



Challenging the Status Quo

The Case for Diversity in Infrastructure Leadership

No industry finds itself immune from change as the world transforms at a breakneck pace. With technology rapidly improving, for instance, the infrastructure sector is likely to see greater productivity — but also a higher risk of obsolescence. Understanding consumer behavior is increasingly key to infrastructure planning and management, and globalization means that end-user expectations are shaped by best-in-class infrastructure projects and operations globally. These are just some of the issues facing companies in the infrastructure sector, underscoring the importance of strong and adaptable leadership.

To gain insight into how infrastructure companies might respond to these trends, we analyzed the career path of 150 CEOs from some of the largest infrastructure companies around the world. Sixty-five CEOs are based in Europe, the Middle East and Africa; 47 are in Asia Pacific; and 38 are in North and South America. This CEO population reflects a broad cross-section of sectors: utilities, engineering and construction, rail, airports and ports.



INFRASTRUCTURE SUB-SECTOR	UTILITIES	ENGINEERING & CONSTRUCTION	RAIL	AIRPORTS	PORTS
POPULATION OF CEOs STUDIED	46	44	23	23	14

A CONSERVATIVE INDUSTRY — WITH SOME SUB-SECTORS CHALLENGING THE STATUS QUO

Nearly two-thirds of the infrastructure CEOs in our study were appointed internally, which indicates the industry does a solid job at succession planning. However, another way to look at it is that infrastructure boards favor continuity and don't see an urgent need to bring in fresh outside thinking.

In absolute numbers, the airports sector had the highest number of external CEO hires (17). Many airports have been privatized in recent years as governments in developed markets face “the reign of empty coffers.” The infrastructure and private equity funds that often acquired stakes in these airports are looking for more commercially oriented CEOs, who in turn are able to relate to financially savvy shareholders looking for returns. Consistent with that logic, our research also found that a career path through finance is the most frequent functional route for airport CEOs.

Of the 150 CEOs we studied:

93% are male

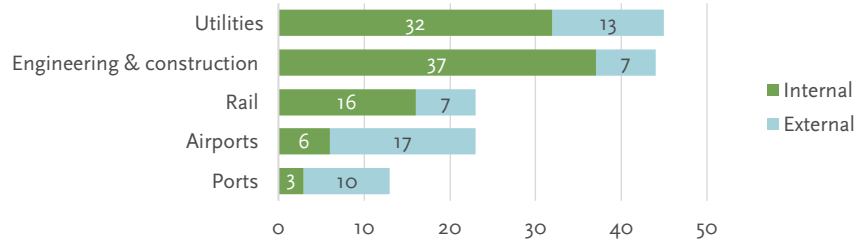
64% are internal promotions

68% have no international experience

Average tenure 4.5 years

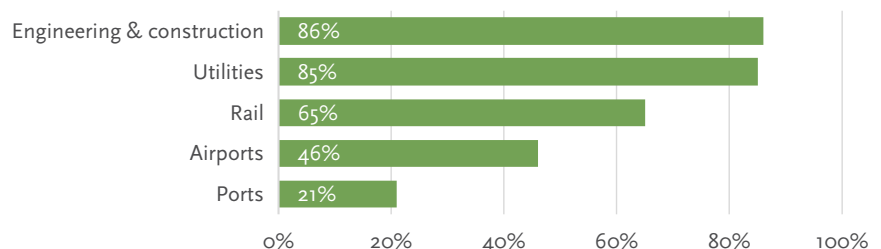
Average age at appointment 53 years

Internal and external appointments



Diving into specific infrastructure sub-sectors, we start to see differences in the appetite for challenging the status quo. The engineering & construction and utility companies are the most conservative and likely (>85%) to appoint a CEO from within their sub-sector, followed by rail companies (65%). At the other end of the spectrum, port operators were far more likely to appoint a CEO from another industrial sector — more often than not from third-party logistics companies.

Likelihood to appoint CEO from own sub-sector



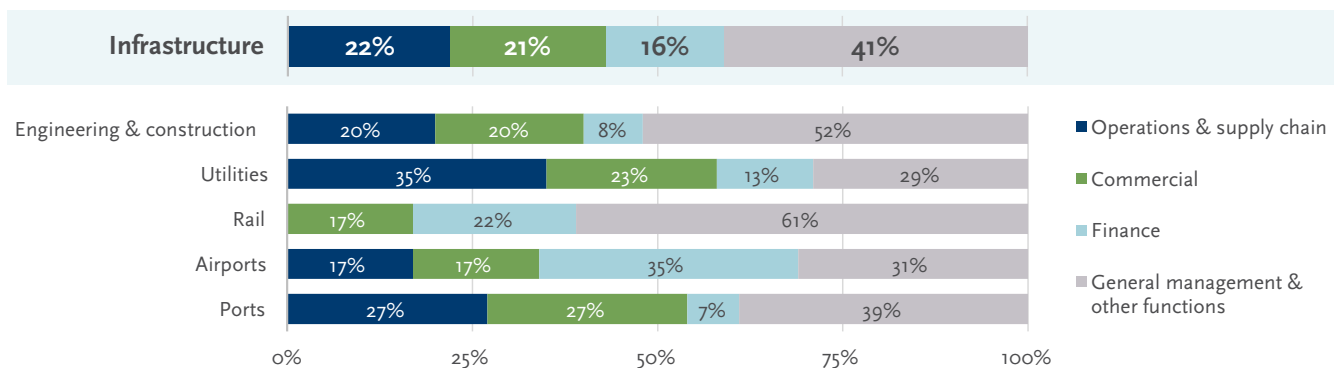
RUNWAY VS. EXPERIENCE — THE INCOMING CEO TRADE-OFF

Our survey found the average age of the infrastructure CEO at the time of his/her appointment in the role to be 53, which aligns with our 2016 research of S&P 500 CEOs and strikes a balance between experience and future career runway. And while the average tenure of an infrastructure CEO is 4.5 years, we observed a wide distribution of tenures: almost one in five of the CEOs we studied had been appointed within the last 12 months, suggesting a generational turnover in the making.

THE ROUTE TO THE TOP

Over 40 percent of infrastructure CEOs rose from two distinct functional areas: 22 percent had roots in operations and supply chain, while 21 percent came from commercial. Only finance came close at 16 percent (often in the airports and rail sub-sectors), while the remaining functional paths such as engineering tallied far less than 10 percent each.

Functional route to the top



DIVERSITY — OR LACK THEREOF

One of the most pronounced issues facing the infrastructure industry is a lack of diversity. Gender diversity, in particular, is extremely low throughout infrastructure. It is also very prevalent at the top — only 11 (7 percent) of our 150 CEOs are female. The male-dominated makeup of infrastructure leadership tends to perpetuate itself, preventing females from rising to the top.

This issue has bottom-line ramifications: According to McKinsey research, companies in the top quartile for gender diversity are 15 percent more likely to post financial returns above their respective national industry medians. This should give serious pause to infrastructure leaders worldwide.

Lack of diversity at the top was manifest in other ways. For instance, while our study covered infrastructure CEOs from across the globe — from APAC to EMEA and the Americas — less than one-third of these executives had ever lived or studied outside of their country of origin.

As most of the world globalizes at an increasingly rapid pace, one might wonder if infrastructure companies will have the necessary diversity in their leadership ranks to respond nimbly to these changes. Leaders should think of diversity across all of its dimensions (gender, culture, etc.) as a way to bring diversity of thought. By opening itself up to new ideas and opportunities, the infrastructure industry globally will more quickly and more effectively respond to the pressing demands of a changing world. The good news is that part of the industry is starting to change — but more needs to be done.

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