

Meaningful change

Inclusive cultures foster innovation, unlock performance

In a year marked by crisis, division, and unrest, chemical companies are doubling down on their efforts to create more inclusive and diverse workplaces. Commitments go beyond optics and pledge meaningful organizational and cultural changes that will create more innovative, higher-performing companies.

▸ **Rebecca Coons**

Harnessing the benefits of inclusion and diversity (I&D) requires corporate commitment, self-reflection, and, at times, difficult conversations, say company executives focused on creating meaningful change within their organizations. As chemical companies work to meet the sustainable development needs of a diverse, global economy, strong I&D programs are not just a competitive driver, but a business imperative.

Patricia Rossman, chief diversity and inclusion officer at BASF, says I&D helps BASF build better communities and customer relationships and unlocks productivity and creativity in its colleagues. “We are all data people [in the chemical industry], and study after study has shown that diversity and inclusion is good for business and helps shareholder value ... by enhancing performance.”

A recent report by global management consultancy McKinsey & Company (New York, New York) found that companies in the top quartile of gender diversity on executive

teams were 25% more likely to experience above-average profitability than peer companies in the fourth quartile. Companies in the top quartile of ethnic and cultural diversity outperformed those in the fourth quartile by 36%.

Comparison to similar data gathered by McKinsey in 2017 and 2015 shows the business case for I&D as a source of competitive advantage is growing stronger. “Increasingly, we find that the most diverse companies recognize I&D as more than a social-justice imperative; they also see it as a core enabler of growth and value creation,” according to the report, *Diversity Wins: How Inclusion Matters*. “These diversity winners are pulling ahead of the rest.”

The moral case for diverse and inclusive workplaces is clear. For the chemical industry, there is also an additional business case that comes down to innovation. Meeting the needs of a rapidly growing global population while simultaneously addressing climate change requires unprecedented levels of creativity and good science. Employees that feel included are more engaged and productive, and teams with

diverse perspectives are more creative.

Dow, Inc. was an early champion of I&D. In 2018, newly appointed president and CEO Jim Fitterling issued a new vision statement for Dow that named inclusion as one of four core ambitions, along with innovation, customer centricity, and sustainability.

Dow redoubled its I&D efforts after the killing of George Floyd in May and the widespread civil unrest against systemic racism and police violence that followed. At IHS Markit *Chemical Week*'s recent Chemical Industry Financial Outlook & Sustainability Forum & Awards 2021, Fitterling candidly discussed the difficult conversations he had with Dow employees in the wake of the George Floyd killing, and like many Americans in the months that followed, his realization that the privilege gap in America was far wider than he had believed.

“Nothing will get your attention more than having a conversation with a group of employees who you think you have a lot in common with, and they tell you that they have strategies for what to do if they get pulled over [by police], or that their children

fear getting pulled over,” Fitterling said. “This is not something that I have to worry about when I get into my car and go somewhere. But I have black employees that have to worry about this. This is not how we want to treat each other inside the company. And this is not how we want to see people treated in our communities.”

Rossman says the Floyd killing also opened the door at BASF to deeper discussions of race relations in society and in the workplace, adding that I&D are human issues and not political ones. “Frankly, we’ve been having conversations that we hadn’t had before. The feedback from colleagues is that, now that this door is open, let’s make sure we continue to keep it open. So, we are engaging in a series of conversations, drawing together people at all levels and under the banner of acting with courage, compassion, and empathy.”

Denise Hartmann, senior vice president dispersions & resins, Americas, BASF, said these conversations revealed that BASF might not be as far along in its inclusion journey as it hoped, and action areas were developed as a result. One area that emerged was leader action and accountability. “We’re looking at how leaders behave to create the right environment for their teams,” Hartmann says. “We’re developing trainings to raise the awareness of culture experience and empathy levels of our leadership.”

BASF also instituted a three-year plan for all its sites that it calls “Getting our basics right.” This plan involves aligning infrastructure with the diversity the company is seeking to achieve. “We’re looking at whether we have adequate dedicated spaces for nursing mothers, quiet or prayer rooms, and if we reflect gender neutrality in our facilities,” Hartmann adds. The company is also exploring how it can promote I&D beyond its gates through community programs that promote diversity in STEM.

Dow also looked for opportunities to foster social justice in its communities. In June, less than three weeks after Floyd’s death and with input from Dow’s Global African Affinity Network Employee Resource Group (ERG), Dow announced Advocacy, Community, Talent (ACT). The framework pledges \$5 million over five years to advance racial equality and social justice.

ACT establishes Social Justice Councils in each of Dow’s geographies to monitor matters of inequality and advise Dow; commits \$1 million over the course of five years to the Congressional Black Caucus Foundation’s



STEM FOCUS: BASF recently sponsored Girl Powered, a hands-on workshop for female students.

National Racial Equity Initiative for Social Justice, which places Social Justice Policy Fellows in the US Congress for two years; establishes social justice scholarships for students attending historically black colleges and universities; and advances racial equity and human rights in research, data, analysis, and public policy related to criminal justice reform.

“Unaddressed misconceptions about fairness and meritocracy are [a] critical issue.”

Dow also joined the Board Diversity Action Alliance as a founding signatory, committing the company to increasing or maintaining the number of black board directors, disclosing the racial and ethnic composition of their boards, and annually publishing a report on company diversity and inclusion efforts.

Good intentions are not enough

For many, the first step to I&D is to recruit, foster, and retain diverse talent. “Chemistry is the enabler of sustainable futures globally,” Hartmann says. “So, our employee population must reflect the diversity in the world—who we are selling to, who we are creating these chemistries for. It is so important to have that diversity of voice and diversity of perspective.”

Hexion last month named its first director of diversity, equity, and inclusion. Karen Fowler most recently served as the director,

Ohio Diversity Councils, for the National Diversity Council. “If Hexion is going to be competitive over the long-term, we need to access the full pool of talent available,” said Craig Rogerson, Hexion chairman and CEO. “And much like the rest of the chemical industry, we haven’t been as successful as we wanted to be or need to be. We have to do things differently, and we’re going to do that at Hexion to make sure that we can tap that full talent pool needed to help make us successful in a very competitive environment.”

Attracting and maintaining a diverse workforce requires honest self-assessment, bold action, and top-down support. McKinsey recommends companies focus on advancing diverse talent into executive, management, technical, and board roles. “They should ensure that a robust, bespoke business-driven case for I&D exists and is well accepted, while being thoughtful about which forms of multivariate diversity to prioritize (for example, going beyond gender and ethnicity).” In addition to data-driven targets, McKinsey also recommends companies place their core business leaders and managers at the heart of the I&D effort—beyond their HR functions or employee resource-group leaders.

Dow, for example, has 10 established ERGs to help advance its I&D strategy, champion an “all in” culture and foster a “truly inclusive workplace.” Each ERG has an executive-level sponsor as an inclusion ally actively engaged in advancing the organization’s goals.

But Dow admits it has work to do to improve the diversity of its workforce and talent pipeline. Dow’s board is in the top quartile in terms of diversity, and management is diverse from a gender and ethnicity standpoint, Fitterling says. “But if you looked through the middle of the organization, you would see big gaps.” For example, in 2019, 27.8% of Dow’s overall workforce was female, although women were better represented at management roles (32.5%). The company’s 2019 Shine Inclusion Report shows that 8.5% of its US employee population is black, compared to 13.4% of the US population.

To improve representation, Dow says it has a strong focus on retention and development of black employees. To build a more diverse talent pipeline, Dow has made an initial investment of \$500,000 to historically black colleges and universities and community college skilled trades programs. It is also requiring racial equity and advanced inclusion training for all its leaders and HR professionals and is working to strategically increase the

diversity of its supplier base and add more diverse colleges and universities to its US recruiting efforts.

In 2017, BASF—not content with what it felt had so far been slow and incremental I&D progress—initiated a talent and diversity challenge. “We looked at data and found that good intentions were not enough,” Rossman says. “We were still hiring ‘ourselves’ despite saying we were open to the best talent from all backgrounds. We were setting pretty rigid job requirements and job descriptions, and that was screening out some great talent.”

To rectify this, the company mandated that half of the interviewees for all roles had to reflect the diversity the company was seeking in its talent pool, and half the people conducting the interviews had to reflect that diversity as well. The policy has been a “circuit breaker for us, helping us improve our ability to bring in greater diversity to our talent pool,” Rossman adds. The company also began to put higher value on candidates with the “innate curiosity” it sees as synonymous with the field of chemistry.

For its efforts, BASF was recently awarded the third annual Carver-Curie Diversity Award for Diversity in the Chemical Industry. Co-sponsored by IHS *Chemical Week* and the Chemists’ Club, the award is named after

George Washington Carver, who was born into slavery, and Marie Curie, a two-time Nobel Prize winner. Both were world-famous chemists whose achievements epitomize the benefits that I&D can bring to the world.

Smaller companies are working to drive I&D within their organizations as well. To ensure the objectivity of the recruitment process and to select the candidates with the most suitable profile regardless of their race, color, nationality, ethnic origin, sex, sexual orientation, marital status, age, or religion, specialties distributor Azelis uses online assessment tests in many countries across the world.

“Online psychometric assessments are web-based tests and questionnaires utilized during the recruitment process to measure candidates’ skills, abilities, and personality characteristics,” says Emanuele Ferrero, says Azelis Group HR Director. “Additionally, Azelis works with an external service provider that hosts these tests and questionnaires and provides the results to ensure transparency and objectivity during the

process. This is there to avoid discrimination since it objectifies the results and the value of the candidates against a certain position.”

Ferrero adds that companies that are more diverse win top talent and improve their customer orientation, employee satisfaction and decision-making, and ultimately perform better financially.

“This is not true only for gender diversity but for any form of diversity—culture, age, sexual orientation, physical impairments, work experience, and so on; having a truly diverse workforce is likely to bring additional competitive advantage,” Ferrero adds.

Studies suggest also that having female senior leaders creates less gender discrimination in recruitment, promotion, and retention.” The company’s engagement surveys has shown “disaffected” and

“switched off” employees make up 1% less and 6% less of the total population, respectively, versus the Global Employee & Leadership Index benchmark, he adds.

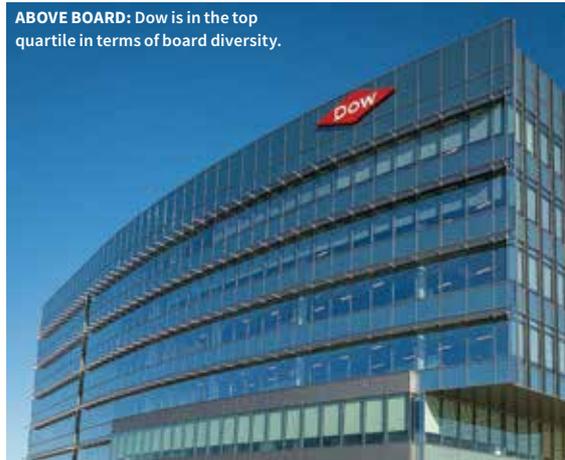
Azelis notes that its percent of female employees in total and in the general management team (GMT) has been steadily increasing over years. “The male/female ratio is not, of course, the only indicator of [I&D], but it’s one that is relatively easy to quantify,” Ferrero says.

Measuring diversity is still easier than measuring inclusivity, he adds. “Most of our measures of inclusivity are indirect and we continue to search for the right [key performance indicators]. We keep abreast of any developments in this area, we try to learn from peers as well as front runners outside our industry, but we are not there yet. We see that there is often a lack of clarity when it comes to the definition of inclusivity, which can be driven by many legal, cultural, and other elements in a country which only makes things more complex for a company as international as ours.”

Going beyond the metrics

Hartmann agrees that setting goals and measuring gender and minority employment has been more straightforward than tracking progress on inclusivity. “You can bring in diversity in terms of metrics. But if we’re not leveraging the full power of that diversity through inclusion, then we’re really missing out on the benefits of these different voices and perspectives and on moving faster to

ABOVE BOARD: Dow is in the top quartile in terms of board diversity.



create the chemistries we seek.”

Colleagues can only work optimally if they can be themselves in the workplace, Hartmann says, but a sense of inclusion is experiential and difficult to measure. “People need to feel it, and therefore it is subjective for each individual. It’s very personal,” she added.

“We’re still working to develop the correct [key performance indicators] around employees feeling like they belong.”

Ultimately, there is still a long way to go to reach true I&D. McKinsey determined that it will take 29 years for the average US company to reach gender parity on its executive team, and 18 years on boards. “Two critical barriers appear to stand in the way of the sustained change in company culture, and the individual mindsets and behavior, that are needed to build a truly inclusive culture,” McKinsey says. “The first barrier is a lack of purposeful follow through on diversity pledges.” Many companies have publicly committed to building a diverse and inclusive company culture, and in some cases with their CEOs have even signed public pledges to do so. But many companies have yet to adopt the systematic, business-led approach to I&D that is needed to translate these pledges into actual change, it adds.

A second barrier in many companies, particularly those that are yet to embark on a purposeful I&D journey, relates to inclusion, McKinsey adds. “Unaddressed misconceptions about fairness and meritocracy are one critical issue. There is often a prevailing belief that ‘everything should be the same for everyone,’ and this fails to factor in the reduced extent to which women and ethnic minorities benefit from support and sponsorship—and the greater extent to which they face bias and microaggressions versus the dominant majority.” ■



FITTERLING: Working to create a more diverse talent pipeline.