



THE HUMAN EQUITY ADVANTAGE AT VECTREN CORPORATION

TREVOR WILSON created and developed the concept of human equity, documenting it in his 2013 book, *The Human Equity Advantage: Beyond Diversity to Talent Optimization*. This pioneering approach to management—moving beyond the group-based focus of diversity towards the individual focus of human equity—is a powerful catalyst that has led to improved business outcomes and a significant cultural shift in Wilson’s client companies around the world.

Vectren—a regulated utility company based in the small city of Evansville, Indiana, in the conservative Midwestern United States—may seem to be an unlikely poster child for a human equity initiative, but has proven to be a model case study for the transformative power of this management strategy.

The implementation process, rolled out between 2014 and 2018, was an organization-wide endeavor that involved the CEO, Carl Chapman, as the leader of the initiative, a team of six executive leaders, and 90 taskforce members, all supported by Trevor Wilson as an external consultant.

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The democratic nature of the human equity initiative can have a multiplier effect and result in a significant cultural shift throughout the organization.

— TREVOR WILSON Global Human Equity Strategist

“ *...the company was being pushed into a new future and wanted the core value of diversity to be deeply ingrained in the company’s culture—to change the way they did business, and improve business results.* ”

Launching this strategy began a four-year journey for Vectren, during which several initiatives—including the commitment to diversity, inclusion, and human equity—have resulted in improved business results such as increased employee-engagement scores (a 20-percent jump and the highest in the company’s history) and precedent-setting share prices. By April 2018, Vectren’s performance made it an attractive acquisition to Houston-based CenterPoint Energy, ultimately culminating in a \$6-billion deal and a merger that was completed in February 2019. In the process of its human equity implementation, the company also became an employer and supplier of choice and a best-practice leader for diversity, inclusion, and human equity.

THE CHALLENGE

As early as 2008, Vectren recognized the need to diversify its workforce to face several key challenges head on.

Despite its commitment to fostering a diverse work environment, by 2012, Vectren was facing declining numbers of employees from diverse backgrounds (and little indication from exit interviews of the reason for this trend). Leadership knew that tracking these numbers was not enough. The headcount metric—frequently used in typical diversity programs—is a lagging indicator, so companies may not be aware of how much talent is really being underutilized until it is too late. Much more than simply setting diversity targets, a necessary but incomplete step, the company was being pushed into a new future and wanted the core value of diversity to be deeply ingrained in the company’s culture—to change the way they did business, and improve business results.

Prior to the implementation of the human equity strategy, Vectren’s initiatives around diversity and inclusion were like those of many other organizations—demonstrating a sluggish conversion rate in translating the team’s efforts into measurable results. A clear business case for diversity had been articulated by the company and initial efforts began in 2008, with the launch of a Diversity Action Council. However, there was little evidence that there had been a fundamental shift in the culture since the diversity work began; in fact, the company actually reported a decline in the diversity of its workforce and in 2012, Vectren relaunched the Diversity Action Council to jumpstart results. The company had a vision of the desired end goal—to be a leader in diversity and inclusion—but there were demonstrable gaps and they lacked a roadmap to get there.

KEY CHALLENGES DRIVING VECTREN'S NEED TO DIVERSIFY ITS WORKFORCE

-  An industry in transition because of technological changes and the increased use of renewable energy.
-  An aging population in key leadership positions.
-  The imperative to be attractive to millennials and other younger generations to remain relevant to its customers and to stay ahead of disruptive forces.
-  As CEO Carl Chapman put it: To “get to our target of looking like the communities where we live, work, and serve.”

THE HUMAN EQUITY SOLUTION

Vectren’s Strategic Leadership Forum in December 2013 focused on the major challenges they faced, and featured a presentation by external consultant Trevor Wilson on the human equity approach. This proved to be a pivotal moment in moving ahead on urgent strategic initiatives. Wilson revealed how the concept of human equity, defined as “the process of maximizing total human capital,” could be key to the future success of Vectren and exactly how the company might benefit from it.

Wilson explained how Vectren could go beyond the limitations of its diversity initiative, overcome diversity fatigue (the diminishing interest in a company’s diversity efforts because they have not led to any significant change in business results), and realize far more transformative and impactful results, using a strategy founded in the principles of human equity and his updated Human Equity Continuum. Most companies embracing diversity function at a Level 1 or 2 and the ideal of a fully realized human equity strategy is Level 5—a perfect score more theoretical than attainable.

Vectren aspired to Level 4, which required a pledge to move beyond the group-based focus of diversity towards the

individual focus of human equity, and would help improve business outcomes, including attracting and retaining the best talent, effective succession planning, greater workforce engagement and productivity, enhanced market positioning, and responsiveness to evolving client needs.

Human equity management optimizes total human capital. Wilson pointed out that whereas diversity focuses on groups rather than the individual, human equity “allows for talent differentiation, differential investment in high performance, and the opportunity to discover and play to the strengths of the employee.” Key to its success is a positive psychology approach to people management and talent differentiation—the understanding that “unique differences in each individual can contribute to a sustainable competitive advantage.”

The success of the human equity management model in other companies (including its role in catapulting Coca-Cola’s South Africa division to the top-performing division worldwide) led Vectren to initiate its own catalytic process that turned their biggest challenges into four pillars of focus that underpin the company’s human equity strategy.

The Equity Continuum™



Source: Wilson, T. Diversity at Work: The Business Case for Equity. Toronto: John Wiley & Sons, 1996

Vectren Human Equity Strategy



All four challenges had implications for the future viability and financial performance of the company, considering shifting demographic trends and the rapidly changing utility industry:

1. To build a culture focused on customer satisfaction by ensuring that the company’s workforce of 1,900 employees was more representative of its diverse client base of one million customers.
2. To attract and retain workers for a company headquartered in a small city where younger workers increasingly looked elsewhere for career opportunities.
3. Continued improvement in the relationship with the six unions that represent a large portion of the company’s workers.
4. Training and development of equitable and inclusive leaders within Vectren.

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The objective of Vectren’s human equity strategy was to transform the company into a diverse work environment, where each employee felt valued, included, and an integral part of the organization’s success.

Vectren saw real value in going beyond their earlier diversity and inclusion initiatives to develop a more integrated strategy with Wilson’s pioneering human equity approach. The objective of Vectren’s human equity strategy was to transform the company into a diverse work environment, where each employee felt valued, included, and an integral part of the organization’s success. It was the logical next step in the evolution of their conversation on diversity, fairness, and inclusion, and became a complete solution to the challenge of engaging employees in order to develop their full potential and contribute to the success of the company.

IMPLEMENTATION

The human equity strategy was integrated into Vectren’s larger culture and infrastructure (its core values, mission, vision, and purpose; and its internal engagement, communication, and performance management processes and systems). This was followed by goal-setting and scope-focusing sessions, where it was determined that the shared vision was for the company to become a Level 4 organization, to be perceived as an employer and supplier of choice for all (no matter their background, culture, or experiences), and build a culture driven by human equity.



Implementing human equity was key to accommodating differences and creating a work environment where every individual is valued, and every aspect of every employee's talent can be captured to drive the success of the company.

The human equity approach brought the conversation of a diverse and inclusive workforce to the forefront in a new and productive way, creating a space for everyone to be valued and involved rather than focusing on specific groups, and building on Vectren's previous initiatives by providing the necessary framework, gap analysis tools, and implementation methodology.

Vectren's senior leadership team recognized that to create the cultural shift needed for the human equity strategy to be

sustainable and integrated, it had to be led from the top, by them, with broad support and ownership from wide sections of the organization through the formation of task forces and sub-groups.

Vectren targeted improved performance in four pillars of the company, each of which was led by a champion on the senior management team and established a task force responsible for implementation:

1. Talent Attraction and Retention
2. Culture and Environment
3. Customer Focus, Supplier Diversity, and Recognition
4. Leadership Development

TO ENSURE ACCOUNTABILITY IN THE PROCESS, MEASUREMENT WAS ALSO KEY. THE EXECUTIVE TEAM AGREED THAT THE FOLLOWING DATA WOULD BE NEEDED TO SET TARGETS AND IDENTIFY TASKS TO ACHIEVE THE SHARED VISION.

INTERNAL QUANTITATIVE. At the most basic level, a headcount of various demographic groups to determine representation of diversity in the workforce. But the company remained committed to its goal of becoming a Level 4 organization, evolving beyond mere compliance or affirmative action goals to become a true leader, defined internally and externally as an employer of choice.

EXTERNAL QUALITATIVE. Vectren began to compare itself to a global database of organizations that had used Wilson's Equity Continuum to measure overall progress on diversity, inclusion, and human equity. This provided an external benchmark to assess the impact of the new strategy. They also used gap analyses to evaluate best practices from a union perspective, and focus groups to understand customer and supplier needs.

INTERNAL QUALITATIVE. In addition to modifying the usual employee engagement survey, exit interviews, and performance reviews, the company introduced other tools, such as piloting stay interviews, succession planning results, and scorecards.

LEADERSHIP BEHAVIOR. The Equitable Leadership Assessment® (ELA) was used to measure the competency level of leaders in behaviors that have been shown to create equitable and inclusive work environments, starting with the senior executive team, then for a further 100 individuals at various leadership levels. The information gathered from the ELA would indicate the extent to which Vectren had equitable leaders in place, who capitalized on individual strengths while valuing diversity and inclusion. This would be instrumental in developing more formal leadership training, mentorship, and coaching at all levels of the organization and in improving leadership accountability.

LESSONS LEARNED

Over the course of four years, the human equity strategy was designed and implemented at Vectren with the support of executive leadership and twelve task forces made up of 90 Vectren employees who were known as “the strategic termites.” All of the employees and champions invested valuable time, reputational capital, and resources to keep

momentum and engagement high. The strategy has been a transformative process, leading to improved business outcomes, a significant cultural shift, and a cadre of change agents across the organization and at all levels, all of whom are committed to the process of maximizing human capital at Vectren.

VALUABLE LESSONS LEARNED ALONG THE WAY

-  A human equity strategy requires a long-term investment to build an enterprise-wide architecture that would lead to a transformative shift in the organization’s corporate culture. This is a large undertaking that requires significant commitment in time, people, and money.
-  The process is more effective if the company moves beyond “most qualified” to “best qualified” in its human resource selection process.
-  It is critical to create a solid business case for human equity at the outset and continually communicate the right message to all stakeholders to be better positioned to allocate the appropriate resources.
-  HR is a critical component of the strategy, facilitating and underpinning all aspects of it, but commitment from senior leadership is even more essential and so is executive accountability. Furthermore, it requires cooperation from all employees to change a large, established corporate culture.
-  Sufficient leadership capital must to be invested to drive and sustain the initiative. At Vectren, this required assigning pillar champions at the highest level of the company so that the message was crystal clear: every employee at Vectren—from the top down—would be accountable for creating and nurturing a culture in which inclusion and human equity are not only valued, but expected.
-  It is critical to ensure that there is frequent, direct engagement of task force members with the executive champions, over and above the regular quarterly reports and meetings.
-  The transformative change involved in a human equity strategy requires major effort and a lot of organizational patience. Engaging the expertise of pioneering consultant Wilson, and building understanding with the leadership team before implementation, were key to the success of Vectren’s initiative.

RESULTS

Vectren's journey to a culture of human equity has not always been easy and required an enormous investment of organizational effort, but the work has clearly paid large dividends for the company and its shareholders, helping to drive some impressive business results:

- Vectren reported a record-high share value and delivered the highest total shareholder returns of all companies in the electric utility industry for the five-year period ending September 2018.
- On the strength of these numbers, CenterPoint Energy and Vectren announced in April 2018 their intention to merge, creating a combined company of over 14,000 employees serving more than seven million customers in eight states throughout the United States.
- In the \$6-billion deal completed on February 1, 2019, Vectren shareholders received \$72.00 for each share of common stock and CenterPoint assumed all Vectren's outstanding debt, amounting to a premium of almost 10 percent over Vectren's closing stock price of \$65.30 at market close on April 19, 2018.

Beyond the numbers, Vectren's four-year journey on the Human Equity Continuum resulted in lasting, transformational change for the company, an instrumental factor in its attractiveness to CenterPoint:

- The number of minority professionals employed by Vectren doubled from 2008 to 2012.
- The company experienced an unprecedented 20-percent increase in its engagement scores (the highest results in Vectren's history), which leaders attribute to their efforts to engage employees in a different way.
- External recognition of the company as an employer and supplier of choice.
- Improved relationships with its key stakeholders, including its customers and unions.
- The appointment of the first director of diversity, inclusion, and human equity in North America.
- Vectren has also achieved substantial progress on other key measures, especially in the areas of employee safety, customer safety, and activities in neighboring communities.

As a result of its ground-breaking human equity strategy and careful, committed implementation, Vectren has developed a set of processes, people, and a culture that excites the whole organization. Although the human equity strategy was initially driven by the executive leadership team, the entire implementation was designed to encourage widespread organizational buy-in. It has taken on a life of its own and no longer relies on senior leaders to drive it. Vectren's vision of a diverse workforce, driven by an enduring commitment to human equity, will continue to be ingrained into the company's organizational culture well into the future. ■

The Human Equity Advantage at Vectren Corporation

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