



Pedro J. Pizarro



Art of Leading

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To Build Diversity, Open the Aperture to Broader Discussions Around Potential

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A big challenge for leaders is to create an environment where

*people feel comfortable speaking up. In our interview, **Pedro J. Pizarro**, CEO of utility holding company Edison International, shared his approach for creating a culture of candor, and also how the company has made diversity a core tenet of its business.*

Q. One of the big challenges we see in the C-suite is getting teams to operate like true teams. How do you think about that?

A. You need strong, quality people who trust each other. The team I spend most of time with is stronger than ever – A-level players who have each other’s backs. And we’re a really diverse group. We talk about diversity and inclusion a lot here, and it’s not just about numbers. We live in a very diverse area of the country, and it’s appropriate that our teams reflect that. But the real value is that when you get into really tough situations, you need diversity of thought to look at problems from different angles and to have different answers and solutions. That also means that you need a team where people are not afraid to call each other out, including me, when somebody’s wrong.

The wildfires in California over the last few years created challenges of a magnitude that we hadn’t dealt with before. There’s been a lot of opportunities and moments to test the value of that diversity – being comfortable enough with each other to bring out the benefit of different ideas and perspectives, but also being pretty candid about when we disagree with each other.

It gets messy sometimes and you have to be able to work through that

messiness and then leave the meeting with the sense that we're partners in this, we're friends, we care about each other. We may have just argued up and down the wall with each other in this tense meeting, but we did it because we care jointly about the company, each other, our employees and our communities. That sense of shared purpose is really critical because it allows you then to have a sometimes pretty candid and tough exchange of different views.

Q. When a new executive joins your leadership team, what's your key guidance for them about what you expect from them?

A. I start with context. I remind them that our company is more than 135 years old. It's one that used to be, like most American companies, incredibly hierarchical. We've moved that needle over time, but it's still somewhat hierarchical. And so when you join my immediate team or our broader leadership team, it's up to us to continue to move that needle.

That means that you need to feel comfortable challenging me, bringing your different insights, telling me when I'm missing something. And you also need to be comfortable with me then pushing back on you because a debate can't be one-sided. I probably will engage with you. There might be a reason why I think something. I might take a little convincing, and we're going to have to go a couple rounds on that. And we need to be comfortable and we need to be grounded in mutual trust that we're here for each other and the company and the broader objectives.

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The other thing that I share is that when we do that in front of other employees who might not be part of our team, we're also modeling behavior. If people see one of my senior VPs taking me on in a meeting with others around, and she's comfortable doing that with me, then that signals to her folks that it's okay to do that to her, as well, because she just did it with the CEO. That sets a tone from the top that is critical, so that it's not just words on some poster. It's people seeing each other taking real risks.

Q. What about guidance for other leaders below the C-suite? What do you tell them?

A. When we promote someone into the executive ranks, I always meet with them, and I tell them, "If you don't mind, I want to give you two pieces of unsolicited advice." The first thing I tell them is that, because of the hierarchical history of the company, we just made their job as a leader harder. Because the more stripes they have, the less comfortable an employee might feel speaking truth to them. So that means that they need to work extra hard at reaching out, walking around, asking for feedback and telling people, "Hey, I may be wrong here."

The other piece of advice I give to them goes beyond people leadership to more company leadership. When you're an executive here, you're a partner in the firm, and you need to be thinking about yourself as a leader of the company. That means that if you have an opinion on some aspect of the company that's outside your direct responsibility, speak up. Talk to your colleagues. Engage. Think about the broader company.

Q. Were there early influences in your career that sensitized you to the importance of speaking up?

A. I joined Edison out of McKinsey as a director, the first executive rung, and I was working with a team in one part of the company pretty closely. About a year later, I was promoted to vice president, and later started working with that original team again. But those same folks who I had been working with side-by-side earlier, sharing pizzas and working on whiteboard sessions together, seemed to be clamming up, and they were really reluctant to engage.

I asked one of them, "Hey, what's going on here?" And she said to me, "Well, you're a VP now, and I can't engage like that with a VP." And I said, "Yes you can. I'm still the same guy." That kind of vignette doesn't happen as often here anymore, but I suspect there's still some level of that.

Q. You do have an unusually diverse leadership team. Tell me how that happened.

A. The drivers for this are both bottom-up and top-down. The obvious

bottom-up one is that most of our business is in southern California, which is an incredibly diverse place in the middle of an incredibly diverse state. We're serving these communities; we're not just headquartered here. How can we not, over time, reflect the diversity of the population?

The top-down piece really starts with the board. And our board is one of the most diverse boards in the S&P 500. At the holding company level, there are ten independent directors plus myself. Of the eleven of us, seven of us are either women or ethnically diverse. One of our directors is LGBTQ. In every sense of the word, it's a very diverse board. It's one that strongly supports and frankly demands diversity in our team.

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When we go through our talent planning discussions, those conversations are geared toward ultimately replacing me and also making sure we have the bench to fill other leadership positions. A big part of those discussions is centered around diversity and inclusion. What's the pool from which we can draw and what are the individual stories of each of these emerging leaders? There's a personal engagement by the board in those conversations that's really powerful.

It also requires us to think not just about who is the best candidate to do

the job next Monday morning, but which candidate has the potential to do more than that job. Once you start opening up that aperture and thinking about potential in a broader sense, it becomes a lot easier to then bring diversity into the discussion. That's only half the job, though. Once you have the team, how do you make sure you're being inclusive and making sure that you're making the most of the broad range of ideas and perspectives that each of these human beings brings to the table?