



THE EUROPEAN PETROCHEMICAL ASSOCIATION

# WHY DIVERSITY MATTERS

REPORT BASED ON A DIVERSITY AND  
GENDER INCLUSION SURVEY ON BEHALF OF EPCA  
AMONGST SELECTED MEMBER COMPANIES

**50**  
**YEARS**  
CHEMISTRY  
FOR YOU



# ACKNOWLEDGEMENTS

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FEBRUARY 2016

EPCA is proud to share with you the *“Why Diversity Matters”* report summarizing the findings and key learnings from a survey conducted in 2015 by McKinsey & Company amongst selected EPCA member companies on behalf of the EPCA Talent and Diversity Inclusion Council (TDIC).

We warm-heartedly thank **EPCA member McKinsey & Company** for leading the survey; providing insight and expertise in the research and analysis of the results; and for presenting them, whilst highlighting specific areas for improvement to the EPCA audience at the Diversity and Gender Inclusion session organized by EPCA during the 49<sup>th</sup> EPCA Annual Meeting in Berlin on Sunday 4<sup>th</sup> October 2015.

We also express our deep gratitude for the valuable input of a group of **EPCA member companies addressing diversity inclusion** in their respective organizations and which accepted to participate in the survey, without the support of which this analysis would not have been possible. As a sign of our appreciation the **logos** of these companies are **listed herein**.

Finally, we extend our sincere gratitude to **the members of the TDIC** for the commitment, enthusiasm and dedication with which they steered this project since the kick-off of the TDIC on 10<sup>th</sup> June 2015 up to the successful Diversity and Inclusion Session on 4<sup>th</sup> October 2015 and the publication of this report. You can find the names of the TDIC members and of the companies they represent at the end of this acknowledgment section.

We hope you enjoy reading this report as much as the TDIC appreciated contributing to the realization of it.

Cathy DEMEESTERE  
CEO **EPCA**

## ACKNOWLEDGEMENTS

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Nathalie BRUNELLE - TOTAL SE • Dorothee ARNS - PETROCHEMICALS EUROPE  
Wouter BLEUKX - INOVYN • Cathy DEMEESTERE - EPCA • Gina FYFFE - INTEGRA  
Kate JOHNSON - SHELL CHEM. EU • Ana MONTENEGRO - REPSOL  
Lorraine PHILLIPS - EXXONMOBIL • Rovani SIGAMONEY - UNESCO • Arnd THOMAS - DOW BENELUX  
Jutta WALLDORF - BASF • Claire WATSON - SABIC

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If you want to know more about EPCA's Gender and Diversity Inclusion activities, please also read the section dedicated to the **4<sup>th</sup> October 2015 Diversity and Gender inclusion session** in the **Report of the 49<sup>th</sup> EPCA Annual Meeting**. It is available on the EPCA website [www.epca.eu](http://www.epca.eu).

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# EXECUTIVE SUMMARY

## BACKGROUND AND RATIONALE

Recognizing the increasing importance of Diversity and Inclusion, the European Petrochemical Association (EPCA) commissioned a survey of its member organizations to gain a better picture of the current status, progress and best practices across the European Petrochemicals industry. The survey and subsequent analysis were supported by McKinsey. From the side of EPCA, 19 member companies participated in a survey, which targeted both the “white collar” managerial workforce and the “blue collar” operations workforce and together represent a total of approximately 30% of the entire employee population of the European Chemicals Industry.

## KEY FINDINGS FROM THE SURVEY

- **The diversity baseline** shows that about a quarter of employees in the survey companies are women, with an average of 24% across all corporate levels and participating companies. The share is much lower in senior management (“Top 100”) at about 15% and even lower in the operations community, with only 10%.
- In **recruiting**, about half of the organizations sampled track gender at different stages during the recruiting process and have put gender-specific recruiting tools in place. Even if the majority think their organizations promote gender equality sufficiently in their hiring practices and have a strong senior management commitment to recruiting women, their screening and selection criteria have for the most part not been aligned with their diversity agenda.
- In **performance and promotion**, only about one in five of surveyed EPCA organizations include gender diversity in their management targets and few have implemented stringent tracking for gender-related performance and promotion data. While promotion processes are perceived to be fair and gender-neutral performance evaluation criteria have not been revised accordingly.

**DIVERSITY & GENDER INCLUSION SESSION, EPCA ANNUAL MEETING BERLIN, OCTOBER 2015 - PANEL DISCUSSION: NADINE DEREZA, DR. MIRJAM MAYER, GILLIAN TETT, TOM CROTTY, NATHALIE BRUNELLE**



- To foster **retention** of women, most EPCA members address family care needs and flexibility requirements by a variety of policies and many additional programs – however, few organizations have adjusted their performance evaluation criteria to recognize participation in these programs, often making it difficult for employees to benefit from the flexibility options without career consequences.
- Finally, **gender equality is generally recognized as important**, but is not a top priority for most management teams. Less than 50% of sampled organizations have implemented gender equality training and very few have future plans to do so. Less than half of EPCAs surveyed member organizations have stated gender equality goals and only a third have developed a business case (rationale) for gender equality.

## MOVING FORWARD

It is clear from the survey results that the participating companies have made

a significant effort already on their way to a more (gender) diverse workforce. However, many areas for future focus remain, maybe most importantly the setting of specific targets and building a transparent set of metrics to monitor and manage progress, elements that are part and parcel of many of the other change and improvement programs implemented by EPCA members.

We believe that with the right combination of commitment and a holistic approach covering the key elements (management commitment, business case, metrics, leadership, organizational awareness and key supporting enablers), EPCA and its members can successfully build on the current starting point, also by leveraging identified best practices across the member companies.

# WHY DIVERSITY MATTERS

**C**ompanies, which make Diversity and Inclusion part of their corporate agenda and manage these topics successfully stand to greatly benefit, for example by maximizing their accessible talent pool and leveraging different perspective and leadership styles. Successfully managing diversity can bring companies huge business benefits and drive above-median financial performance. The advantages of increasing and successfully managing a diverse workforce are evidenced in a wide range of company performance measures, see Figure 1.



## DIVERSITY IS A DRIVER OF COMPANY PERFORMANCE

Likelihood of above-median financial performance, by diversity quartile (%)

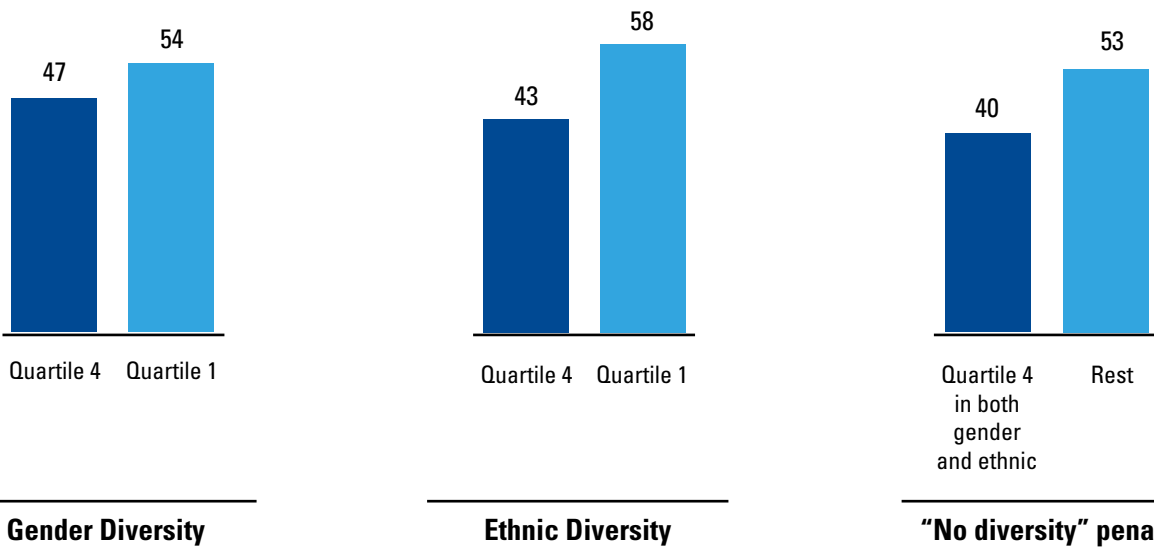


Figure 1: Relationship between diversity and financial performance

Source: McKinsey; Diversity Matters





More specifically, Diversity management helps to drive improvements in a broad set of areas including:

- **Winning the war for talent.** It is essential for companies to access the full range of talent available to them. With 55% of all university students, 60% of Masters' graduates and 52% of Doctoral graduates being women, successfully recruiting and retaining women in the workforce is a top priority.
- **Improving the quality of decision making.** There is strong evidence that diverse teams outperform more homogeneous groups by bringing an influx of ideas and more careful processing of information. The collective intelligence of groups is also higher when there are more women<sup>i</sup>. Creating diverse teams, then, is a concrete step towards boosting performance.
- **Increasing customer insight.** With women and minorities holding increasingly large buying power, having a diverse community working to design, market and sell products is a critical element to successfully accessing these growing markets. Women currently make 80% of all consumer purchase decisions and will

own 60% of all personal wealth by 2025.

- **Motivating employees and increased satisfaction.** There is strong evidence that a diverse workforce and a commitment to diversity on the part of employers is an important motivator for the whole workforce<sup>ii</sup>.
- **Improving a company's global image and relevance.** As Corporate Social Responsibility, Diversity and Inclusion become core business imperatives, companies are increasingly in the spotlight and judged for their efforts; failure can damage a company's commercial prospects, while success offers the potential to boost a company's global image.

Recognizing the increasing importance of Diversity and Inclusion, the European Petrochemicals Association (EPCA) commissioned a survey of its member organizations to gain a better picture of the current status, progress and best practices across the European Petrochemicals industry. The survey and subsequent analysis were supported by McKinsey & Company.

From the side of EPCA, 19 member companies participated in a survey, which targeted

both the "white collar" managerial workforce and the "blue collar" operations workforce and together represent a total of approximately 30% of the entire employee population of the European Chemicals Industry. This survey provided insights along 5 key diversity aspects:

- **Diversity (gender) baseline,** looking at the current level of gender diversity in the 19 organizations both across functional areas and management levels;
- **Recruiting,** how are the recruiting processes set-up to drive for an equal treatment of men and women, and potentially target an increasing gender diversity;
- **Performance and Promotion,** what processes and metrics have been implemented to ensure fair treatment of both genders
- **Retention,** how are companies addressing family care and career flexibility requirements (e.g. maternity and paternity breaks)
- **Company culture,** how are companies addressing gender equality and what is the role of (senior) management in fostering this.

<sup>i</sup> 'What makes teams smarter?' Harvard Business Review, June 2011

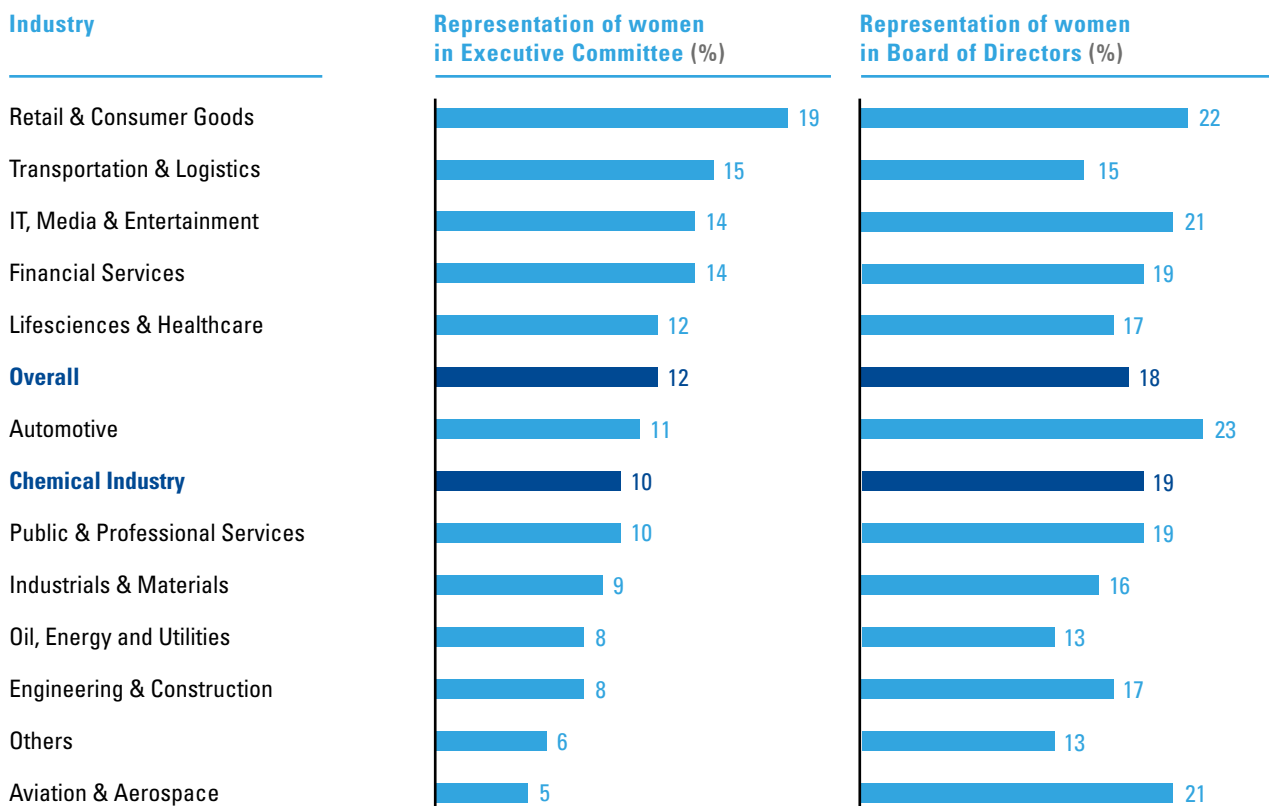
<sup>ii</sup> McKinsey & Company 'Diversity Matters'

# 1. DIVERSITY BASELINE

**A**mong surveyed EPCA members, women represent only 15% of the top 100, 19% of the Board of Directors and 10% of Executives. This is around the average for all industries, but significantly lower than

industries like IT, Media & Entertainment, Transportation & Logistics, Retail & Consumer Goods. 29% of managerial “white collar” employees and only 10% of operations “blue collar” workers are women, resulting in an overall representation of 24%.

## THE CHEMICAL INDUSTRY HAS RELATIVELY LOW SHARE OF WOMEN IN SENIOR LEADERSHIP POSITIONS



Figures 2: Percentages of women in leadership positions across industries

Source: McKinsey research on 382 companies across 10 countries (Brazil, China, France, Germany, India, Norway, Russia, Spain, Sweden & UK), Q2 2015

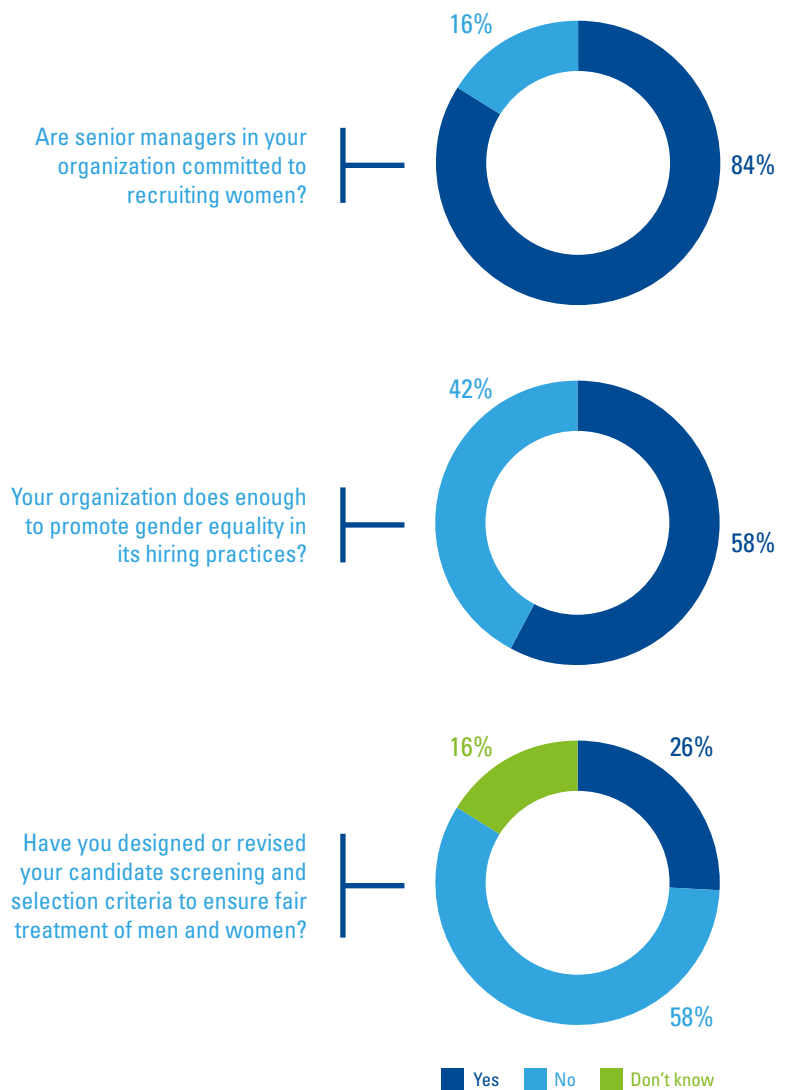


## 2. LINKING RECRUITMENT TO DIVERSITY

**R**ecruitment is the first key step to increasing the diversity profile of any organization. There are two main stages to ensure that the recruitment funnel is healthy. First, recruitment efforts must access and appeal to a diverse enough pool in order to ensure initial applications are diverse enough. As well as advertising in enough arenas, and promoting a positive corporate brand to attract diverse populations, some organizations also become involved in encouraging more diverse populations in university degrees relevant to their field. The second stage is to ensure effective diversity management of the selection process. This can involve a study of recruitment practices to make sure they are fair, and training to help recruiters overcome any unconscious biases they may have.

84% of survey respondents said their senior managers were committed to recruiting women. There was more ambivalence, however, around actual hiring practices, with just 58% feeling that their organization does enough to promote gender equality while hiring. The same percentage were confident that their organization had revised its candidate screening and selection criteria to ensure fair treatment of men and women in the recruiting process.

### RECRUITING - COMMITMENT IS THERE, BUT ROOM TO DRIVE IMPLEMENTATION OF SUPPORTING PRACTICES AND SELECTION CRITERIA



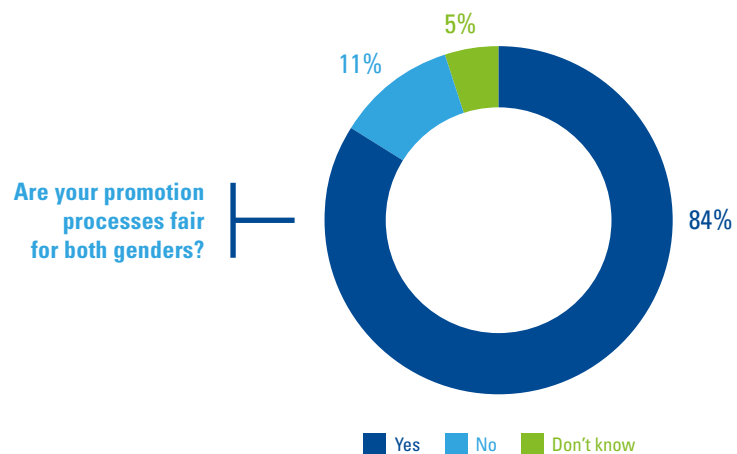
**Figure 3: Commitment and selection criteria for recruitment**  
 Source: EPCA Diversity & Inclusion survey

# 3. USING PERFORMANCE AND PROMOTION PROCESSES TO FOSTER DIVERSITY

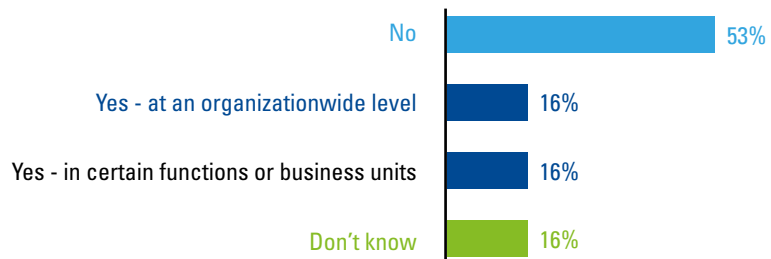
**P**erformance and promotion are key elements to ensure advancement of women through the corporate funnel, along with ensuring sufficient retention at each stage. 84% of respondents believed their promotion processes to be fair for both genders, while 11% perceived them not to be. Critically, the majority of participants (53%) responded that performance evaluation criteria had not been revised to ensure gender equality, challenging whether promotion processes are actually gender-neutral. More strikingly, only 21% of surveyed organizations included diversity targets in assessing management performance, making the tangible implementation of gender equality even more challenging.

The top two criteria for promotions appear to be the performance at current level and whether an employee is judged to have the potential to perform at the next level. While not assessed in detail for EPCA, previous studies have shown that women tend to be evaluated and promoted more on their current performance, while men benefit more often from a perceived potential to perform in the future. Unlike criteria such as experience, academic qualifications or current performance, the potential to perform in the future is a highly subjective judgment, and therefore vulnerable to the effects of unconscious bias.

## PROMOTION PROCESS DEEMED TO BE FAIR. LIMITED FOCUS UPDATING PERFORMANCE EVALUATION CRITERIA



## Has your organization revised your performance evaluation criteria to ensure gender equality<sup>1</sup> (%)



**Figure 4: Promotion processes and evaluation criteria**  
Source: EPCA Diversity & Inclusion survey

<sup>1</sup> Gender inequality refers to any unequal treatment, acceptance and expectations of men and women. (e.g. unconscious bias training, blinded reviews or emphasizing different leadership and communication styles)

## 4. USING EFFECTIVE RETENTION MEASURES TO SUSTAIN DIVERSITY

**A** ttrition remains one of the biggest challenges for companies and needs to be met by a thought-through retention strategy. Surveyed EPCA members offer a range of flexible work programs, with maternity and paternity leaves (95% and 89% respectively), home office & mobile work (89%) and sabbaticals (79%) being the most widely adopted. Initiatives such as job sharing and scheduling flexibility are less common (see Figure 5).

However, just over a third (37%) of survey participants reported that their organizations had adjusted performance evaluation criteria to account for flexibility choices, likely creating a hurdle for employees to take advantage of these offers.

### EPCA MEMBERS OFFER A RANGE OF FLEXIBLE WORK PROGRAMS TO EMPLOYEES

Which of the following flexible work programs does your organization offer? (%)

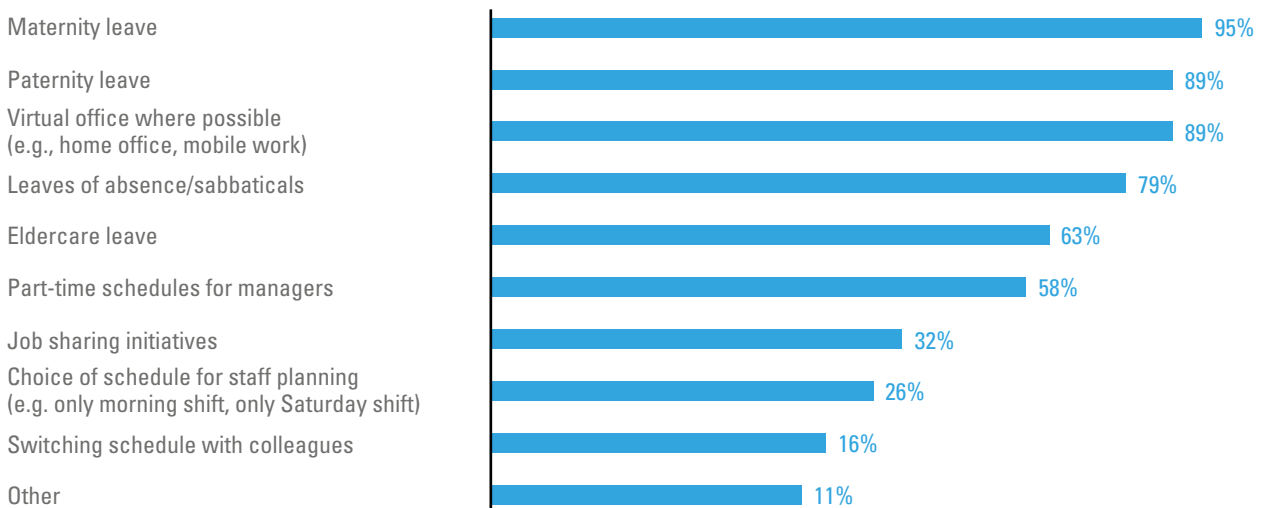


Figure 5: Frequency of flexible work programs

Source: EPCA Diversity & Inclusion survey

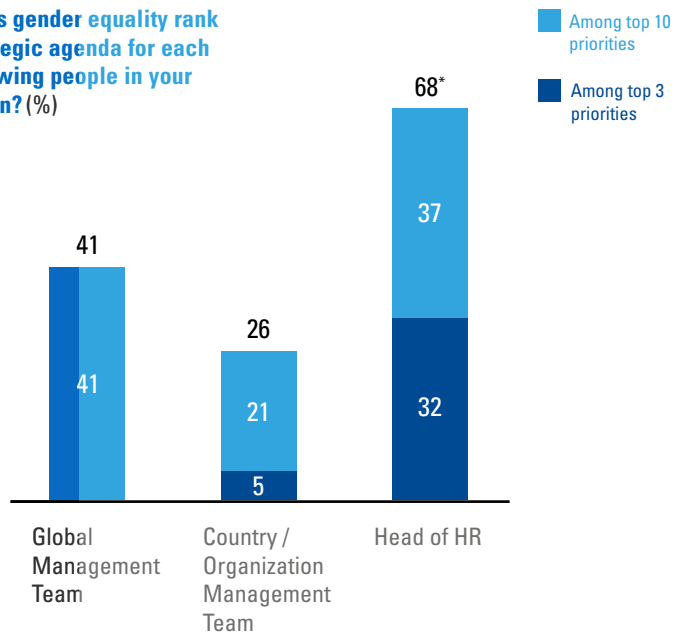
# 5. SUPPORTING DIVERSITY THROUGH COMPANY CULTURE

**G**ender equality is on the management agenda in a significant minority of the organizations surveyed. 41% of global management teams considered diversity to be a top 10 priority. 26% of country level management considered diversity a top 10 priority, with 5% placing it in their top 3 priorities. Understandably, 68% of HR heads considered diversity a top 10 priority, with just under half of those describing it as one of their top 3.

While it is positive that HR heads are concentrating on diversity, the separation of diversity strategy from business strategy suggests that diversity is still largely seen as a softer people issue, despite the hard performance and business benefits that have been shown to result from it. This is reinforced by the fact that 58% of respondents said their organization has not developed a business case for gender equality.

## GENDER EQUALITY IS ON MANAGEMENT AGENDA, BUT NOT YET TOP PRIORITY

Where does gender equality rank on the strategic agenda for each of the following people in your organization? (%)



**Figure 6: Managers' Prioritization of Diversity**

Source: EPCA Diversity & Inclusion survey

\* value rounded to the nearest whole number

# OUTLOOK: NEED FOR A DIVERSITY AND INCLUSION ECOSYSTEM

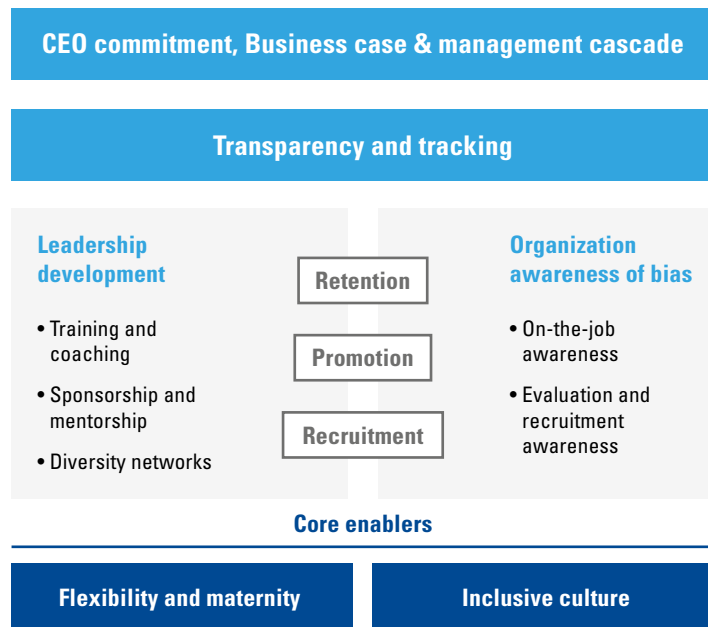
**W**hile many of the described Diversity and Inclusion initiatives can help progress diversity, a more integrated, and holistic approach is required to achieve a more fundamental and sustainable level of change.

This integrated approach or “ecosystem” needs to be driven from top management commitment and a convincing business case (rationale), cascaded and communicated to the different levels of the organization (Figure 7).

Progress needs to be monitored and managed with the appropriate tracking tools supported by a portfolio of initiatives which are needed across retention, promotion and recruitment, supported by training, development and core enablers.

Viewing the survey results in terms of this ecosystem highlights current strengths and weaknesses within EPCA members’ diversity and inclusion efforts. Summarizing the outcomes of the EPCA survey shows generally these elements are at least partly in place within the survey group of 19 companies.

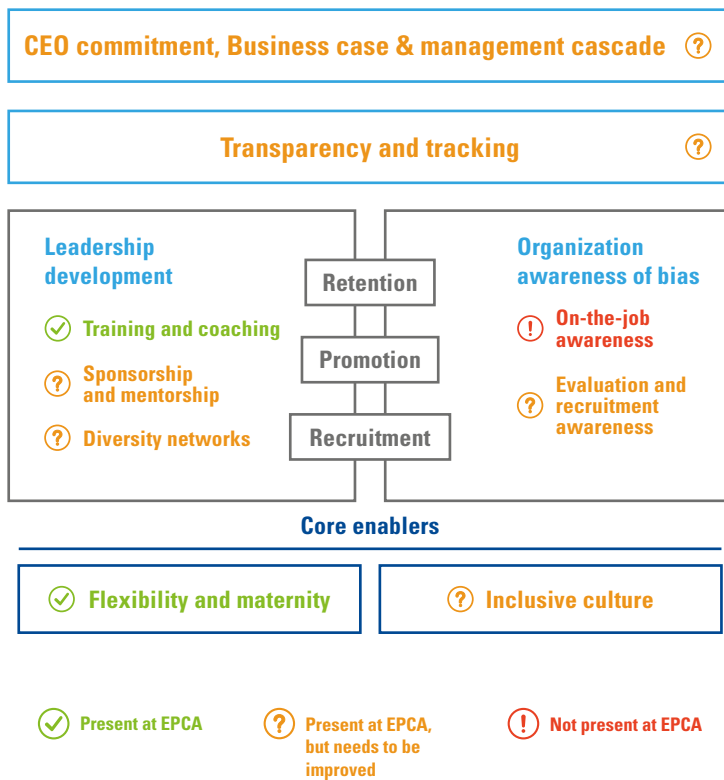
## AN ECOSYSTEM IS REQUIRED TO MAKE CHANGE HAPPEN



**Figure 7: The Diversity and Inclusion Ecosystem**

Source: McKinsey, Women Matter

**WHERE EPCA STANDS TODAY VERSUS BEST PRACTICE**



While leadership commitment, training and flexibility programs have been widely installed across the surveyed EPCA member organizations, there also remains significant areas to challenge.

Cascading targets and obtaining commitment throughout the entire organizational structure and implementing transparency and tracking form the foundation of lasting change, and have been adopted only by some of the organizations surveyed. Other elements with significant improvement potential are an increased on-the-job-awareness of the importance of diversity, as well as more active and potentially more formalized sponsorship and mentorship programs linked to gender equality objectives for managers, which will require more attention and focus than they appear to receive today.

**Figure 8:** The ecosystem heat map for participating EPCA members





**I**t is clear from the survey results that the participating companies have made a significant effort already on their way to a more (gender) diverse workforce. However, many areas for future focus remain, maybe most importantly the setting of specific targets and building a transparent set of metrics to monitor and manage progress, elements that are part and parcel of many of the other change and improvement programs implemented by EPCA members.

We believe that with the right combination of will and a holistic approach, EPCA and its members can successfully build on the current starting point, also by leveraging identified best practices across the member companies.



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EPCA is the **quality network** in Europe for the **global chemical business community** consisting of chemical producers, their suppliers, customers and service providers. It operates for and through more than 700 member companies from 54 different countries that represent an aggregate turnover of over €4.9 trillion. EPCA provides platforms to **meet, exchange ideas, transfer learning**, and serves as a **think tank** for its members and its stakeholders.

EPCA – The European Petrochemical Association A.I.S.B.L./I.V.Z.W.  
Avenue de Tervueren 270 Tervurenlaan / 1150 Brussels / Belgium  
T +32 2 741 86 60 / F +32 2 741 86 80

[www.epca.eu](http://www.epca.eu)



Belgian Crossroad Bank for Enterprises n° 0408.299.922

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