000.⁵

For the chemicals industry to benefit from this surge in STEM graduates and to win the war for diverse talent, the industry's leading companies will need to create inclusive cultures that embrace differences and equally value the contributions of all. In other words, inclusion matters now and will matter even more going forward.

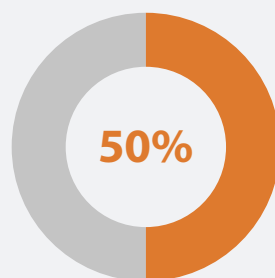
The chief obstacles to achieving such inclusion, cited by our interviewees, include inadequate onboarding of diverse talent, poor retention of diverse talent, lack of development programs, inability to measure progress on a poorly defined concept of inclusion, lack of culture-shaping skills, and the sheer difficulty of culture change. "It is so much more than treating everyone equally," says the vice president for HR and people development for a global specialty chemicals company. "It is valuing having very different people on your team, and, honestly, I am not sure how we address that."

Figure 1. Diversification of the talent pool

In the United States between 2000 and 2015, **women** earned 38% of the PhDs in chemistry.



In the 35 OECD countries in 2015, half of the college degrees awarded in natural sciences, mathematics, and statistics were earned by **women**.



Source: National Science Board; OECD

The business case for D&I

If you look beyond the chemicals sector, the business benefits of inclusion and diversity have been well documented, from better decision making, innovation, and a decisive positive impact on companies' revenues. For example, a 2018 study from McKinsey & Company of more than 1,000 companies across 12 countries found that companies whose executive teams were in the top quartile for gender diversity were 21% more likely to surpass other companies on profitability and 27% more likely to create more value.⁶ In addition, the researchers found that companies whose executive teams were in the top quartile for ethnic and cultural diversity were 33% more likely to reach top profitability in their industry. What these findings suggest, in the authors' opinion, is "that inclusion of highly diverse individuals—and the myriad ways in which diversity exists beyond gender (e.g., LGBTQ+, age/generation, international experience)—can be a key differentiator among companies."

At the more granular level of team dynamics, academic research has shown that inclusive groups perform better than homogenous ones. The authors of "Why diverse teams are smarter" cite numerous studies that demonstrate the superiority of diverse teams in such tasks as sifting through evidence, solving problems, correctly pricing stocks, making decisions, and innovating.⁷

1 National Science Board, *Science and Engineering Indicators 2018*, January 2018, nsf.gov.

2 Eurostat, "Graduates by education level, programme orientation, sex, and field of education," accessed on January 8, 2019, ec.europa.eu.

3 OECD, *Education at a Glance 2017: OECD Indicators*, 2017, oecd-ilibrary.org.

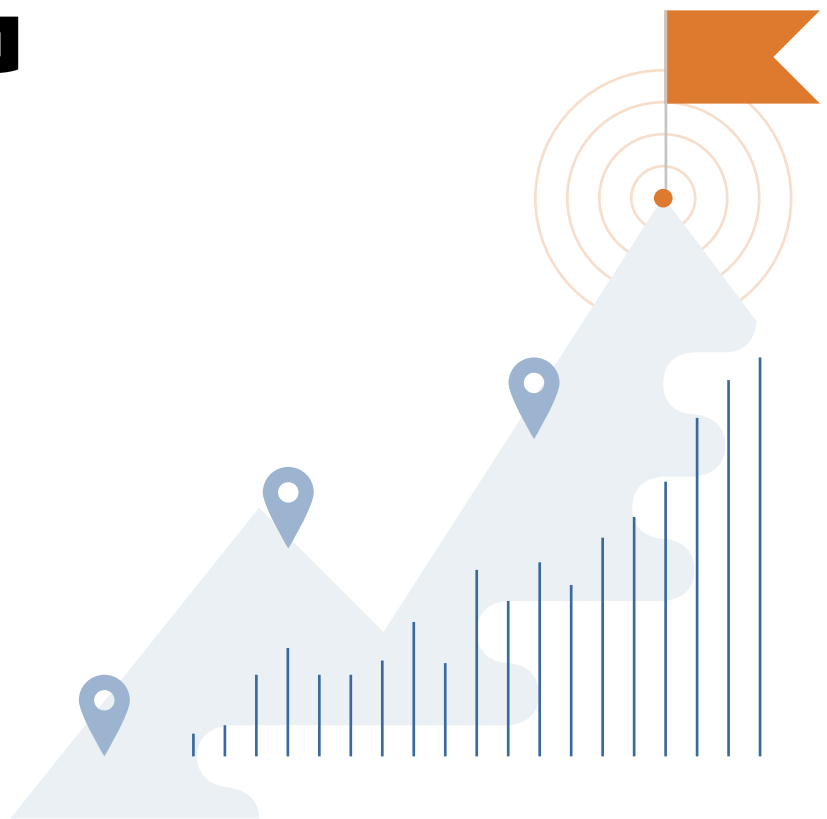
4 OECD, *Education Indicators in Focus: How is the global talent pool changing (2013, 2030)?*, April 2015, oecd.org.

5 National Science Board, *Science and Engineering Indicators 2018*, January 2018, nsf.gov.

6 Vivian Hunt, Sara Prince, Sundiatu Dixon-Fyle, and Lareina Yee, *Delivering through Diversity*, McKinsey & Company, January 2018, mckinsey.com.

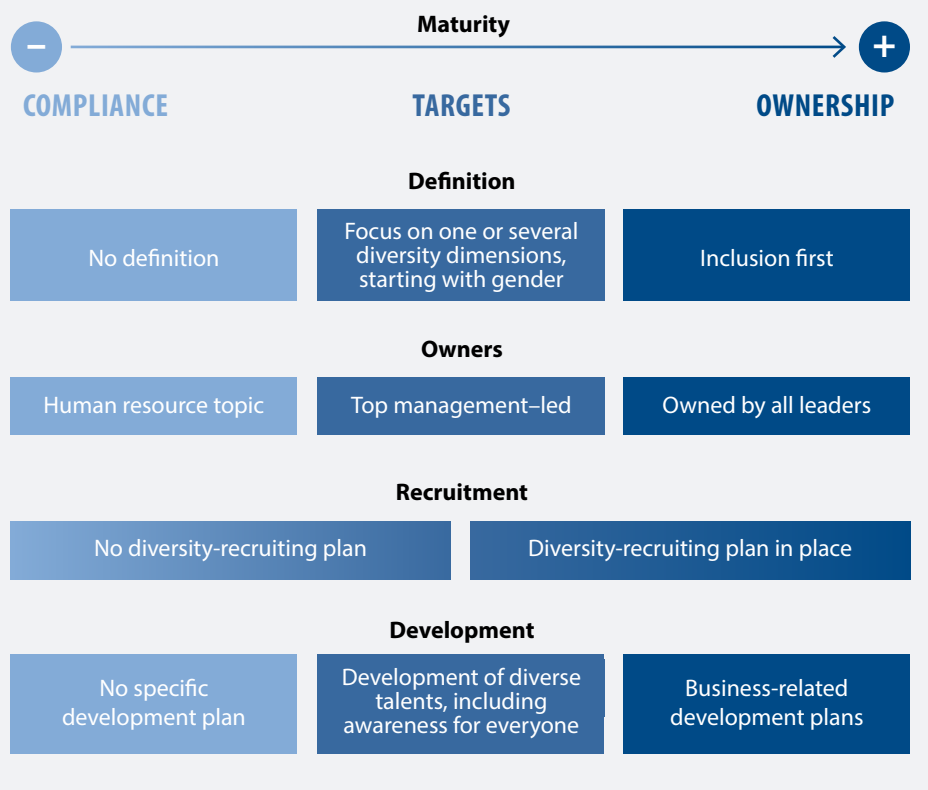
7 David Rock and Heidi Grant, "Why diverse teams are smarter," *Harvard Business Review*, November 4, 2016, hbr.org.

SUCCEEDING WITH I&D



As our interviews indicated, some chemicals companies are making significant progress toward building and retaining diverse workforces, but many remain stumped by the challenges of industry dynamics and reluctant leaders. For many, D&I remains an idea that they support to some degree but that few fully leverage by putting inclusiveness first. We discerned three levels of maturity among the companies we talked with: compliance, targets, and ownership (Figure 2). In the compliance stage, D&I remains the exclusive concern of HR and is focused primarily on satisfying regulatory requirements for diversity. In the targets stage, top management takes the lead. In this stage, the focus is on improving along one or more dimensions of diversity and capturing some of the business value of diverse ideas, but it remains largely a numbers game that undervalues inclusion. Most of the companies we talked with are currently at this stage. A few companies, such as those previously highlighted, have progressed to the ownership stage, where inclusion first is a way of life across the entire organization, ensuring long-term competitive advantage through full inclusion of diverse talent across differences of gender, race, nationality, age, and more.

Figure 2. Levels of maturity



Based on our interviews and experience helping companies in the chemicals sector find diverse talent and achieve culture change, following are some steps organizations can take to create an inclusivity- and business-driven talent strategy:

Put inclusion first

Recognize that the real prize is reaping the well-documented business benefits that inclusiveness brings. As the global head of HR for a leading specialty chemicals company points out, ultimate success depends on leaders internalizing the business case for inclusion. “Leaders need to understand that inclusion of diverse talent

brings better performance and greater innovation,” he says. “In the beginning, we had five people who believed that; today, we have more than 60 leaders who are really convinced.” Start by reframing inclusion not as a nice-to-have but as a strategic business imperative, not as an HR problem but as a core business opportunity.

Lead from the top

Top management leadership on D&I is indispensable, and unless the board and top executive team become fully engaged, the organization may get stuck at the targets stage. As a result of years of policies that haven’t favored D&I, many boards and executive teams are homogenous, as indicated by the statistics on board and executive team composition highlighted earlier. Leaders’ accountability should be measurable; recent research tells us that while 52% of directors think D&I metrics should factor into CEO compensation, fewer than 10% of companies actually use nonfinancial metrics as incentives.⁸

Self-makeovers by the two most powerful leadership groups in a given organization require a willingness to go outside the industry for directors and C-suite leaders. The alternative for companies that insist on top leaders who have grown up in the industry is to wait for perhaps 20 years and two generations until the more diverse talent now bubbling up from the bottom reaches maturity. By then, competitors who long ago achieved inclusiveness at the top will likely have far outstripped them in innovation and business performance.

Aim for deep and lasting culture change

It begins with moving the focus from feel-good activities to measurable—and measured—results. The companies we talked with and other companies we have worked with use a variety of mechanisms to engage and motivate leaders and managers at all levels. They make D&I a part of performance reviews and provide ongoing training and workshops to make inclusiveness come alive. However, the real game changer, our work suggests, is tying part of the compensation of managers and executives to their progress toward tangible D&I goals.

However, an approach driven by initiatives, limited in scope and time, and targeted at isolated processes is unlikely to deliver

the kind of comprehensive transformation required to make inclusion a way of life. Moreover, transformation can be disruptive unless the many changes it encompasses—in behavior, processes, organizational design, and more—are managed adroitly and in concert.

Clear, transparent communications both internally and externally are critical to any long-term change management process, from the business case for inclusion and diversity to its return on investment into the business to real examples of how a diverse workforce contributes to the success of the business.

Fine-tune your talent strategy

As more chemicals companies realize the business benefits of inclusiveness and diversity, the competition for diverse talent will inevitably intensify. Companies that have rarely gone outside the industry for talent, or have done so only to acquire specific capabilities, will increasingly make finding diverse talent, no matter how far afield, a priority. Moreover, savvy organizations will approach the challenge not as a series of one-off talent searches

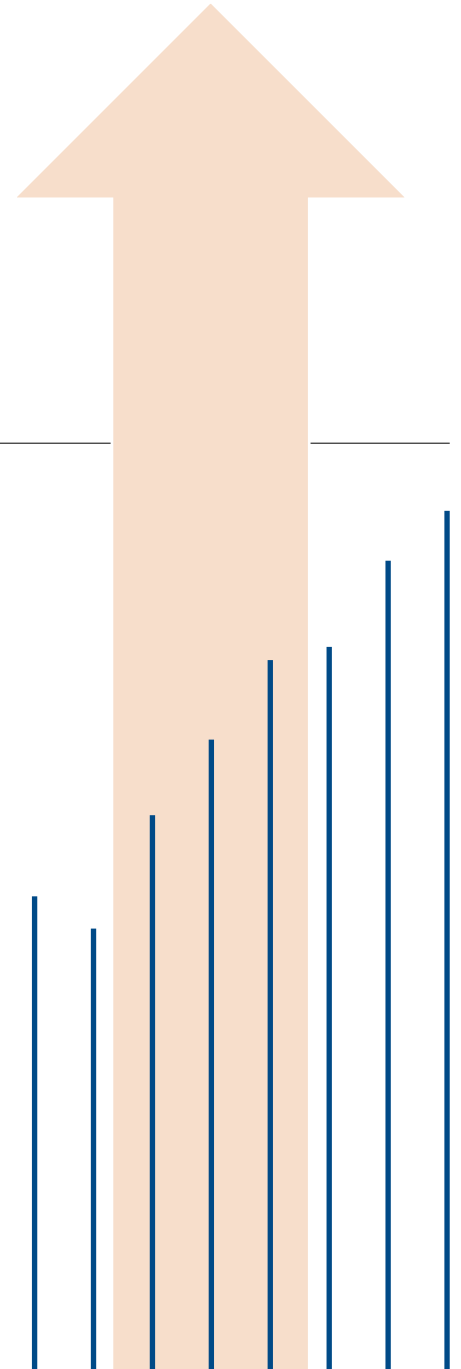
but as a systematic, ongoing effort. For example, a leading European company we talked with proactively maps female operational leaders in adjacent process industries in order to maintain a robust pipeline of potential talent. Infineum strives to future-proof its pipeline by setting diversity targets at each organizational level to ensure a ready pool of diverse talent for promotion at each next-higher level.

8 Melissa Burek, Mike Bonner, and Melanie Nolen, *Paying for the Right Performance*, Corporate Board Member and Compensation Advisory Partners, April 19, 2019, boardmember.com.

Moving from compliance to targets to organization-wide ownership of inclusion requires hard work, leaders who are willing to take risks, and a tight focus on business value. The work and the risk are worth it.

Organizations that make inclusion a way of life tap into a deep wellspring of competitive advantage. They drive the business forward and upward. And they become an employer of choice not just among diverse talent but also among everyone who understands the energizing effect inclusive cultures can have on their careers. As one of our interviewees says, "In order to drive sustainable business success, we need experiences, thoughts, and ideas to drive an inclusive conversation at the

table, which will foster innovation and drive productivity." A few pioneering chemicals companies that are putting inclusion first and adopting a leader-led, business-driven approach are already well along in the journey. More will certainly follow, as they increasingly realize that inclusion is not just about everyone getting along; it's about accelerating business performance and having a direct impact on the bottom line.



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