

# Exelon – Diversifying Professional Services Case Study

## Process Summary

Exelon has a long-standing history of prioritizing supplier diversity through their procurement process and is recognized as one of the most comprehensive business diversity programs in the industry. Business Diversity at Exelon focuses on minority, women, and veteran-owned businesses. Exelon has made supplier diversity a priority internally, as well as across its subsidiaries, including ComEd, PECO, Pepco and others.

As an example, both PECO and Pepco utilize a program called Power 25 to facilitate diverse supplier entry to the market and provide networking opportunities. The program teaches potential suppliers about the bidding process, safety initiatives, and more<sup>2</sup>.

The professional services vendor assessment program is a more recent one at Exelon and extends across Finance, Legal, and other departments. The goal here is to drive increased diverse representation at more traditional, bulge bracket firms, different from the diverse-owned or managed supplier programs. Focusing on professional services, the High Margin Strategy, drives economic growth; the average hourly wage in Chicago is \$27.48 as of May 2019<sup>3</sup> whereas the average hourly wage in professional services was 68% higher in the same time period. This does not take into consideration that diverse employees are statistically more likely to earn below-average wages. “Only 16% of African American workers earn \$75,000 or more per year as a result of their full-time employment,”<sup>4</sup> which can be directly impacted by increasing diverse representation at professional services firms. The focus of these programs applies to:

- Audit
- Advertising & Marketing
- Consulting – business & engineering/technical, actuarial services, etc.
- Financial Services – including investment, commercial and transactional banks and investment managers (pension)
- HR Services
- Insurance Brokers
- IT Professional Services
- Legal Services

For Financial Services and Audit, the program includes an annual ratings process that is, at a minimum, 50% tied to diversity. The ratings process evaluates diversity at the Exelon client team level (female, minority, veteran). Input from more than 40 Exelon staff members is managed and compiled by the Treasury Department, with each staff member’s rating assessment weighted according to their involvement with the evaluated firm that year. Categories rated on a five-point scale are:

- Contributions from women
- Contributions from women in leadership
- Contributions from minorities
- Contributions from minorities in leadership

- Firmwide D&I initiatives (what each professional services vendor does in their own firm and community)
- Other considerations

Exelon annually names an honor roll of diverse providers who are invited to a dinner with the CEO, CFO, and other top executives. The guest speaker at the most recent dinner was John Rogers, Chairman and Co-CEO of Ariel Investments.

### **Challenges & Adaptations**

Exelon acknowledges they cannot tell suppliers how to run their business but emphasizes they can talk to suppliers about how they want to spend their dollars. While supplier diversity has long been a focus, Exelon's emphasis on professional services is a more recent addition that continues to grow and evolve. In 2010, the program added explicit legal services goals and launched the financial services program that year as well, which has strengthened over time.

The honor roll continues to grow, doubling in number of firms from 2011-2019. A new category was also added for "Most Improved"<sup>5</sup>.

### **Impact**

A formal ratings system, with rewards, has had meaningful impact on changing the behavior of Exelon's partner firms. These professional services providers have provided feedback about the positive impact on their firms. Through the duration of the program, Exelon has seen a shift in vendor team composition in direct response to wanting a stronger rating during the annual review process. At Exelon, comfort is gained from the fact that diverse perspectives and solutions are provided, and it sets an example across the firm and its subsidiaries. In addition, staff benefit from being on a diverse team (both internally and at the supplier), and junior diverse professional service team members have earlier exposure to senior service provider staff and partners.

While the focus of this case study is diversifying professional services, it should be noted that Exelon has numerous programs in the supplier diversity space and continues to grow its impact, with \$2.4B in diversity-certified vendor spend in 2019 and a goal to increase that year-over-year. As a result of their efforts, Exelon was the first energy services company inducted into the Billion Dollar Roundtable in 2019 "for excellence in supplier diversity in embracing minority and women-owned businesses"<sup>2</sup>. Another program Exelon has implemented is its Community & Minority Credit Facility. This includes a credit facility provided by approximately 25 smaller community banks in Exelon's service areas and Exelon also invests in CDs (certificates of deposit) at these banks which can then be leveraged to lend in their communities, supporting local businesses and individuals.

Across numerous programs, Exelon puts in effort every year to include new minority firms. And while not all of these programs are as cost effective as the alternative, Exelon continues to demonstrate their commitment to diversity. "At PECO, we fall right in line with the other Exelon corporations that understand it's our obligation to not only grow our relationship with diverse suppliers in the community, which is been the traditional role for large companies and the government, but we also add in the focus that there is a lot of high net worth activity in the community that we also need to be connected with. Even for majority businesses we place specific requirements on the amount of business that they do

with us, that they have to do with diverse suppliers as part of work that they do with us,”<sup>2</sup> stated a former CEO of PECO.

Exelon’s total diverse professional services spend increased from \$99M in 2017 to \$170M in 2019<sup>5,7</sup> (see Table 1 below). Legal Services diverse spend is committed to spending more than \$1M annually with diverse-owned law firms and has done so since 2010<sup>6</sup>. From 2014-2019, Exelon spent more than 35% of their total majority law firm spend with diverse individuals<sup>7</sup> and 27 diverse investment firms manage \$3.4B of pension and other assets<sup>7</sup>.

**Table 1:** Diverse Professional Services Spend at Exelon<sup>5,7</sup>

Category	2017 Spend (\$M)	2018 Spend (\$M)	2019 Spend (\$M)
Advertising / Marketing	\$21M	\$21M	\$20M
Engineering / Technical Consulting	\$30M	\$55M	\$93M
IT Services	\$30M	\$32M	\$36M
Legal Services	\$1M diverse owned/35% of spend with majority owned	\$1M diverse owned/35% of spend with majority owned	\$1M diverse owned/35% of spend with majority owned
All Other	\$17M	\$15M	\$20M
Total	\$99M	\$124M	\$170M

## Appendix

“Exelon has increased spending with women and minority-owned businesses by more than 200 percent since 2011, reaching \$2 billion in 2017”<sup>8</sup>, \$2.2B in 2018<sup>6</sup> and \$2.4B in 2019<sup>7</sup>. In 2017, 63% of the diverse supplier spend was spent locally in Exelon’s key operating areas: Illinois, Pennsylvania, Maryland, New Jersey, Delaware, District of Columbia, and Texas<sup>9</sup>. This concentration contributes to the impact had in those areas. ComEd’s diverse supplier spend in 2018 was \$718M<sup>10</sup>, equating to 39% of total spend and rising to \$738M and 41% in 2019<sup>7</sup>, while PECO’s diverse supplier spend was \$177M in 2017<sup>8</sup>, representing 22% of total spend and rising to \$268M and 27% in 2019<sup>7</sup>. Diverse supplier spend of this magnitude has a tangible impact on diverse-owned businesses’ ability to expand and grow.

## Sources

<sup>1</sup> Supplier Diversity, Exelon <https://www.exeloncorp.com/suppliers/supplier-diversity>

<sup>2</sup> Exelon Recognized for Spending \$1B with Minority Suppliers, Warner Media Supplier Diversity <https://www.warnermediasupplierdiversity.com/content/exelon-recognized-spending-1b-minority-suppliers>

<sup>3</sup> Getting to Equal – The State of Black Chicago, by Chicago Urban League Research and Policy Center. June 2019. Page 17, Employment Earnings for Full-Time Workers <https://chiul.org/wp-content/uploads/2019/05/SOBC-2019-Report.pdf>

<sup>4</sup> Occupational Employment and Wages in Chicago-Naperville-Elgin – May 2019. Table A. Midwest Information Office, US Bureau of Labor Statistics [https://www.bls.gov/regions/midwest/news-release/occupationalemploymentandwages\\_chicago.htm](https://www.bls.gov/regions/midwest/news-release/occupationalemploymentandwages_chicago.htm)

<sup>5</sup> Connections that Count, 2018 Exelon Diverse Business Empowerment Annual Report, pages 24-26 <https://www.exeloncorp.com/company/Documents/Exelon-Diverse-Business-Empowerment-2018-Annual-Report.pdf>

<sup>6</sup> Creating Diversity & Inclusion Within the Exelon Corporate Supply Chain, Rapid Conference 2019 [https://na.eventscloud.com/file\\_uploads/bf01a5f1cba020f8ce80d379aab402be\\_03\\_Butler\\_CreatingDiversityandInclusion.pdf](https://na.eventscloud.com/file_uploads/bf01a5f1cba020f8ce80d379aab402be_03_Butler_CreatingDiversityandInclusion.pdf)

<sup>7</sup> Powering Progress Together, 2019 Exelon Diverse Business Empowerment Annual Report, pages 15-16 <https://www.exeloncorp.com/company/Documents/Diversity-supplier-Report.pdf>

<sup>8</sup> PECO, an Exelon company, spends \$177M with diverse suppliers, Suplierty News, June 2018 <https://supliertynews.com/2018/06/21/peco-an-exelon-company-spends-177m-with-diverse-suppliers/>

<sup>9</sup> Power to Transform, 2017 Exelon Diverse Business Empowerment Annual Report, Exelon Corp [https://www.exeloncorp.com/suppliers/Documents/Exelon\\_SupplierDiversity\\_Report2017.pdf](https://www.exeloncorp.com/suppliers/Documents/Exelon_SupplierDiversity_Report2017.pdf)

<sup>10</sup> Diversity Works, ComEd An Exelon Company <https://www.comed.com/DoingBusinessWithUs/Pages/SupplierDiversity.aspx>