Diversity and disruption in utilities:

How four disconnects prevent greater gender diversity and innovation in power and utilities companies
Power and utilities (P&U) is an industry in transformation. As the pace of disruption accelerates, so does the pressure on business models and current practices. “Business as usual” is not an option, even for regulated businesses.

Gender diversity in leadership is essential for utilities to navigate disruptive innovation. There is a well-documented body of evidence confirming the links between gender diversity and improved business performance. Recent reports examine several areas of improvement:

- **Improved innovation**: An analysis of the S&P Composite 1500 found that firms with women in top management roles experienced an increase in “innovation intensity” — and were worth, on average, about US$40m more than companies with only male leaders.¹

- **Improved profitability**: A 2016 report by the Peterson Institute for International Economics examining nearly 22,000 companies around the world found that 30% female representation on boards can increase company net profits by 6%.²

- **Improved nonfinancial performance**: Research has also found that teams with more women are better at logical analysis, coordination, planning and problem solving.³

But the journey to gender equality isn’t happening nearly as quickly as executives think. In P&U, women represent only 16% of board members in the top 200 utilities by revenue, as documented in EY’s 2016 Women in Power and Utilities Index (see Figure 1).

Given the value that gender diversity brings to business performance, you might think that utilities are taking focused steps to improve this figure by doing more to recruit, retain and promote their best female talent.

Think again.

In 2015, EY conducted telephone research with 400 senior executives (52% male; 48% female) from the top 600 utilities by revenue, representing 62 countries. We asked about the role and value of diversity, current approaches to attracting, retaining and promoting women to leadership positions, and the top barriers and accelerators of gender parity in top leadership.

We found that while P&U leaders recognize their industry is in transition and acknowledge the value of diversity in addressing this, they need to do more to turn their awareness into action. In particular, four disconnects are holding back gender parity:

- **The reality disconnect**: Leaders assume the problem is nearly solved, despite little progress within their own organizations.
- **The data disconnect**: Few utilities measure how well women are progressing through the workforce and in leadership.
- **The pipeline disconnect**: P&U companies aren’t creating pipelines for future female leaders.
- **The perception and perspective disconnect**: Men and women don’t see the problem the same way.

This report provides a summary of our research, questions for P&U boards to add to their agendas and quotes from senior P&U executives. We invite you to read this report, share it with your colleagues and be part of the change — because getting more women into leadership makes good business sense.

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1. The reality disconnect

P&U leaders think the problem is nearly solved, despite little progress within their own organizations.

“To make a real change in the number of women on boards, CEOs need to make it a priority ... If people think the CEO wants gender balance, it's more likely to happen. The organization has to demonstrate the will to make it happen.”

Joan MacNaughton CB, Executive Chair of the World Energy Council’s World Energy Trilemma flagship study

In its Global Gender Gap Report 2014, the World Economic Forum (WEF) estimates that it will take until 2095 to achieve global gender parity in the workplace.

In our research, we asked executives how long it will take them to have a board that is 30%-40% women. Sixty-one percent say they think their company is already there or that gender parity will happen within 10 years. But this belief is disconnected from WEF estimates and findings from our own industry research. According to the EY 2016 Women in Power and Utilities Index, women currently account for only 16% of P&U board members. This figure has increased just 1% in three years.

To reach the goal of 30%-40% female representation on the board, the sector needs to nearly double its female board members in the next 10 years. This seems unlikely given recent progress and the fact that very few respondents — just 11% — expect a significant uptick in the number of women leaders in the next five years.

The slow pace of progress is frustrating, particularly because most leaders acknowledge the positive impact of gender diversity. We found many believe it improves business performance, although there are some clear differences between the perceptions of men and women on this issue. Twice as many men claim there is no link between gender diversity and business performance improvements (see Figure 2).

**Figure 2: Gender gaps regarding links to diversity and performance**

Do you think diversity on leadership teams improves performance in these areas:

**Financial performance**

- Yes, with evidence 14.8%
- Yes, no evidence 26.7%
- No 45.5%
- Don’t know 18.3%
- 10% 9.4%

**Nonfinancial performance**

- Yes, with evidence 22.5%
- Yes, no evidence 31.4%
- No 51.2%
- Don’t know 58.1%
- 21.5% 6.3%
- 5.8% 4.2%

**Questions:**

- Given the proven benefits of gender diversity, how well is your organization positioned to reap these rewards?
- What is your plan to achieve gender parity in your leadership team?
- How is a lack of diverse leadership impacting your ability to innovate?
- Do you know the position with your organization — does reality match your perception?
2. The data disconnect

P&U companies don’t effectively measure progress toward achieving gender parity in leadership.

“"We have formal ways of collecting data around all our diversity measures. It’s important to have fact-based conversations on these issues.”

Catherine Tanna,
Managing Director, EnergyAustralia

Think utilities that value gender diversity are measuring their progress to achieving it?

Think again.

As leadership trainer John E. Jones says, “What gets measured gets done, what gets measured and fed back gets done well, what gets rewarded gets repeated.”

But, despite the value P&U executives place on gender-diverse leadership, only 38.5% of those we surveyed have formal metrics in place to measure their progress toward achieving it (see Figure 3). And, in most cases, these metrics are limited in scope:

- Metrics to monitor progress on increasing female participation on the board and senior management team
- Targets for female representation on the board and senior management team
- Public disclosure and reporting around gender diversity performance

We also found that only 3% of P&U companies measure the impact of gender diversity on their financial and nonfinancial performance, despite overwhelming evidence that links women in leadership to a better bottom line.

Figure 3: The data disconnect: few measure gender diversity in leadership

Does your company formally measure progress on improving gender diversity on your leadership team?

Measuring board gender diversity

<table>
<thead>
<tr>
<th>Developed markets</th>
<th>Emerging markets</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>46.9%</td>
<td>25.8%</td>
<td>8.8%</td>
</tr>
<tr>
<td>38.5%</td>
<td>8.8%</td>
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Globally

Source: EY research

Questions:

- What specific goals do you have regarding gender parity?
- How are you measuring your progress toward these goals?
- If you aren’t measuring progress against a set goal, how do you define success?
- As you strive for greater gender diversity, how do you know what’s working and what’s not?
- Do you measure the impact of diversity on business performance in your organization? If not, what are you telling your shareholders about your progress toward gender diversity?
### 3. The pipeline disconnect

P&U companies aren’t creating pipelines for future female leaders.

“I would encourage executives everywhere to be more daring with their diverse population of employees: invest in them, build their skill sets and your business will reap the rewards.”

Louise Scott, Vice President, Customer Services, Georgia Power

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Think utilities that are good at recruiting women are also good at promoting them?

Think again.

We are seeing confidence across our sector that P&U is getting better at attracting women (18% rate their organization “very effective”) and retain them (26% say “very effective”). Three-quarters (76.3%) of our respondents think the sector’s growing appeal to women is mostly due to a shift in culture, better working conditions and a wider range of opportunities.

But results were less encouraging when we asked executives how effective their organizations had been at identifying and promoting women leaders over the past five years. Nearly half of respondents said efforts have been ineffective or very ineffective. Only 10% of respondents say their organization has been very effective at identifying women leaders; 12%, at promoting them.

Given the low percentage of women currently in P&U boardrooms, we also asked about approaches to developing women’s careers. Of the executives we spoke with, 59% say their organizations develop men and women equally as part of the existing leadership program, with no intention of changing.

Given that so few utilities (8%) offer formal, structured programs to develop women’s careers, the question arises: should they? Is this a gap that needs addressing?

At first glance, equal career development seems the fairest approach, but it won’t address current gender imbalances. Given the legacy of imbalance, continuing with the status quo won’t get the sector anywhere close to gender parity in this generation, or even the next.

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**Figure 4: Most utilities do not differentiate women’s career development**

How do you develop female leaders in your organization?

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<thead>
<tr>
<th>Method of Development</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Develop men and women equally as part of existing leadership programs – no intention to change</td>
<td>59.3%</td>
</tr>
<tr>
<td>Informal program to develop women’s careers in leadership – no plans to formalize</td>
<td>14.5%</td>
</tr>
<tr>
<td>Informal program to develop women’s careers in leadership – plans for more formal program in next few years</td>
<td>13.3%</td>
</tr>
<tr>
<td>Structured, formal program to identify and develop women’s careers in leadership</td>
<td>8.3%</td>
</tr>
<tr>
<td>None of these</td>
<td>4.8%</td>
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**Questions:**

- Are you losing women with the potential to run the company?
- Do you have a talent pipeline of women that extends several levels below the board?
- Have you asked female employees whether they think your initiatives to identify and promote future women leaders are effective?
4. The perception and perspective disconnect

Men and women have different views on the gender diversity gap and how to solve it.

“I am a firm believer in competing on merit. There are women out there who can do these jobs; they just need a nudge in the right direction. The key to getting more women on the board is getting more women in the C-suite. And the key to that is getting women through the door who understand they need operational experience, so they know what it’s like to run a large, complicated business.”

Geisha Williams,
President, Electric, Pacific Gas and Electric Company (PG&E)

Think men and women see the problem the same way?

Think again

Given the positive impact of gender diversity on financial and nonfinancial results, how can utilities get more women into leadership positions? What are the top barriers and accelerators? It depends on whom you ask. Our research reveals some interesting gender gaps when it comes to perceptions of what hinders and what enables gender diversity.

When asked what prevents women from taking senior leadership roles (Figure 5), women say the biggest barrier is organizational bias against women (which men rate in the bottom two). Men, on the other hand, cite a shortage of available female candidates as the biggest obstacle (which women rate as the smallest).

This has important ramifications for utilities seeking to identify and promote their best female talent. Management will undoubtedly want to prioritize factors that this group values when implementing career development initiatives.

In our Inspiring women interviews, we found barriers an interesting area of debate. Most didn’t like the word “barriers,” with a common response being, “Well I’m here, so I guess there weren’t any for me.” Probing a little deeper, we found all sorts of obstacles: sexism, exclusion, bosses or colleagues who challenged their authority or overlooked them on promotions, nonexistent maternity policies, pay being docked because of mobility issues during maternity leave and so on.

These women chose to power through by either ignoring or confronting the barriers they met, depending on what they deemed the most effective strategy. As Sue Murphy, CEO of Australia’s Water Corporation, put it, “Of course, there will be times when people try to put you down, patronize you or put you in a box. I just politely refuse to stay in the box.”

Sue Murphy,
CEO, Water Corporation

<table>
<thead>
<tr>
<th>Source: EY research</th>
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<tbody>
<tr>
<td>Overall</td>
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<tr>
<td>Shortage of available female candidates</td>
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<tr>
<td>Lack of female role models in the organization</td>
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<td>Lack of flexible working arrangements</td>
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“A lot of young people want to be told in 16 words or less how to be a CEO. There is no standard path. My advice is simple: be really, really good at your job. Put your hand up and be visible. And don’t take yourself too seriously; don’t forget to laugh at the absurdities of life along the way. Of course, there will be times when people try to put you down, patronize you or put you in a box. I just politely refuse to stay in the box.”

Sue Murphy,
CEO, Water Corporation
Female leaders also raised flexibility – particularly around mobility while raising children – as an issue, alongside self-imposed barriers, such as women undervaluing their own talents and contributions. Common themes across interviews were women not putting their hands up, wanting to meet all criteria for a promotion before applying for it and not talking about their achievements. They say that good managers would help women to overcome these tendencies but this, too, may be an area that needs more attention in training and leadership initiatives.

Inclusive culture rates as top accelerator
As Figure 6 highlights, both men and women say that an inclusive corporate culture – one that supports and promotes gender diversity – does the most for women’s advancement.

After that, opinions differ. Women rate mentoring from senior leaders the second highest (48.7%), whereas men rate strong female role models as the second most important (42.1%).

It is worth noting that in the interviews we’ve conducted for Inspiring women, few of the women we spoke with had female role models. They were the trailblazers, so there just weren’t many senior women around. In general, the women we profiled value mentoring from senior leaders with the right experience – regardless of gender.

Questions:
- Do men and women in your organization see the problem of gender diversity differently? How can you bring these perceptions closer together?
- How can you create opportunities for open dialogue between men and women about challenges and potential solutions?
- Are you embedding diversity and inclusion into your corporate culture?
- Board candidates are often sourced from existing members’ networks – how can you avoid appointing more of the same and increase diversity?
- Given mentoring is seen as so important for women to progress in their careers, what steps can you take to encourage your leadership team to advise and sponsor women?
Closing the gender gap

It’s time for decisive action to deliver the diversity and innovation utilities need. This includes a new approach to gender diversity, because research proves that these areas are closely linked.

The challenge for utilities is to recruit more diverse teams now to drive innovation and create sustainable success in the longer term. According to our survey, P&U leaders recognize this challenge and say they want to meet it — but four disconnects are still holding them back.

Closing the gender gap requires board members to step up and make hard-edged commitments — backed by meaningful and measurable actions — to deliver a legacy of a more diverse and inclusive workforce.

Increasing the number of women in leadership and the talent pipeline will require metrics and reporting, formal programs to address weakness in the way future female leaders are identified and promoted, and rethinking how board candidates are recommended and appointed.

It’s time to ask:
What impact will your leadership have on your organization’s ability to navigate disruption?
How will your actions today contribute to a more inclusive, profitable and successful organization tomorrow?

At EY, we are asking these same questions. We acknowledge that we are on our own journey toward diversity and have more to do. As we work toward greater gender parity, we embrace the opportunity to engage with other businesses to create a truly inclusive workforce.

None of us can stop disruption from changing the power and utilities industry. Each of us can — and must — take steps now that will optimize our own organization’s ability to successfully meet these disruptive trends. Making gender parity a reality must become a business priority.

This is work that can, should and must begin today.

Put gender on the agenda

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What is the value of diversity?

Through its *Inspiring women* series, EY is profiling a number of leading women in power and utilities (to read the profiles, go to ey.com/womeninutilities). Here’s what some of the executives had to say about the value of diversity:

“Diversity gives us the best possible chance for innovation. You can’t just put people in a room and say ‘innovate.’ It doesn’t work like that. Innovation happens when you least expect it, and many of our breakthroughs are a direct result of our diverse mix of people.”

Sue Murphy, CEO, Water Corporation

“Diversity is important because the marketplace is diverse. Distributed generation, mobile apps and a transforming grid mean that utilities are becoming more tightly involved with what customers and entrepreneurs are doing. We need to embrace different ways of approaching the market.”

Mary Doswell, Senior Vice President, Dominion Energy Solutions

“I think the lack of diversity has hurt P&U in the past. With more varied points of view, the sector could have spotted emerging trends more quickly. Diversity is helpful because it leads to better, more robust decisions. And every leader wants that.”

Geisha Williams, President, Electric, PG&E

“Diversity is critical, in terms of gender, race, age, background, etc. It makes our teams better and stronger and ensures our plans are robust. A lack of diversity could lead to unintentionally excluding excellent ideas, thoughts and people because you can’t talk about things you don’t know.”

Gayle Lanier, Senior VP, Customer Service, Duke Energy

“On my engineering course, I was one of 25 women out of 370 students. I then spent one year serving on a Navy ship. I also worked in a female-dominated finance team when I joined EDF. I don’t think imbalance either way is good.”

Béatrice Bigois, MD Customers, EDF Energy

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