MBS Intelligence

Diversity and inclusion in UK retail: where are we now and what comes next?

In-depth research and analysis from BRC, The MBS Group and PwC

MBS   pwc   BRC

Contents

Retail is a dynamic, agile and innovative industry that has always attracted a varied workforce; often the first step in the world of work, carers looking for part-time work, and parents working around childcare.

In recent years, retail has taken strides to improve gender equality, and women are increasingly represented at the top, making up around 30% of Boards and executive committees. But, given women make up two-thirds of the industry, there is still a way to go.

I am delighted to have joined forces with PwC, The MBS Group, and retailers across the board to shine a light on diversity in its widest sense. The data they have gathered provides a stark reality check, showing where the industry is falling behind – for instance, almost a quarter of retail businesses do not yet have a formal diversity and inclusion plan in place. Five years ago, we set out a vision for Better Jobs and aspired for retail to be a diversity and inclusion (D&I) leader. Through BRC Learning we offer training to help companies implement inclusive practices. But we must do better, we must tackle the issues the research highlights head on, and we must do it now.

Diversity is vital to respond to the needs of consumers. Pressure is mounting to ensure promoting equality is entrenched into business practices. It is no longer good enough to consider diversifying leadership and expect permanent change to occur.

We welcome over 40 retailers who have signed the BRC D&I Charter, pledging their commitment to better our industry by enabling more equal opportunities for all. But how do we move from great intentions to driving change? We have taken the first step in understanding where the challenges lie – the next step is more action.

These pledges focus on oversight, recruitment, progression, reporting, inclusivity and responsibility. They will help retailers challenge their culture and biases holistically and embed D&I into every aspect of their business. Retailers vow to appoint D&I Executives, to improve recruitment, to remove bias, to support open career opportunity, to collect and contribute data on diversity, to create a respectful and inclusive work environment, and to make all line managers responsible for supporting equity in the workplace.

Inclusion is no longer optional; it is business critical. We will not be able thrive or transform unless we foster an inclusive culture. A company which is agile is more likely to achieve better business outcomes, and employees will be more engaged. Diversity will bear fresh ideas and perspectives, and ultimately better connection to customers.

We want our industry to be as vibrant, creative and innovative as it can be. We must reap the benefits of having diverse ideas, experiences and backgrounds. These pledges are the first step towards success, and I am excited to see what we can achieve with a truly inclusive playing field.

Helen Dickinson OBE
Chief Executive of the British Retail Consortium

The MBS Group is delighted to partner with BRC and PwC on this report, a first-of-its-kind publication that paints the true picture of diversity and inclusion in the UK retail industry. Whilst our industry has made significant progress to achieving leadership as diverse as our customer bases, it is clear there is still a very long way to go.

The past year has been one of the most turbulent periods for the retail industry since the second world war. In these most difficult of circumstances, retailers have acted with agility and strength, rallying together to serve the nation at a time of crisis. Against this backdrop, it is understandable that diversity and inclusion (D&I) may not be at the top of every retailer's agenda.

But this is not the time to lose focus. Achieving D&I is not only right morally, but a commercial imperative for retailers as they emerge from the Covid-19 crisis. At The MBS Group, our view is simple: D&I is not just a 'nice to have', and businesses which fail to prioritise D&I will suffer as they find themselves outrun by their more forward-thinking competitors, whose leadership is fully representative of their consumer base.

With this in mind, we are delighted to produce this first-of-its-kind report alongside BRC and PwC, two organisations which have consistently proven their commitment to making the UK retail industry a more inclusive place.

We repeatedly hear from business leaders a desire to understand how their company benchmarks on D&I, and a frustration at the lack of progress across the industry. By analysing diversity in the sector, exploring the state of inclusion, and sharing examples of best practice, we hope that this report will provide some much-needed insight, and act as a catalyst to further change.

The retail industry can be proud of the progress it has made to date, but there is still a long way to go. Female and ethnic minority representation remains low at the most senior levels and inclusivity policies are failing to be felt right the way down the organisation.

I would like to thank Helen Dickinson, Tom Ironside and Tamara Hill at BRC for their commitment to this project, and to Katy Bennett, John Harding and Lucinda Miller at PwC for their ongoing partnership – together with Jon Terry, who used to lead PwC's D&I practice, with whom we instigated this project before his retirement. I am also indebted to the 100+ Chairs, CEOs and HRDs who have contributed to the research and workshops – especially Jo Whitfield, Roger Whiteside, Tony DeNunzio and Helen Webb whose leadership in driving this agenda has been pivotal throughout. I would also like to thank my own team at MBS – in particular, Moira Benigson, Simon More, Imogen Sewell, Sian Hale, James Wardlaw, Jessica Rowland, Aelf Hewitson, Krystyna Robbins and Manraj Bahra. The work you see here is a credit to their commitment to this project – and, as always, they have gone above and beyond to deliver these insights.

At The MBS Group, we are proud to have championed diversity in the retail industry for over thirty years. It is my hope that this report sheds some light on the current picture of D&I and the actions we can take towards a fairer future, providing guidance for leaders as we enter the aftermath of this extraordinary period.

Elliott Goldstein
Managing Partner, The MBS Group

We at PwC are delighted to be contributing to this report on diversity and inclusion in the retail industry.

While the case for diversity and inclusion is strong in all sectors, it's especially so in an industry like retail, where the customer reigns supreme. The priorities don't just include strengthening the diversity of leadership and inclusiveness of the working environment, but also ensuring that products and services cater to Britain's highly diverse customer base.

How much progress have retail businesses made on diversity and inclusion? What more could and should they be doing? The people who work in retail are in the best position to judge. In November 2020, we surveyed more than a thousand people working in stores, warehouses and digital retailers across the UK.

We wanted to find out whether employees believe that diversity and inclusion are sufficiently high up on their employers' agenda. We also wanted to find out whether employees have felt supported by their employers during the Covid-19 pandemic and whether they feel their safety is being adequately protected. This is a critical test of inclusion. Further questions focused on diversity and inclusion through a commercial lens by asking whether employees believe that their organisation's products, branding and marketing are sufficiently inclusive.

The findings are revealing. This includes the gaps between the perspectives of retail executives interviewed by MBS for this report and the participants in our employee voice survey. Most tellingly, 84% of the executives report that diversity and inclusion are priorities for their organisation. Yet only 49% of participants in our employee voice survey feel that diversity and inclusion are sufficiently high up their employers' agenda. Moreover, while many participants in our employee voice survey are positive about their experience during the pandemic, a significant proportion are not. Underlying issues highlighted in the findings from both surveys include a lack of data to gauge progress, identify priorities and inform key decisions.

From a commercial perspective, the proportion of participants in our employee voice survey who believe that their products cater to a diverse customer base is encouraging, though far from universal. In a highly competitive marketplace, opportunities to boost sales and brand advocacy are therefore being lost.

It's important to note that our employee voice survey was carried out during November's second national lockdown when many 'non-essential' shops were closed. The industry is also facing longer term disruption and change as an increasing amount of business shifts from physical to digital retail. Progress on diversity and inclusion may therefore have taken a back seat in some businesses. But rather than being second order priorities, I'm convinced that diversity and inclusion are critical to survival and success by improving businesses' abilities to connect with customers and tap into underserved markets.

We conclude the chapter by outlining what we see as the way forward. Central to this is building diversity and inclusion into business strategy alongside other commercial imperatives and ensuring that there is the data to support this.

If you would like to discuss any of the issues raised in this research, please feel free to get in touch.

Katy Bennett
Director, Inclusion and Diversity Consulting, PwC UK

Executive summary: where are we now and what comes next?

How the industry is performing on diversity and inclusion, why D&I is a commercial imperative and what businesses can do to turn intention into action

This first-of-its-kind research provides a detailed insight into the state of diversity in the retail sector. The report draws on research from The MBS Group which encompasses data captured from more than 200 of the industry's leading businesses, and conversations with more than 100 Chairs, CEOs and HR Directors, combined with a survey of 1,000 sector employees carried out by PwC. This chapter provides a summary of our findings, as well as restating the commercial case for D&I and outlining practical recommendations to turn intention into action.

Key insights and report overview

AT A GLANCE	
Retail is close to achieving the Hampton-Alexander target of 33% women on Boards.	32.6% of NEDs, 32.0% of executive committee members and 37.5% of direct reports to Board are women.
One in five retailers have all-male Boards, and 15% have no women on their executive committees.	69% of retailers have an all-male Chair, CEO and CFO triumvirate. Just 4.3% of Chairs, 9.6% of CEOs, and 11.4% of CFOs are women.
13% of female retail employees have experienced or seen sexual harassment at work, while 14% have experienced gender discrimination.	
4.5% of NEDs, 5.8% of executive committee members, 6.0% of direct reports to Board are from an ethnic minority background, compared to 12.5% of the UK population.	81% of retailers have no NEDs from ethnic minority backgrounds, and 68% have all-white executive committees.
One in four retail employees workers from ethnic minorities has experienced or witnessed racism in the workplace.	
84% of retailers say that D&I is a priority, but less than half (49%) of retail employees agree that D&I is sufficiently high up their employers' agenda.	89% of companies either have or are forming a D&I strategy, but only 47% of employees feel that D&I is sufficiently communicated.
100% of D&I strategies look at gender, 90% look at race and ethnicity and 68% look at LGBTQ+. Only half look at disability, and less than a quarter cover social mobility (20%) or age (23%).	

Over the last decade, the topic of diversity and inclusion (D&I) has evolved considerably. Until relatively recently, businesses committed to D&I were focused on diversity: improving the representation of women, ethnic minorities and other under-represented groups in their organisation. However, over the last few years, there has been a shift towards inclusion, with the understanding that inclusion not only leads to diversity, but also drives meaningful positive change that can be sustained in the long term.

This report looks closely at both aspects of D&I individually. After all, achieving diversity at the most senior levels does not necessarily mean a company is inclusive, and a singular focus on meeting representation targets can distract from solving deep-rooted issues that exist further down the organisation.

By bringing together an analysis of diversity from The MBS Group and an exploration of the employee perspective from PwC, this report considers both areas.

What's in a name?

From 'inclusion' to 'equity and belonging', retailers are using different labels to describe their D&I journeys. As the topic evolves, businesses are choosing the term that best reflects their priorities. In this report, we are using D&I, which is how most businesses in our research referred to their diversity and inclusion agenda.

Making good progress, but more to be done

The retail industry can be proud of the energies it is investing in diversity. A significant 76% of businesses have a coordinated D&I strategy, and 13% have one in its formulation stages.

However, there is more to be done. Businesses are at vastly different stages of their D&I journey, and having a policy in place does not guarantee engagement in or enthusiasm for the topic.

Notably, grocers are in a league of their own, with mature, well-funded D&I policies which have buy-in from the Board and underpin long-term business strategy. By contrast, a significant proportion of retailers are not paying D&I the attention it deserves – and unless they do better, they will find themselves outrun by more forward-thinking competitors.

The engagement gap

A large majority (84%) of retailers say that D&I is a business priority. However, our research shows that engagement on the topic of D&I at executive committee level is not mirrored by the Board – particularly when businesses are not listed – and, crucially, is not being felt on the shop floor.

Conversations with NEDs from across the retail industry revealed that – with some exceptions – D&I is not a key item on the Board agenda, and, particularly at the moment, that immediate commercial performance is consistently prioritised over the longer-term topic of diversity.

Most concerningly, PwC's research has revealed that only half (51%) of retail employees believe D&I is sufficiently high on their employer's agenda, and less than half (47%) believe that their employer communicates about D&I. Moreover, nearly one in four participants from ethnic minorities in PwC's research reported to have experienced or witnessed racism in the workplace. Equally troubling is the 13% of women who have experienced sexual harassment and 14% who have experienced gender discrimination.

These findings paint a stark picture, clearly demonstrating that executive team engagement on the issue of D&I is not enough. Businesses must now turn policy into action, and ensure that the strategies in place have a practical impact on the entire workforce.

Businesses should move beyond the 33% target on female representation

The headline figures on female representations are encouraging. Just under a third (32.0%) of leaders on retail executive committees are women, a figure that increases to 32.6% at Board level. These figures are fast approaching the 2020 target of 33% women in senior leadership roles as set by the Hampton-Alexander Review. Equally promising is the 37.5% female population at direct report (ExCo -1) level, demonstrative of the strong pool of female talent ready to rise up into executive committee and Board positions in the years to come.

FEMALE REPRESENTATION			
Level	FTSE 100	FTSE 250	Retail
Board	36.2%	34.3%	32.6%
Executive Committee	26.5%	21.7%	32.0%
Direct Reports	31.2%	29.7%	37.5%

However, a singular focus on meeting this 33% target can lead to complacency, and distract from the long-term mission of achieving the 50/50 split that exists in society.

Moreover, there is a serious lack of women in the most senior roles across the retail industry. A significant 69% of retailers have an all-male CEO, CFO and Chair triumvirate, while only 9.6% of the industry's CEOs – and 4.3% of Chairs – are women. For an industry with a predominantly female customer and employee base, retail should work hard to address this imbalance or prepare to suffer commercially.

Significant progress to be made on ethnic minority representation

There is work be done on ensuring Black and ethnic minority representation across senior leadership. Most strikingly, 81% of companies have no NEDs from ethnic minority backgrounds, and 68% have all-white executive committees. This is clearly unrepresentative of the UK's diverse population, in which 12.5% of people identify as coming from an ethnic minority community.

ETHNIC MINORITY REPRESENTATION			
FTSE 100 Boards	Board	Executive committee	Direct reports
9.7%	4.5%	5.8%	6.0%

Research from PwC has also revealed a gap between policies in place and the employee perspective on race and ethnicity. While 90% of retailers have a race and ethnicity policy, only 34% employees reported that open conversations about race were taking place in their organisation.

Broadening the conversation

Gender and ethnicity remain the most developed facets of diversity policy, but many retailers are committing to broadening the conversation to include other areas.

D&I STRATEGIES	
Area of focus	% of retailers that include it
Gender	100%
Ethnicity	90%
LGBTQ+	68%
Physical disability	50%
Social mobility	20%
Age	23%
Parents and carers	30%
Mental health	45%

Companies with a D&I policy are next most likely to cover LGBTQ+ issues, with far fewer also formally covering physical disability, age, mental health and social mobility. While it is more difficult to accurately measure progress in these areas, 27% of retailers could identify an openly LGBTQ+ leader within the top two seniority levels of their organisation, but only 7% of retailers could identify a disabled leader within those levels.

Covid-19 will have a mixed long-term impact

Covid-19 will have a lasting impact on diversity in retail. Across the industry, D&I budgets have been slashed, role models and D&I professionals have exited, and initiatives to improve on D&I have been paused. However, there are also shoots of hope, particularly with the rise of flexible working, which could support future progress for the inclusion agenda.

Lack of data remains a key barrier to progress

Almost all leaders identified a lack of data as a key barrier to progression. While mandatory gender pay gap reporting has forced retailers to take action on gathering gender data, information remains incomplete on most other areas. Most significantly, only 33% of companies attempt to capture ethnicity data, with most of those using voluntary surveys rather than systematic tracking.

The engagement gap

A large majority (84%) of retailers say that D&I is a business priority. However, our research shows that this engagement on the topic of D&I at executive committee level is not being felt on the shop floor.

Comparing The MBS Group's data, gathered through conversations with more than 100 retail Chairs, CEOs and HRDs, with PwC's analysis of the employee voice paints a stark picture. Businesses must now turn policy into action, and ensure that the strategies in place have a practical impact on the entire workforce.

EMPLOYEE VOICE	SENIOR LEADERSHIP VOICE
Only **51%** of retail employees believe their **brand promotes inclusion**	**44%** of retailers are **looking at inclusion through a brand lens** by focusing on opening up their customer base, marketing and product offering
Less than half (49%) of retail employees agree that **D&I is sufficiently high up their employers' agenda**	**84%** of retailers say **D&I is a now business priority** for senior leadership, even if it wasn't prior to 2020
Less than half (**47%**) of retail employees believe **business leaders communicate about D&I** in their organisations	**65%** of retailers claim to have **open and accessible lines of communication** with their employees around D&I, whether that be engagement surveys or open forums
Only **24%** of participants report their employer **collects information on workers' ethnicity**, and **40%** reported **not knowing whether their employer collects data** on any of ethnicity, disability, sexual orientation or social mobility	Only **33%** of retailers **collect ethnicity data** in any way, shape or form – whether that be systematically or through voluntary surveys – with many who conduct questionnaires noting either poor response rates, or large numbers of employees ticking 'prefer not to say'
32% of survey participants report that their organisation had **conversations about racism in the workplace** before the Black Lives Matter protests, but that this **hasn't increased since**	**90%** of companies with a D&I strategy include race and/or ethnicity as areas of focus; and **62%** reported that the Black Lives Matter protests **forced executive committees and Boards to have more conversations about race**
Only **34%** of retail employees were **satisfied with their organisation's response to the BLM movement**	Only **22%** of retailers **publicly stood in favour** of the Black Lives Matter movement
46% of workers with children under 16, and **37%** of 18-34-year-olds, would be **worried about a promotion** because of family commitments	Several companies recounted instances where **women had turned down promotions because they assumed the role would be all-consuming**, even when flexibility could have been negotiated

Restating the commercial case for D&I

Diversity is not only right morally, but a commercial imperative. In a turbulent year, we have detected the need to restate the business case for prioritising diversity.

D&I makes business sense

As detailed in PwC's report Diversity is the solution, not a problem to solve, there are five reasons why diverse businesses perform better:

1. Better outcomes for customers

2. Better business returns

3. Greater innovation and new ideas

4. More attractive to employees

5. Improved reputation and brand

There is plenty of evidence for this. Research from McKinsey has shown that executive teams featuring gender diversity are 25% more likely to outperform those that don't, and teams with ethnic diversity are 36% more likely to outperform those without it. Indeed, McKinsey's latest report shows that the relationship between diversity on executive teams and the likelihood of financial outperformance has strengthened over time.

D&I should be part of Covid-19 survival strategies

For many businesses, survival and resuming trading in a commercially viable way will be immediate priorities – and achieving diversity should be factored in to this process.

Investing in diversity pays off quickly. The energy firm SSE undertook a Return On Inclusion calculation for their gender diversity programme, which found that the business got back £4.52 in 2017 for every £1 invested in 2014. Moreover, as we move into the next phases of Covid-19, organisations will need creativity and varied insight on their leadership teams to rebuild business models and re-orientate themselves to rapidly changing customer needs.

D&I is an investor priority

Fostering diverse and inclusive workforces is an integral part of the ESG agenda. Non-executive directors and institutional investors recognise that a company's long-term prosperity is not only linked to commercial performance, but also to what it delivers for its stakeholders. D&I is an integral part of this, and many investors today will simply not invest in businesses that can't demonstrate diversity.

In 2020, for example, Goldman Sachs stated that it would no longer take a company public if all its directors are white, straight, and male. Moreover, the most recent ISS guidance for proxy voting in the UK and Ireland suggests recommending against a Chair of the nomination committee if the company is a constituent of the FTSE 350 (excluding investment companies) and the Board is not comprised of at least 33% women. However, most UK retail businesses are not listed, but owned by individual families or private equity funds. It remains to be seen how committed that these non-institutional investors are to the overall ESG agenda.

Moving from intention to action

Across the retail industry, there is widespread positive intent to improve on D&I, and leaders are keen to understand the practical steps they can take to move from intention to action.

BRC Better Jobs D&I Charter

Over the past year, the BRC has worked with its members to deliver a strategy for better jobs that focuses on the industry's D&I performance. Following a series of roundtables to gather and share initiatives, the BRC identified some effective interventions and tools to promote and assist all members, irrespective of where they are on their journey.

Building on the output from these sessions, the BRC drafted a D&I Charter containing a set of pledges for members to commit to implement in their businesses. Sticking to these pledges will demonstrate the industry's commitment to making material progress on creating a diverse workforce and enabling them to become more inclusive employers.

The D&I Charter recognises the value of transparency; retailers from across the industry have agreed to transparency in their recruitment processes, demonstrating their commitment to reducing inequality in their workforce and looking at the whole employment journey to understand and address any barriers to progression.

These pledges have been agreed upon by retailers across the industry, all of which are committed to prioritising diversity and inclusion as they emerge from Covid-19:

1 Our CEO will be accountable for diversity and inclusion in our business and will appoint an executive with ownership for D&I

2 We will ensure there is no bias in the recruitment process and will undertake a transparent process of audit

3 We will take positive action that supports open career opportunity and progression, and will undertake a transparent process of audit

4 We commit to contributing data on our diversity in the workplace, which will feed in to the BRC Better Jobs dashboard

5 We commit to create a respectful, inclusive work environment within which every employee has the opportunity to make a meaningful contribution to the company's vision and values

6 We believe supporting equity in the workplace is the responsibility of all line managers

Recommendations

With businesses at different stages of their journeys, unifying around a specific set of recommendations is an impossible task. The location of the head office, the spread of employees geographically, a company's ownership class and many other factors mean that businesses have to deploy strategies that reflect their unique situations.

We have compiled a series of recommendations based on conversations with more than 100 retail Chairs, CEOs and HRDs. This is not designed as a tick-box exercise, and not every recommendation will be appropriate for every business. However, it is our hope that the suggestions below will provide some guidance on how to drive meaningful and practical change in retail organisations.

1) LEADERSHIP FROM THE TOP

- Ensure that D&I is owned by the CEO, and that their personal sponsorship of D&I is visible throughout the business. Appoint ExCo level sponsors for different diversity characteristics

- Ensure appropriate governance and encouragement from the Board, who should regularly receive reports on core D&I metrics, and should support the CEO to drive progress on D&I. Appoint a Board-level sponsor for D&I

- In listed businesses, consider establishing a Board-level D&I sub-committee that is separate from the ESG committee

- Align long-term D&I goals with overall business strategy

2) DATA AND REPORTING

- Prioritise data collection
  - Appropriately explain and introduce any company-wide data collection efforts to encourage employee engagement. Specifically, explain exactly what the data will be used for

- Leverage industry networks and retail communities to hear best practice on how to effectively collect data

- Measure your internal progress on achieving a more diverse workforce year-on-year; benchmark your business versus your direct peer group in retail

- Consider tracking data on:
  - 'All-male spines', to find out how many employees report exclusively to men
  - Those not returning to work after maternity or paternity leave, and track their reasons
  - The ethnic makeup of the local area, and measure success on ethnic minority representation against this figure
  - Whether or not employees feel they work at inclusive business
  - Whether or not customers feel they shop at an inclusive business

- Establish processes for reporting progress on D&I into the Board or executive committee

3) WORKING PRACTICES

- Review hiring processes
  - For gender diversity
    - Consider setting specific targets at shortlist and longlist
    - Request a 50/50 gender split shortlist from executive search partners
    - Specifically prioritise hiring women into male-dominated functions, and vice versa
  - For ethnic diversity
    - Consider setting specific targets at shortlist and longlist
    - To avoid unconscious bias from individual store managers, centralise shop-floor hiring processes

  - For executive hires, look to adjacent sectors such as FMCG to more easily identify candidates from an ethic minority background
  - When hiring your next NED, ensure that the short list is balanced with some racial and ethnic diversity
  - Use existing entry-level schemes, such as apprenticeships, to focus on hiring from under-represented groups

- For social mobility
  - Establish partnerships with schools, colleges and universities
  - Set up an apprenticeship scheme with long-term aims to sponsor high-potential talent

- Build a pipeline of diverse talent
  - Focus on identifying high-potential candidates from diverse backgrounds early on in their careers
  - Prioritise training and nurturing diverse candidates and sponsoring them into the most senior positions

- Review incentivisation programmes with a D&I lens
  - In retailers that generate most sales at the weekend, adjust shop floor-level incentivisation schemes to avoid bias against women, who tend not to work at the weekend because of childcare commitments
  - Implement mandatory personal objectives around inclusion for every employee at store manager-level and above
  - Consider linking executive bonuses to D&I targets

- Embrace flexible working
  - Use Covid-19 as an opportunity to enable flexible working in the long term
  - Assess lessons learnt from Covid-19 about which roles can work remotely or flexibly
  - Encourage senior leaders to act as role models in working flexible or part-time hours

- Review the terms of your Nominations Committee to ensure that they are following best practice to achieve a diverse and inclusive leadership team in critical roles

4) ENGAGEMENT

- Sign up to BRC's Better Jobs D&I Charter

- Make sure your employees are being heard
  - Set up listening groups or focus groups for different areas of diversity, which can provide feedback on inclusivity policies
  - Put an employee voice on the Board

- Drive inclusion
  - Employee networks for the different areas of diversity can encourage belonging and allow employees to share their lived experiences
  - Engage in annual events such as International Women's Day, Pride, and Mental Health Awareness Week
  - Ask whether any senior leaders from a diverse group would consider sharing their experiences with the rest of the company
  - Recognise that some colleagues may need extra support

- Establish partnerships with external organisations such as Stonewall

- Build inclusion into your brand

Leadership diversity and D&I strategies

How the industry is performing on diversity and inclusion, and key themes drawn from conversations with retail leaders

In Q4 2020, The MBS Group conducted extensive research to understand the status of diversity and inclusion in the UK retail industry. Our findings are based on data captured from more than 200 companies of scale across the industry, with a focus on the three highest leadership levels: Board, executive committee and direct reports (into the executive committee).

We measured how the industry's leading businesses are performing on gender and ethnic diversity, and explored how companies are embracing the broader aspects of D&I including LGBTQ+, disability, nationality, age and social mobility. Our research also deep-dives into the most senior leadership roles on the Board, and provides comparisons to other consumer-facing industries.

As part of our research, we conducted interviews with more than 100 Chairs, CEOs and HRDs to look beyond the numbers and explore the key themes and insights dominating conversation in the industry.

Diversity and inclusion strategies

Over the past few years, D&I has risen up the corporate agenda.

Most retail companies not only understand the benefits of a more diverse workforce, but also recognise that developing a joined-up D&I strategy is critical to driving change.

Correspondingly, our research has found that a significant 76% of businesses have a coordinated D&I strategy, and 13% have one in its formulation stages. However, a sizeable minority of businesses (11%) don't have a policy in place or a plan to build one.

Significantly, businesses across the industry are at vastly different stages of their D&I journey. The most successful businesses have recognised the need for a wholesale and holistic approach to D&I. By integrating D&I into the entire business – rather than making it an 'HR issue' – businesses fostered inclusive environments and increased female and minority representation.

The numbers

- 76% of retailers have a coordinated diversity and inclusion strategy.

- 13% of retailers have a strategy in the pipeline for 2021.

- 11% of retailers do not have, nor have any plans to develop, a strategy.

% RETAILERS WITH COORDINATED D&I STRATEGIES

- Coordinated strategy in place
- Coordinated strategy in pipeline
- No strategy, and no plans to make one
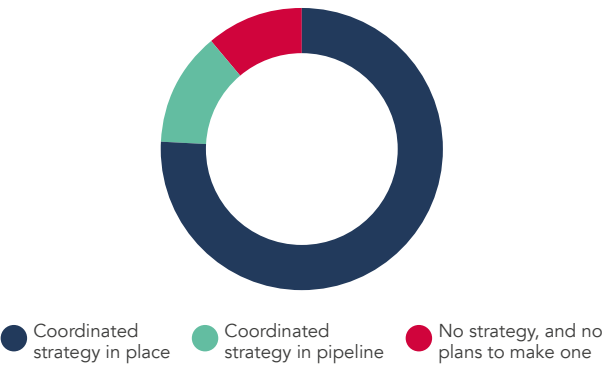
How does this compare?

% OF COMPANIES WITH COORDINATED D&I STRATEGIES BY INDUSTRY
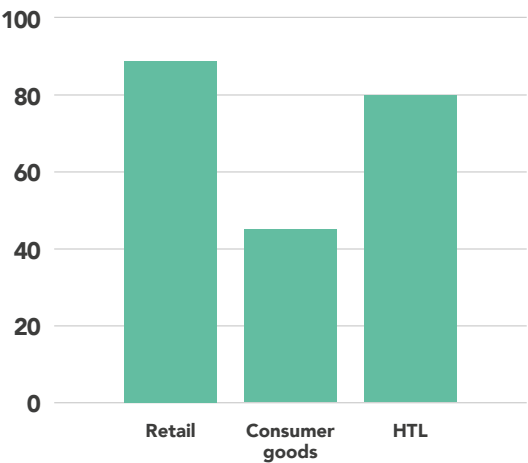
When it comes to establishing D&I strategies, the retail industry is outperforming its adjacent consumer-facing sectors. 89% of retailers have, or have plans for, a coordinated policy on D&I, compared with 80% of companies in hospitality, travel and leisure (HTL) and just 45% of consumer goods businesses.[1]

What's covered in D&I strategies?

Over the past few years, efforts have been made to broaden the diversity agenda. The businesses that have progressed the furthest on D&I are not only championing female and ethnic minority representation, but also disability, LGBTQ+, age, social mobility and mental health. Retail is outperforming its adjacent consumer-facing sectors on breadth of D&I policies.

Gender is typically the starting point for most companies. This is largely because of the introduction of mandatory gender pay gap reporting, as well as pressure from high-profile initiatives such as the Hampton-Alexander Review. Accordingly, all businesses with a D&I strategy have policies in place to encourage female representation.

The second most common area of focus is ethnicity, with 90% of businesses' D&I strategies covering racial and ethnic diversity. This is significantly higher than in adjacent sectors.

Notably, 62% of companies said that the Black Lives Matter movement accelerated workplace conversations about race and ethnicity, with many establishing listening groups or external partnerships in response.

Most retailers (68%) also have policies in place to encourage LGBTQ+ inclusion, and 50% have strategies that cover disability. Social mobility, age and mental health are also covered in some D&I strategies although these areas are less advanced. A small minority of retailers also have D&I strategies covering support for former offenders or those formerly in the armed forces.

% OF STRATEGIES, BOTH CURRENT AND IN FORMULATION STAGES, THAT CONSIDER:
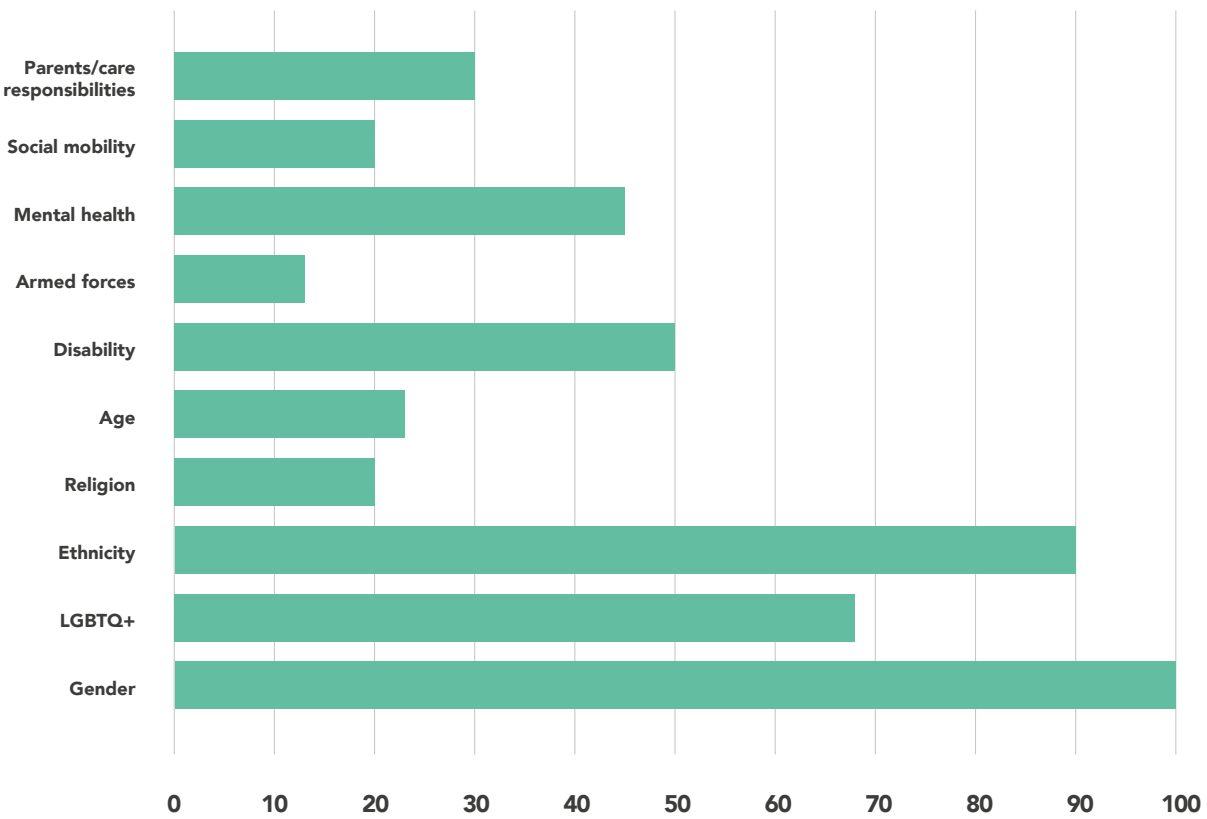
[1] Research on the hospitality, travel and leisure industry comes from *From Intention to Action: Diversity in Hospitality, Travel and Leisure*, produced by The MBS Group, PwC and WiHTL. Research on the consumer goods industry comes from *Diversity in Grocery: An in-depth report from The MBS Group, IGD and in association with PwC*

What gets measured gets done

Access to available data has long been understood as a key driver of progress on D&I.

While mandatory gender pay gap reporting has forced businesses to collect information on female representation, a lack of sufficient data continues to be a problem for retailers – especially for smaller organisations which don't have the capability to roll out mass data collection programmes.

Collecting ethnicity data continues to be a challenge, with only 33% of retailers attempting to track ethnic diversity. However, the prospect of mandatory ethnicity pay gap reporting is forcing many retailers to consider the data they already have, and how they would collect more. In some countries, there are laws preventing organisations holding data on the ethnicity of employees, which can present roadblocks for UK retailers that are part of an overseas business.

On top of infrastructure issues, many retailers reported a hesitance from their employees to provide data. One chief people officer told us that only 54% of employees completed their survey, and that the 'prefer not to say' option was frequently selected on questions of ethnicity.

Another reported that a feedback survey had revealed that employees felt data collection was 'intrusive', while several retailers confided fears of breaching GDPR.

However, there are shoots of progress. Our conversations revealed that the largest organisations have, or are currently developing, advanced HR systems to collect and track ethnicity data. One specialist retailer has hired a 'colleague experience manager' whose responsibility it is to analyse data from surveys and exit interviews to drive an inclusive culture and establish focus groups where necessary.

Moreover, retailers in which inclusivity is embedded throughout the organisation

reported higher levels of engagement in surveys, allowing them to more accurately measure and progress on ethnic diversity.

Prioritising inclusion

The companies with the most mature D&I strategies are actively prioritising inclusion over individual aspects of diversity and representation.

There are many benefits to this approach. First, focusing on inclusion allows businesses to apply an intersectional lens. Recognising that employees may not fit into just one 'category' of diversity – and may face more than one type of discrimination – is a crucial step towards D&I.

Second, inclusivity has long-term benefits. If achieved, inclusive cultures inevitably improve female and minority representation by attracting diverse talent and fostering an environment where those individuals can progress into the most senior roles.

Third, focusing on inclusivity signifies that D&I can only be achieved if prioritised across the entire business, and reflected in the actions and words of leaders. One chief people officer told us that they see inclusion as the accumulation of individual actions taken by leaders.

Fourth, taking a 'diversity-first' approach can result in an undue – and short-term – focus on meeting representation targets, and distract from solving deep-rooted issues further down the business.

To achieve diversity, businesses must first establish inclusion – and evidence shows that businesses with more inclusive environments find it easier to hire and promote diverse candidates into the most senior positions. Inclusive cultures result in higher engagement from employees when it comes to data collection, making it easier for businesses to track and understand their progression on diversity.

Building a diverse talent pipeline: lessons from Asda in the 1990s and 2000s

Achieving diversity in the retail industry is a long-term project, and businesses should focus on building a pipeline of strong diverse talent which can rise into the most senior positions.

Long-term, businesses should prioritise developing and sponsoring their own female and diverse leaders.

A quick look at the current female talent pool explains why this is crucial. Between 2010 and 2020, we saw a number of female CEOs appointed to lead significant UK retailers. Many of these had trained under Archie Norman and Allan Leighton at Asda in the 1990s, and were sponsored by former Asda leaders into their first CEO roles. Looking back, it was Asda's commitment to training and providing sponsorship for its female leaders that made it such a successful source of female CEO talent.

Many of these women are now reaching the end of their executive career. As Asda's commitment has not been replicated at the same scale elsewhere, there is not a ready pipeline of senior women able to step into CEO roles in the short term.

To build this pipeline of talent, and to ensure diversity while internal talent pools are being developed, businesses should look outside the retail industry. Asda found many of its best-performing female leaders from industries such as FMCG, and 'trained' them in retail. Hiring from other industries is especially effective in improving on ethnic diversity. Black leaders, for example, are particularly hard to find in UK retail today.

Nuances and challenges in retail

SPONSORSHIP AND ACCOUNTABILITY

The most successful businesses on D&I are those in which diversity is not an 'HR issue', but is a priority for the executive committee and the Board. Our research found that:

- Only 50% of retailers identify their CEO as the most senior executive sponsor of D&I.

- 38% of retailers identify their HRD as the most senior executive sponsor of D&I.

The furthest-progressed businesses are those with solid systems in place to ensure accountability on D&I. One gold-standard retailer told us that its CEO gives regular progress updates to the Board, and that every area of diversity had a Board-level sponsor. Businesses that champion diversity from the top also report higher levels of employee engagement.

Our research has revealed some ongoing issues with sponsorship and accountability. Where employee networks have executive sponsorship, leaders tend to champion the areas that relate to them personally. Given the lack of ethnic diversity and physically disabled or LGBTQ+ leaders around the top tables of businesses in our sector, this can result in a lack of engagement in these issues.

Companies also reported challenges in engaging their store management teams.

ENGAGING THE BOARD

In the most advanced companies, progress on D&I is driven by the non-executive Board, which recognises the commercial benefits. However, most retail businesses reported little Board engagement on the topic. As a comparison, we know D&I to be a central priority for NEDs in the adjacent hospitality, travel and leisure sector. One CEO told us that the first step in their business was having a frank and honest conversation with the Board to highlight D&I as a long-term priority. Additionally, some retailers noted that D&I was lower down the agenda for

institutional investors than it had been during previous periods.

Some businesses in the consumer-facing industry have chosen to set up diversity advisory Boards which meet alongside the main Plc Board. On the one hand, establishing a diversity Board sends a clear message that D&I is a priority for the business. However, some argue that a separate Board represents D&I being siloed, rather than integrated into business-wide strategy.

EMPLOYEE RECEPTIVENESS

Retailers with a high proportion of young employees have felt more pressure to act on D&I that those with an older workforce.

Looking ahead, a business' activities around diversity will be factored into decisions about where to work. Millennials in particular will make up 75% of the workforce by 2025, and are typically 23% more engaged when a company's culture is inclusive. For companies looking to attract and retain the best talent, prioritising D&I should be a key priority.

Some companies told us that their inclusion-first approach is a direct response to feedback from employees who felt they were not included under the traditional diversity umbrella.

A BALANCING ACT

More than one CEO told us that their organisation struggles to balance the varying attitudes towards diversity that exist between geographies and business units. Creating an overarching policy which takes into account the competing attitudes and biases in different divisions remains a significant challenge.

COMPANY OWNERSHIP

Our research revealed strong links between ownership structure and engagement in D&I. For publicly listed companies, for example, diversity is high on the agenda, largely due to the levels of governance and reporting required from Plcs. As a result, policies are well developed and the approach to inclusivity is

holistic. A similar story can be found in retailers backed by large PE firms, where investors have recognised the many commercial benefits of D&I. One public company told us that it had felt increasing pressure from auditors to avoid groupthink, which in turn had generated engagement from the Board.

By contrast, diversity is generally not a priority for family-owned businesses and those retailers backed by smaller PE firms. More than one CEO at a privately-owned business told us that the biggest challenge is engaging their owners about D&I.

One CEO at a private equity-owned business told us that the reason their business does not have a D&I strategy is because its gender pay gap hasn't revealed any severe issues, so the PE owners feel that there's nothing to 'fix'.

Others highlighted how being part of a family-owned business had resulted in less autonomy for the executives to drive the D&I agenda, which slowed down progress. While family-owned businesses often have a values-driven culture, their purpose is often not formalised into D&I policy.

COMPANY STRUCTURE

Our conversations revealed mixed responses to being part of a larger parent company.

Some retailers are benefiting from being the UK arm of an international business. This is especially true of cases where the parent company is US-based, as the topic of D&I is more developed in the US and budgets are correspondingly larger. One chief people officer, whose business is owned by a US parent company, reported that they had cross-group meetings to discuss D&I, covering topics such as how best to gather data and providing the opportunity to share best practice.

By contrast, others reported that being part of an overseas business has caused complications in progressing D&I, as international laws prevent thorough data collection, especially on ethnicity.

COMPANY CULTURE

Organisations defined by their strong company cultures, particularly family-owned businesses, find it the most difficult to drive progress. This is particularly true in hiring processes, when appointing candidates on 'culture-fit' or 'gut feeling' can lead to a lack of diversity. Some retailers even expressed hesitancy at partnering with external organisations, for fear of damaging the internal company culture.

Some are aware that a strong culture can be a barrier to progress. A chief people officer at a specialist retailer told us that it is making a concerted effort to ensure that new, diverse hires to not feel constrained or stifled by its existing culture and ways of working, and feel comfortable bringing new ideas to the table.

EXTENDING D&I OUTWARDS

For many retailers, internal D&I is being driven alongside policies to champion diversity among the customer base and commercial proposition. One grocer told us that it tracks the local demographic for a five-mile radius around each store, to ensure that marketing efforts reflect the needs of the local population.

Another retailer is mid-way through a full-scale review of its commercial operations across proposition and product, to drive up cultural diversity in that area.

Examples of best practice

- The most advanced retailers have rolled out company-wide inclusion training schemes.

- One digital retailer told us that they had hired an inclusion professional from the banking sector to design a long-term D&I strategy, with the view that banking is further along its D&I journey than retail.

- One gold-star retailer has implemented mandatory personal objectives around inclusion for every employee at store manager-level and above – and performance here is reflected in bonuses.

- To ensure diverse hires at workforce level, one national retailer has centralised its shop

floor hiring processes. While store managers still make the executive decision, the process is automated up until that point to avoid unconscious bias.

- Some businesses are reviewing the wording of Board-approved hiring policies, to remove mentions of words such as 'merit' and 'performance', which have been found to disproportionately benefit male candidates and act as a barrier to progress in areas like social mobility.

- Many retailers choose to drive inclusion through partnerships with charities or campaigning groups.

Who retailers told us they are partnering with:

D&I consultancies:

- DIAL Global
- Mission Include
- The Clear Company
- The Unmistakables
- HR DataHub

Gender:

- 30% Club

Social mobility:

- The Prince's Trust
- Kickstart
- Resolution Foundation

LGBTQ+:

- Stonewall

Race and ethnicity:

- Show Racism the Red Card
- Race at Work Charter
- Stephen Lawrence Charitable Trust

Gender

Gender and female representation is consistently the most developed area of D&I in the retail sector. However, there is still some way to go to meet Hampton-Alexander industry targets of 33% female representation, and even further to reflect the near 50/50 gender split that exists in society.

The numbers

- At Board level, 32.6% of non-executive directors in the retail industry are women.
- 32% of executive committee members are women.
- 37.5% of direct reports to executive committee are women.
- 69% of retailers have an all-male Chair, CEO and CFO triumvirate.

% FEMALE REPRESENTATION AT TOP THREE LEADERSHIP LEVELS
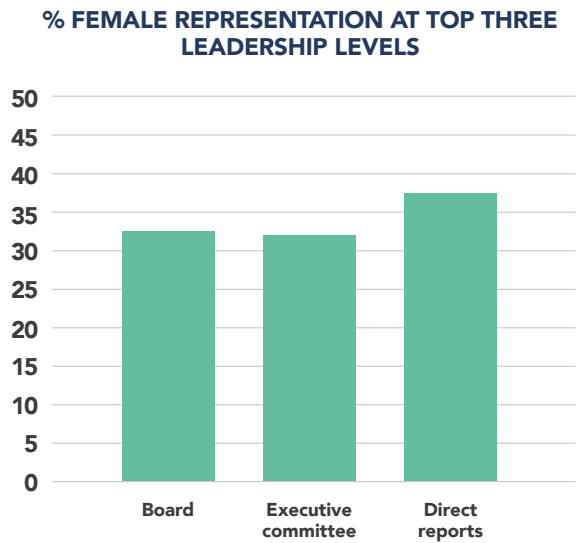
Most positively, the headline figures demonstrate that progress is being made. While female representation on the Board and executive committee remains low, more than a third of those reporting into the executive committee are women, demonstrative of the strong pool of female talent which will, in time, step into executive and Board-level positions.

BOARD

0   1-15%   16-32%   33-49%   50%+

EXECUTIVE COMMITTEE

0   1-15%   16-32%   33-49%   50%+

DIRECT REPORTS

0   1-15%   16-32%   33-49%   50%+

However, retailers must work harder to ensure female representation at the most senior levels. Staggeringly, more than one in five retailers have no women at all on their Boards, and 15% of retailers have no women on their executive committees.

Despite women representing a resounding majority of both the workforce and customers, only 9.6% of UK retail CEOs are women. This figure drops down to 6.25% when you take out divisional CEOs who report into a group CEO.

Moreover, in the last twelve months, a significant number of high-profile female CEOs – particularly in listed businesses – have exited their organisation and been replaced by men, furthering the imbalance, and limiting the number of female role models in the sector.

Out of more than 200 businesses, the female CEOs and managing directors can be easily listed below:

FEMALE CEOS AND MANAGING DIRECTORS IN RETAIL

Julie Abraham (CEO, Richer Sounds)

Anna Blackburn (MD, Beaverbrooks)

Maureen Chiquet (Interim CEO, MatchesFashion)

Liz Evans (CEO, Fat Face)

Jacqueline Gold (CEO, Ann Summers)

Mary Homer (CEO, The White Company)

Jo Jenkins (CEO, White Stuff)

Jill McDonald (CEO, Costa)

Kerry van der Merwe (MD, Office)

Sarah Miles (CEO, feelunique.com)

Rachel Osborne (CEO, Ted Baker)

Anne Pitcher (MD, Selfridges Group)

Julia Straus (CEO, Sweaty Betty)

Gill Smith (MD, The Perfume Shop)

FEMALE DIVISIONAL CEOS IN RETAIL

Linda Campbell (MD, UK and ROI, The Body Shop)

Debbie Edwards (VP and GM, Gap Europe)

Sue Fox (SVP & GM UK & Ireland, The Estee Lauder Companies)

Toni Galli (Country Manager UK & Ireland, H&M)

Louise Greenlees (President, TJX Europe)

Paula MacKenzie (MD UK & Ireland, KFC / Yum! Brands)

Manju Malhotra (CEO, Harvey Nichols)

Jo Whitfield (CEO, Food, Co-op)

Pippa Wicks (Executive Director, John Lewis)

Mel Smith (CEO, Ocado Retail)

Unsurprisingly, there is also a significant lack of female Chairs in the retail sector. Only 4.3% of Chairs are female.

FEMALE CHAIRS IN RETAIL

Susanne Given (MADE.com)

Debbie Hewitt (White Stuff)

Kate Hobhouse (Fortnum & Mason)

Elaine O'Donnell (Games Workshop)

Kate Swann (Moonpig.com)

Alannah Weston (Selfridges)

Sharon White (John Lewis Partnership)

Lisa Wilkinson (Wilko)

A quick look at the CFO function tells a similar story. Only 11.4% of CFOs in the industry are female. As a result, there is a particularly severe shortage of women in the crucial Chair, CEO and CFO triumvirate, with 69% of retailers reporting to have no women in any of those roles.
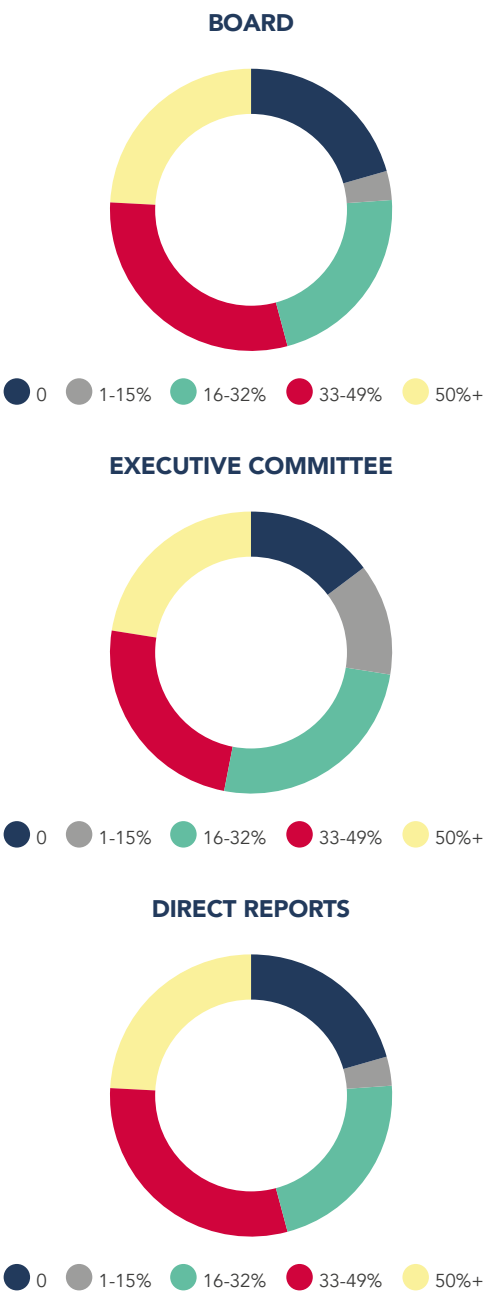
FEMALE CFOS IN RETAIL

Karen Anderson (Vertu Motors)

Alice Arnold (Dune)

Julie Brown (Burberry)

Laura Carr (Dunelm)

Patricia Cobian (Telefónica)

Kim Coles (Lush)

Danielle Davies (Footasylum)

Suzanne Foley (Boden)

Lynne Gilder (Dobbies)

Fiona Greiner (MatchesFashion)

Anna Heather (Yours Clothing)

Rachel Izzard (N Brown Group)

Amanda James (Next)

Shirine Khoury-Haq (Co-op)

Lynn Krige (Well Pharmacy)

Amy Liddy (The Body Shop)

Karen Mackay (Wilko)

Louise McFadzean (Central England Co-op)

Bérangère Michel (John Lewis Partnership)

Rebecca Scott (Feelunique)

Claire Shiels (Furniture Village)

Rachel Tongue (Games Workshop)

Loraine Woodhouse (Halfords)

How does this compare?

As demonstrated by the headline figures, across retail, the Hampton-Alexander target of 33% female representation has been met at direct reports level, but not on the Board or executive committee.

There is, however, a danger with these sorts of targets, which can lead to complacency once met by businesses. The retail industry must not lose sight of the real goal on gender diversity – matching the near 50/50 split that exists in society.

Indeed, one HRD told us that their Board had become disengaged with the topic of gender diversity and inclusivity after it had met the Hampton-Alexander target.

When compared with adjacent sectors, however, the retail space is edging ahead. Women are consistently proven to have more purchasing power and influence over where their households shop than men, which may go some way in explaining why we see higher female representation in retail.

FEMALE REPRESENTATION AT TOP THREE LEADERSHIP LEVELS BY INDUSTRY			
Industry	Board	ExCo	Direct Reports
Retail	32.6%	32.0%	37.5%
Consumer goods	27.6%	22.2%	35.9%
HTL	28.9%	27.2%	37.7%

Female representation in the retail industry is also not defined by industry leaders and laggards. Unlike in hospitality, travel and leisure and consumer goods, the retail industry does not have a large number of businesses performing well, a large number performing badly, and only a few in the middle. This is broadly demonstrative of retail's overall progress on D&I, which is spread across the sector.

Nuances and challenges in retail

SUBSECTOR ANALYSIS

% FEMALE REPRESENTATION AT TOP THREE LEADERSHIP LEVELS BY RETAIL SUBSECTOR
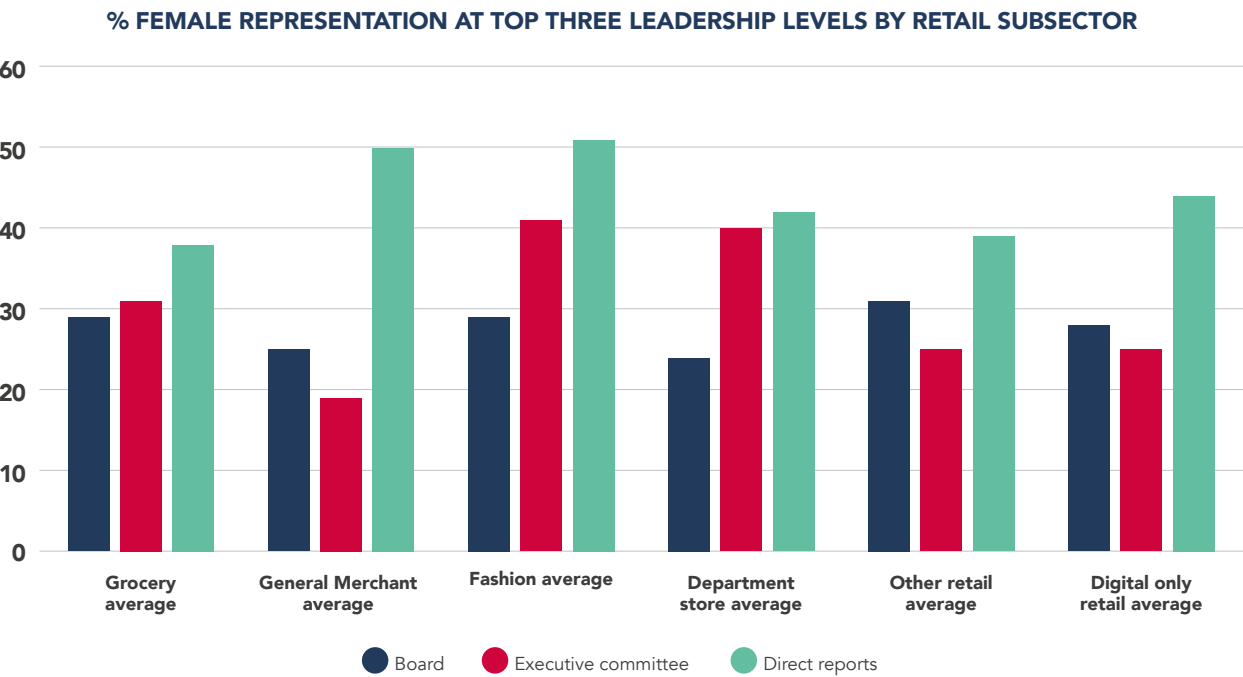
Gender diversity in the workforce is heavily impacted by the company's brand and product offering. Retailers whose products are predominantly marketed towards men have fewer women in their workforces than those with women as primary customers. While female representation in the retail workforce stands at 64% on average, this ranges from 30% at a technology retailer to 97% at a women's clothing brand.

Correspondingly, businesses which are marketing towards women tend to have more gender diverse leadership teams.

In fashion retail, for example, women make up 78% of the workforce, 51% of direct reports, and 41% of executive committee members. Progress is slower at Board level, where only a quarter of seats are held by women, but the high levels of representation on the executive committee and within the direct reports demonstrates that there

is a strong pipeline of female talent which will eventually rise up into Board positions.

There are a number of exceptions to this rule. One company, which sells products predominantly marketed towards women and boasts a 90% female workforce, has only one woman on its executive committee.

DATA COLLECTION

For any retailer looking to improve on gender diversity, the first step to take is improving data collection strategies. Mandatory gender pay gap reporting has forced every business to compile some data, but there is a clear correlation between those businesses collecting more than the required data, and those succeeding on gender D&I.

Moreover, mandatory gender pay gap reporting was delayed in 2020. While many businesses opted to gather and publish data regardless, for others the pause will mean a backwards step.

A FUNCTIONAL LENS

A lack of women in operational roles is a key barrier to progress. Women are less likely than men to apply for operational positions, because the unsociable hours, travel requirements and 'always on' culture of operations are deemed incompatible with childcare commitments.

With fewer women in store or area management roles, female representation at middle-management level is very low – a trend which is mirrored across the consumer-facing sector.

However, there are exceptions. One organisation, which markets to women, reported to have an almost 50/50 gender split in its area managers, and another women's fashion retailer has 87% female representation at store manager level.

The chief people officer of one grocery retailer told us that it has progressed from 10% female representation to 50% female representation at area manager level since 2014.

For retailers across all subsectors, increasing flexible working opportunities in operations should be a key priority. The lack of remote, flexible or part-time options in operations means that women often get 'trapped' on the shop floor and are unable to progress.

Mirroring the rest of the corporate sphere, female representation is also particularly low in functions including IT and technology, manufacturing, supply chain and logistics. By contrast, women are consistently overrepresented in areas such as HR and marketing.

% OF RETAILERS THAT STRUGGLE ON GENDER DIVERSITY IN CERTAIN FUNCTIONS
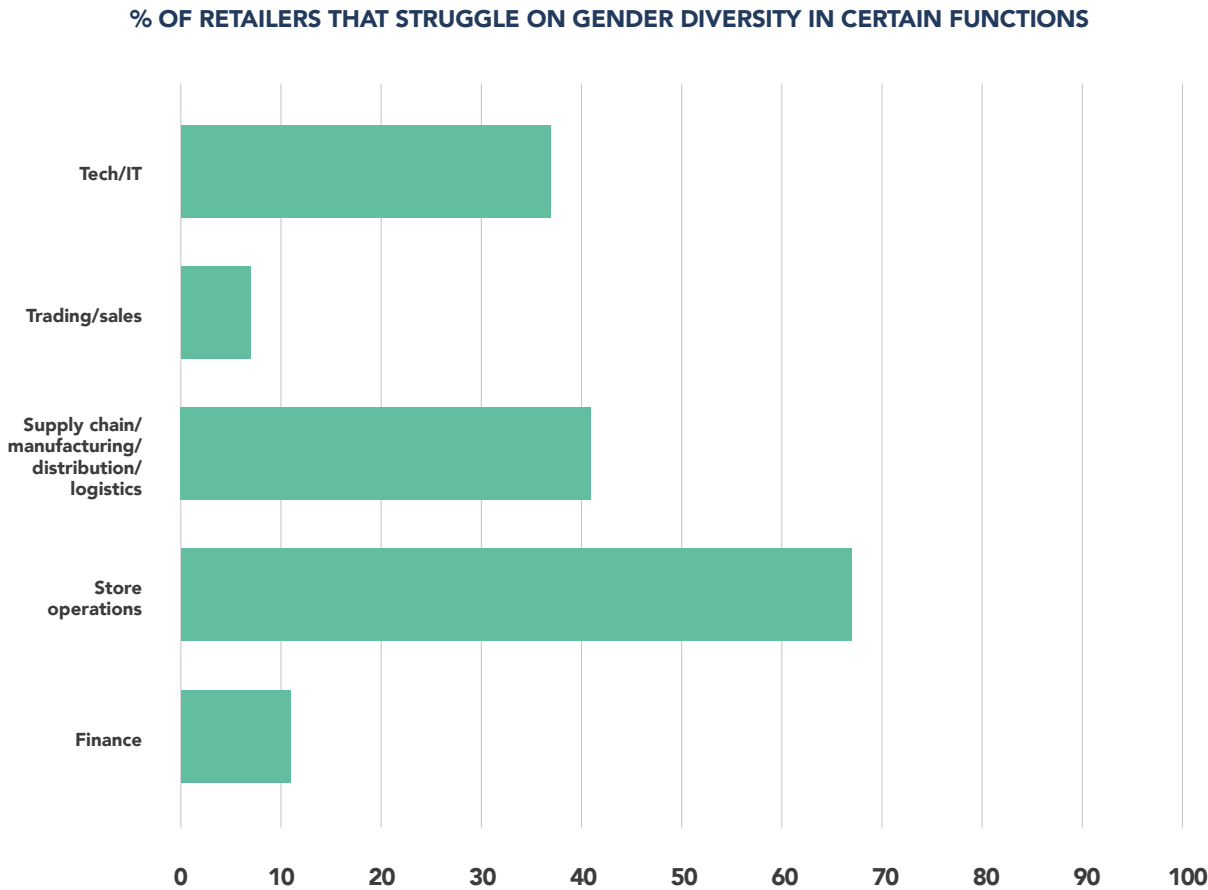
CUSTOMER ATTITUDES

Some retailers reported that sexist customer expectations act as a barrier to progressing on diversity. In areas such as luxury goods and car servicing, retailers told us that customers sometimes expect to be served by a male employee. As such, changing customer expectations will be a long-term priority.

By contrast, the CEO of one furniture retailer told us that it was targeting female salespeople, because women – who tend to be the decision-makers on large purchases for the home – respond better to women than men.

SUPPORTING RETURNING PARENTS

Many women permanently exit businesses after having children, shrinking the pool of female talent available to rise up into the most senior positions. As such, reviewing maternity, paternity and flexible working policies is a crucial step.

Businesses should collect data on how many colleagues choose not to return to work after maternity or paternity leave, and the reasons why. Reviewing and revising childcare policies could also be beneficial, and providing coaching for those returning to work after an extended period away from the company.

Examples of best practice

FOCUS ON DATA COLLECTION

- One larger retailer reported tracking 'all-male spines', a phrase used to describe when every one of an employee's direct superiors is male. The business found that in central retail, 78.6% of colleagues report exclusively to men. Collecting this sort of data not only provides a clear benchmark for progress, but also increases understanding of the realities of being a female employee.

- Data can be used to highlight line managers who are particularly good – or bad – at hiring diverse leadership teams under them. One grocer uses this as a data point in establishing annual bonuses for its management population.

- Collecting data about those returning (or not returning) to work after maternity or paternity leave can provide valuable insight on the suitability of childcare policies, and on the effectiveness of inclusion policies for returning parents.

HIRING FOR DIVERSITY

- Companies are increasingly focused on fleshing out the talent pipeline by actively recruiting women into functions with little female representation.

- The inclusion director of one digital business told us it has committed to hiring more young women than men into their system engineering development programme, while others have specifically sought out women when they look to fill director-level roles.

- To avoid functions or teams becoming too homogeneous, one multibrand retailer has set a target of no more than 75% of any one gender on any shortlist, and has committed to bi-annual reporting on progress.

- The CEO of one general retailer reported that its immediate priority was hiring men into functions overpopulated with women, such as HR.

DRIVING INCLUSION

- Multiple specialist retailers reported that they had adjusted their incentivisation programmes so it was no longer driven by number of sales. This system had been reconsidered as most sales were made on the weekend, and women are more likely to have childcare responsibilities on those days.

Spotlight on: The Hampton-Alexander Review

Built on The Davies Review, The Hampton-Alexander Review began in 2016, setting the formal target of 33% female representation on FTSE 350 Boards by the end of 2020. The same goal was later added for executive committees and direct reports.

The final report was published in February 2021, reporting that both FTSE 100 and FTSE 350 Boards have exceeded their target (36.2% and 34.3% respectively, up from 26.6% and 23.0% in 2016), with executive committees and direct reports lagging slightly behind. While the review provides a useful benchmark, most retailers are not listed and so are not included in the Hampton-Alexander Review.
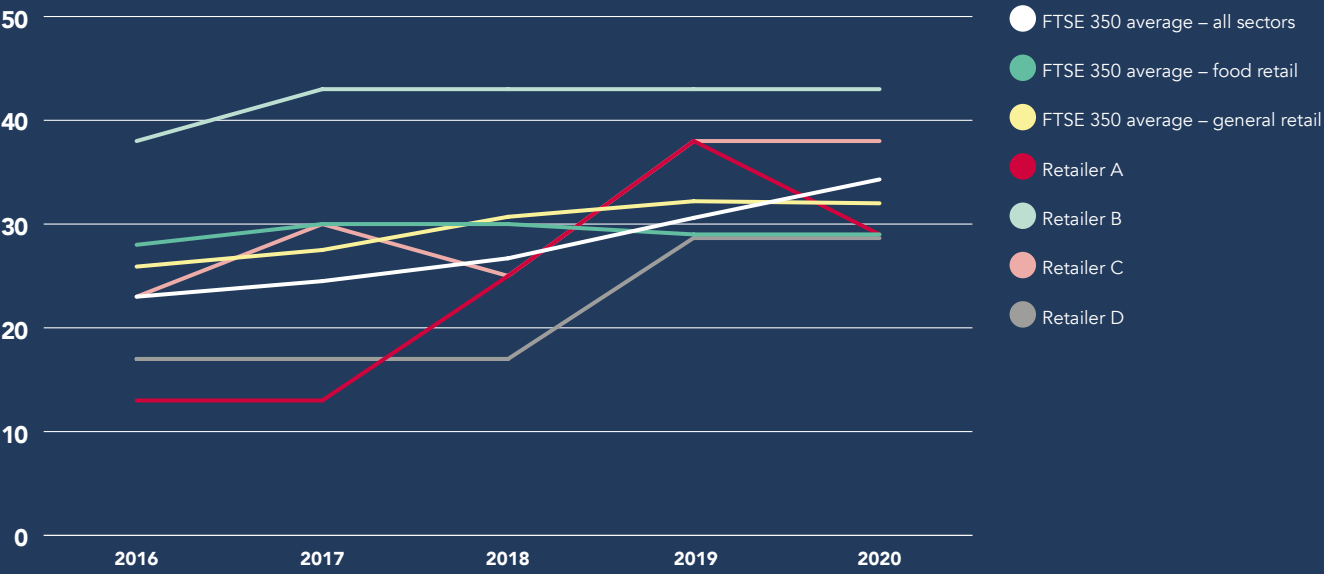
The data demonstrates a notable increase in 2018, when mandatory gender pay gap reporting came into play. This confirms the effectiveness of a targeted approach to D&I with accountability structures. It is, however, worth looking more closely at the data to address potential pitfalls as the Review comes to an end.

Firstly, despite a steady upwards average trajectory, when we track individual FTSE 350 retailers we can see how precarious these numbers are, and how representation tends to plateau or even fall once it achieves the target. On these graphs, we have selected at random four listed retailers (A, B, C, and D) and plotted their progress over the past few years against the Hampton-Alexander's averages. When we look at the raw data from real companies, the instability of female representation – which goes down and plateaus as well as going up – is more apparent. Particularly at Board level, every individual appointment makes a significant difference.
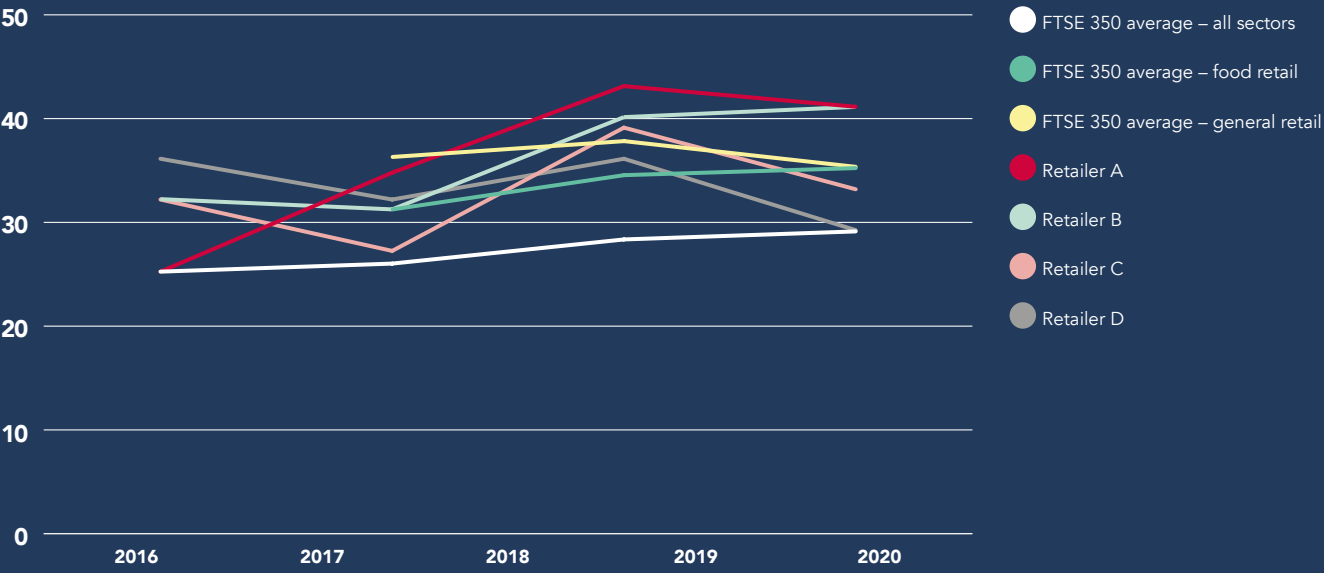
Secondly, there is a danger that the delayed gender pay gap reporting in 2020, and redundancies during the pandemic, pushed these targets down the agenda.

It is critical that we keep up the momentum to drive up representation beyond the Hampton-Alexander Review towards the ultimate goal of gender parity in leadership.

THE PROGRESS: % FEMALE REPRESENTATION ON BOARDS

KEY
- FTSE 350 average – all sectors
- FTSE 350 average – food retail
- FTSE 350 average – general retail
- Retailer A
- Retailer B
- Retailer C
- Retailer D

THE PROGRESS: % FEMALE REPRESENTATION ON SENIOR LEADERSHIP TEAMS

KEY
- FTSE 350 average – all sectors
- FTSE 350 average – food retail
- FTSE 350 average – general retail
- Retailer A
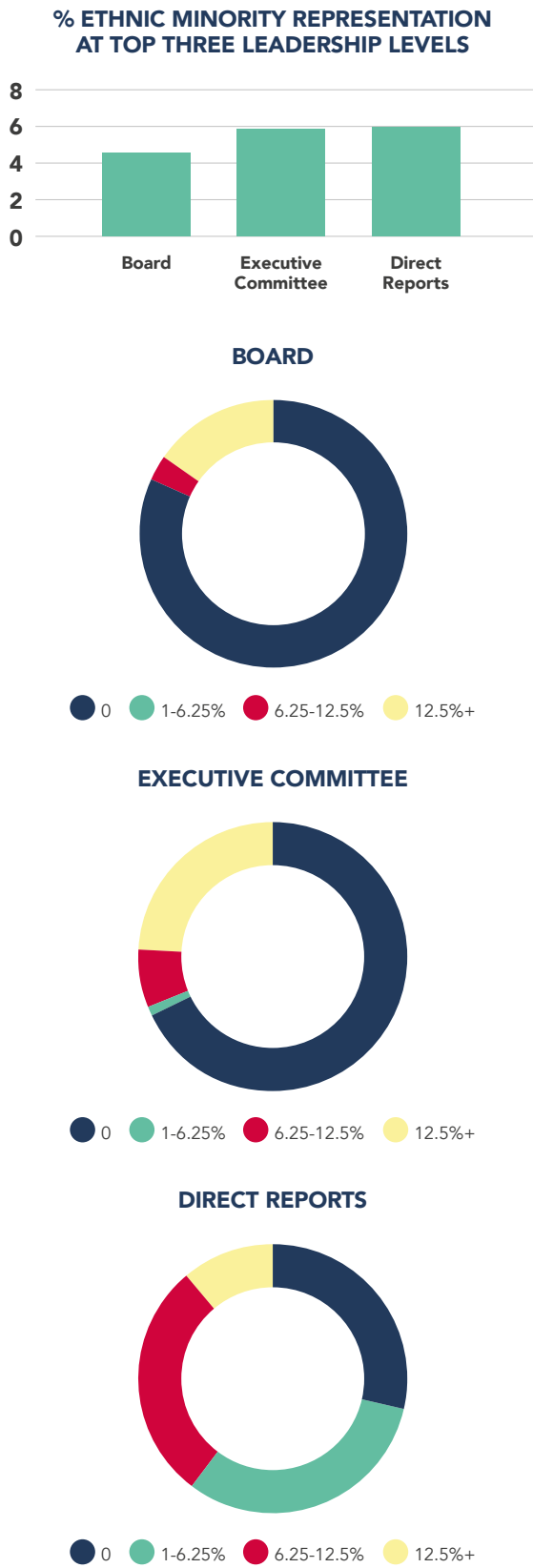- Retailer B
- Retailer C
- Retailer D

Ethnicity

The topic of racial and ethnic diversity has become a key corporate priority. The events of summer 2020 and the acceleration of the Black Lives Matter movement has propelled ethnic and racial diversity up the agenda. As a result, leaders in retail were more receptive to discussing race and ethnicity when compared with previous years.

The numbers

- At Board level, 4.5% of non-executive directors in the retail industry are from ethnic minority communities.

- 5.8% of executive committee members are from ethnic minority communities.

- 6.0% of direct reports are from ethnic minority communities.

- 90% of D&I initiatives in the retail industry include race and ethnicity.

- Specifically, Black leaders are underrepresented on retail Boards and executive committees.

There is a note of caution attached to these headline figures. Of the companies we spoke to, many could simply not provide accurate data on the ethnic makeup of their leadership teams at direct report level – resorting to manually counting non-white leaders in their business.

A number of retailers are owned by Asian families, with the Board and leadership of these businesses drawn from within their immediate family. Given the relatively small number of Board and executive committee members in total who are not white, if we exclude these businesses from the data set, the overall picture of ethnic and racial diversity is much less positive.

% ETHNIC MINORITY REPRESENTATION AT TOP THREE LEADERSHIP LEVELS

BOARD

● 0 ● 1-6.25% ● 6.25-12.5% ● 12.5%+

EXECUTIVE COMMITTEE

● 0 ● 1-6.25% ● 6.25-12.5% ● 12.5%+

DIRECT REPORTS

● 0 ● 1-6.25% ● 6.25-12.5% ● 12.5%+

Despite an increased understanding of the importance of ethnic and racial diversity, there is still a lot of work. A significant 81% of companies in the retail industry have all-white Boards, and 68% have all-white executive committees.

How does this compare?

Both the McGregor-Smith Review and the Parker Review provide benchmarks on which to measure progress on ethnic and racial diversity.

The McGregor-Smith Review states that 12.5% of the UK working age population, and 6.25% of business leaders, are from an ethnic minority background. The retail industry is exceeding the cross-industry average for leaders at executive committee level, but falling short at Board and direct report level. At all seniorities, ethnic minority representation in the retail industry is far below 12.5%.

Focusing on Board-level ethnic diversity, in 2020, the Parker Review set the target that no FTSE 100 company would lack a person of colour as a director by the end of 2021. It seems unlikely that the retail industry will achieve this, unless 81% of retailers make ethnically diverse Board appointments between now and the end of the year.

Indeed, at Board level, the retail space is falling far behind its adjacent consumer sectors. 11.4% of NEDs in the consumer goods sector, and 6.4% in hospitality, travel and leisure, are from ethnic minority backgrounds.

ETHNIC MINORITY REPRESENTATION AT TOP THREE LEADERSHIP LEVELS BY INDUSTRY

Industry	Board	ExCo	Direct reports
Retail	4.5%	5.8%	6.0%
Consumer goods	11.4%	5.7%	7.1%
HTL	6.4%	3.4%	4.8%

Retailers have made most progress at executive committee level, where ethnic minority representation surpasses that of the consumer goods and hospitality, travel and leisure industries.

As of February 2021, The Race at Work Charter has 608 signatories, of which retail is one of the most underrepresented sectors. Only 26 signatories (4.3%) are retailers, and a significant majority of those companies have only signed the charter since June 2020.

Challenges and nuances in retail

LACK OF DATA REMAINS A SERIOUS BARRIER TO PROGRESS

As has been a core message in each of our previous joint reports examining D&I in the consumer-facing sectors, what gets measured gets done. However, a lack of data is a central blocker to progress on ethnic and racial diversity.

While one or two companies have been tracking ethnicity data for a while, most – even those with advanced D&I policies – don't collect ethnicity data at all, and so cannot track progression. As a result, only 33% of retailers have any level of ethnicity data.

There are a number of reasons for this.

Some companies told us they were waiting for mandatory ethnicity pay gap reporting to come into play. While the prospect is forcing organisations to seriously consider ethnic diversity, a lack of clarity from the government as to what data will be required is holding many businesses back from collecting relevant data today. Until they know specifically what data they will need to report and how it will be cut, they are reluctant to invest resources for fear of having to do it again once the legislation becomes clearer.

Of the data that is being collected, much of it comes from voluntary engagement surveys which can often remain incomplete. The chief people officer of one company told us that

48% of its employees ticked 'rather not say' for ethnicity in a recent survey.

Even at the most senior level, there remains a hesitancy to hand over information about ethnicity. The HRD of one luxury retailer told us that 40% of employees, 32% of direct reports and 36% of executive committee members opted not to share information on their race and ethnicity.

To combat nervousness around supplying data, the CEO of one food retailer told us it organised talks led by Black, Asian and minority ethnic leaders to introduce its ethnicity survey and explain its uses and benefits to the wider workforce.

% ETHNIC MINORITY REPRESENTATION AT TOP THREE LEADERSHIP LEVELS BY RETAIL SUBSECTOR
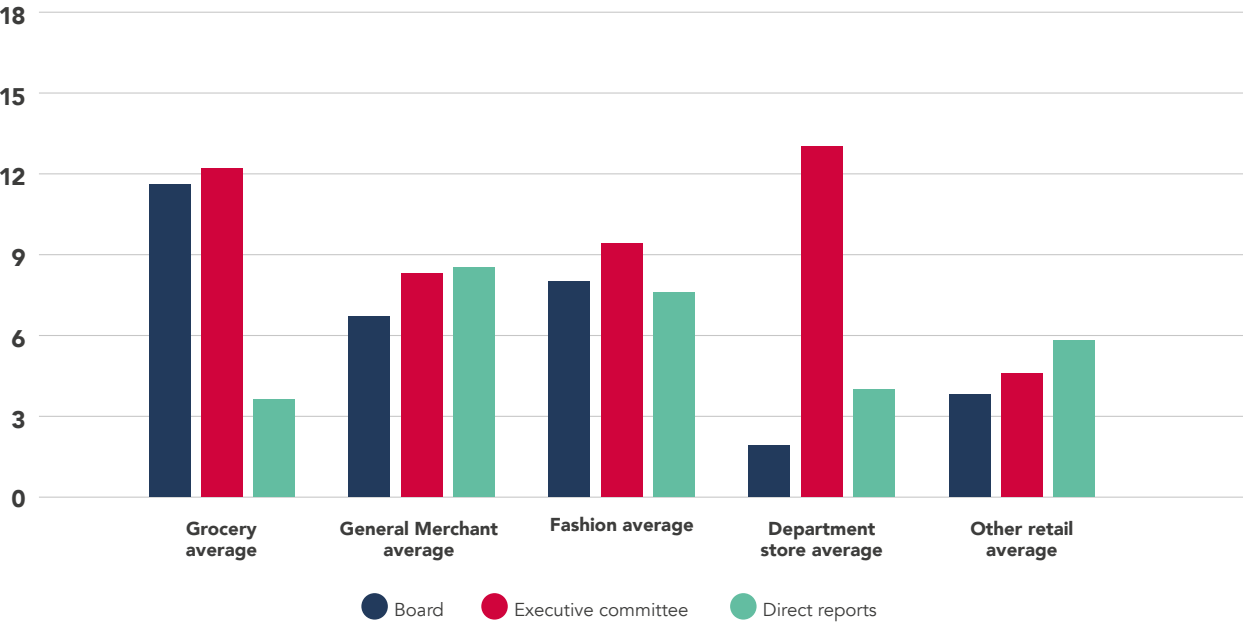
SUBSECTOR ANALYSIS

On ethnic and racial diversity, the grocery industry is leading the way, both on minority ethnic representation and engagement in the topic.

Our research found that ethnic minority representation on the Boards and executive committees of grocery businesses surpasses 11%. Positively, this almost reaches the 12.5% figure of working age people from an ethnic minority background in the UK. Moreover, grocers are the only businesses to have

established development programmes designed specifically for ethnic minority employees.

Grocery's success in driving up ethnic minority representation corresponds to a high public engagement in the topic of racial diversity. In the summer of 2020, for example, we saw a number of supermarkets making statements publicly denouncing racism, and at Christmas, major grocers broke protocol to run their adverts back-to-back during two primetime slots on Channel 4, with the hashtag #StandAgainstRacism.

RESPONDING TO BLACK LIVES MATTER

The conversation around race and ethnicity has been fast-tracked over the past year, with a sizeable majority of leaders telling us that the murder of George Floyd and the subsequent protests triggered a fundamental shift in how they think about ethnic diversity.

However, while many companies said that while discussions around ethnicity and race increased after George Floyd's death, 78% of retailers did not release a public statement for fear of coming under fire for saying the wrong thing, being too political or not having a diverse enough leadership team themselves.

By contrast, the chief people officer of one retailer – which is far along in its D&I journey – released a statement denouncing racism and told us that "there wasn't that much decision making to make because we're very clear what we stand for."

In some retailers, the rise of the BLM movement resulted in more detailed conversations around the lived experience of different ethnic minority communities. One HRD told us that BLM encouraged discussions around the lack of Black employees in their company.

NERVOUSNESS

Not all companies are turning their intentions into actions. In many organisations, there remains a distinct nervousness around discussing race and ethnicity, particularly around the 'right' language to use to discuss different ethnic and cultural groups.

FRANCHISE PARTNERS

In retailers that employ a franchise model, ethnic diversity tends to be high at a store level, but low in the head office. However, those retailers reported difficulty in gathering ethnicity data for its franchisees.

HEAD OFFICE LOCATION

For lots of businesses, head office location acts as a barrier to ethnic diversity. Where retailers are based in parts of the country with predominantly white residents, leadership

teams are often reflective of that region and are therefore low on ethnic diversity. Looking ahead, the rise of remote and flexible working could drive positive change here, allowing for ethnically diverse candidates to take up roles that otherwise wouldn't have suited because of the physical location of the head office.

DIVERSITY IN-STORE

Many retailers reported high levels of ethnic minority representation on the shop floor, especially in areas of the UK densely populated by ethnic minorities. Indeed, lots told us that some stores are staffed exclusively by members of one cultural community. While this is not diverse in and of itself, these instances do contribute to the overall diversity of the sector. Businesses should prioritise engaging these employee groups and bring them up to middle management level and beyond.

Examples of best practice

HIRING FOR ETHNIC DIVERSITY

- Many businesses are implementing targets – such as reaching 25% ethnic minority representation at graduate level.

- Others have partnered with organisations for internship programmes. One retailer, which is based in one of the most diverse regions of the UK, has joined up with two local universities to fast-track ethnically diverse student cohorts into its graduate scheme.

- Beyond measurable targets, one fashion business told us they had pivoted their hiring approach to look at potential rather than experience, in order to nurture and grow ethnic minority talent.

- Across the retail industry, there are very few Black leaders. More than one retailer told us that it has increased its number of Black senior leaders by hiring from adjacent industries like FMCG.

DEVELOPING EXISTING ETHNICALLY DIVERSE TALENT

- The most advanced policies include ethnically

diverse leadership development programmes. Often run by external organisations and facilitated by those from ethnic minorities, schemes like these are designed to accelerate the development of ethnic minority employees in a similar way to now-widespread female development programmes.

- External partnerships are very popular here, with retailers reporting signing the Race at Work charter and using L&D tools from Show Racism the Red Card or the BITC's Let's Talk About Race.

DRIVING INCLUSION

- On the largest scale, businesses are using agencies like the Clear Company to audit the entire business' culture and automate their HR systems to be fairer and more equitable, or pivoting their culture to be anti-racist.

- Many retailers have networking groups in place which ensure the corporate calendar is inclusive of all religious holidays.

- One specialist retailer has launched an annual 'scholarship' programme to encourage ethnic diversity right across the subsector. The programme is designed to sponsor up to 50 candidates from ethnically diverse backgrounds through an industry qualification. The course is free of charge for the candidate, and there is no obligation to join the business afterwards.

LGBTQ+

LGBTQ+ has historically received the most attention from corporates after gender and ethnicity.

According to the latest data from the Office of National Statistics, 5.4% of the UK population does not identify as being heterosexual. However, very few companies hold meaningful data on the LGBTQ+ makeup of their employees, and as a result, the proportion of LGBTQ+ leaders in the retail industry remains unknown.

To provide an indication, however, we asked if retailers could identify at least one visible LGBTQ+ leader within the top two levels.

The numbers

- 68% of D&I initiatives in the retail industry include LGBTQ+.

- 27% of retailers reported having at least one visible LGBTQ+ leader within the top two levels of executive leaders.

How does this compare?

While it is difficult to directly measure how sectors compare on LGBTQ+ representation, retailers appear more engaged in the topic than businesses in the adjacent consumer goods or hospitality, travel and leisure sector.

- 68% of D&I strategies in the retail industry include LGBTQ+, compared with just 41% in HTL businesses.

- 27% of retailers have at least one visible LGBTQ+ role model, which is on par with the consumer goods industry.

Lack of data is a barrier to progress

Though some companies have used surveys to help build a picture, there is really no reliable way to measure the sexual orientation of workforces or leadership teams in the retail sector. In some circumstances, trying to do so could be counter-productive from an inclusion point of view.

Moreover, where surveys are used, they often paint an incomplete picture. A Government Equalities Office (GEO) National LGBT survey highlighted that 70% of survey respondents avoid being open about their sexual orientation in certain settings and, in particular, 19% are not open about it in their workplace.

Nuances and challenges in retail

The difficulty to measure progress in LGBTQ+ diversity should not be an excuse for complacency. It is notable that in the Stonewall Top 100 Employers list of 2020, only one retailer is present: Sainsbury's. Despite the relative lack of retail companies on the list, Sainsbury's' inclusion (at number 71) speaks to the progress being made in the industry, as there were no retailers at all in 2019. We have learnt that minimal engagement in transgender issues is a key contributor to the lack of retail representation on the Stonewall Top 100 Employers list.

Unlike for gender or ethnicity, there are very few targeted development programmes or language sensitivity training courses for the wider workforce around LGBTQ+ issues.

Examples of best practice

- Many retailers celebrate Pride internally, and partnerships with Stonewall are common – one high street retailer said LGBTQ+ colleagues had the highest engagement rates in their voluntary survey as a result of initiatives like these.

- The HRD of one grocery business said they give transgender colleagues in the business the platform to role model by hosting events, and LGBTQ+ employee networks, forums and group chats provide a hub for the community.

Disability

Official figures show that 19% of the working age population in the UK is disabled, as defined by the Equality Act 2010. But like LGBTQ+, disability is an area of diversity where it is difficult to measure progress by looking at data.

Perhaps because of this, businesses have been slow to embrace disability as priority area. However, there has been a shift over the last year, with more organisations expanding their D&I policies to cover disability.

In retail, the approach to physical disability tends to be more reactive than proactive. Many leaders reported that disability diversity is only explored when sponsored by an individual – either someone who is disabled themselves, or is closely connected to a disabled person.

In a similar way to LGBTQ+, very few companies hold meaningful data on disability, so the proportion of disabled leaders in the retail industry remains unknown. To provide an indication, we asked if respondents could identify at least one physically disabled leader within the top two levels of executive leaders.

The numbers

- 50% of D&I strategies in the retail industry include disability.

- Just 7% of retailers reported having at least one disabled leader within the top two levels of executive leaders.

- Less than 1% of executive committee members are physically disabled.

How does this compare?

On disability representation, retail is falling behind its adjacent consumer-facing industries. In both consumer goods and hospitality, travel and leisure, 14% of companies can identify a visibly disabled leader, compared with 7% in the retail industry.

When it comes to D&I strategies, however, the retail industry is performing well: 50% of D&I policies cover disability in retail, compared with only around 25% in hospitality, travel and leisure.

Nuances and challenges in retail

There is work to be done to debunk the myth that retail is not accessible to those with disabilities.

We have detected a nervousness around the topic of disability. Unlike gender, with which leaders have grown comfortable discussing, people are hesitant to discuss disability for fear of saying the wrong thing or appearing ignorant. There is also uncertainty around language, with some organisations opting to use labels such as 'differently-abled' – which some argue distract from the systematic issues preventing people with disabilities progressing to senior leadership roles.

More than one retailer told us that it was waiting for the 'appropriate time' to focus on disability. These retailers – especially those with large warehouses and manufacturing capabilities – are delaying action until they have sufficient resources to fully adapt working conditions to cater for those with disabilities.

The shift to remote working has been a welcome change for some disabled people, but has presented significant challenges for others. For those with hearing or sight disabilities, for example, working all day via Microsoft Teams or Zoom can be more difficult than in an office environment.

MENTAL HEALTH

A significant 45% of retail companies have policies in place that cover mental health. While the general mental wellbeing of employees should not be considered as a facet of diversity, supporting employees with a mental illness is an important part of disability inclusion. Many retailers reported that awareness of mental health increased during Covid-19.

NEURODIVERSITY

In the last few years, increased attention has been paid to neurodiverse colleagues, such as those with autism, dyspraxia, dyslexia, ADHD or social anxiety disorders. The profiles sought by employers often inadvertently exclude neurodiverse people; however, embracing neurodiversity not only promotes an environment of inclusion but can also have significant commercial benefits. From an inclusion point of view, adjusting recruitment and career development policies, and making small workplace accommodations – like providing headphones to prevent auditory overstimulation – can go a long way to encourage belonging. Moreover, research has shown that neurodiverse people sometimes have higher-than-average abilities in areas like pattern recognition, memory and mathematics. Businesses which accommodate neurodiversity in their recruitment and working practices can unlock this value and reap the rewards.

Examples of best practices

- Disability-focused D&I strategies are often focused on opening up the conversation and removing the stigma attached to disability.

- Employee networks and listening forums have proved helpful in educating non-disabled staff on what does and doesn't work for them.

- The chief people officer of a specialist retailer told us that a disabled member of its management team had given a presentation to the Board and executive committee sharing their experience of being disabled in the workplace, and suggesting areas where the business could improve – which was game-changing in terms of leadership understanding of disability.

Social mobility

Retail is an industry where leaders have historically started out on the shop floor. Perhaps because of this, social mobility has emerged as a key area of focus. Progress on social mobility is often inextricably linked to progress on other areas of diversity, particularly minority ethnic representation. Indeed, one retailer told us that its social mobility-focused apprenticeship scheme is its biggest source of diversity across the Board.

The numbers

- 20% of D&I initiatives in the retail industry include social mobility.

How does this compare?

The retail industry is outperforming the hospitality, travel and leisure industry in this area. One in five retail businesses have D&I policies focused on social mobility, compared with 18% in the hospitality, travel and leisure sector.

However, only two retail companies feature on the Social Mobility Employer Index, which is otherwise dominated by legal and professional services firms.

Nuances and challenges in retail

The case has been made for socio-economic diversity in leadership teams – especially in retailers which market to a lower-income demographic. It was therefore interesting to hear one HRD identify a lower-income background as a key driver of success for leaders in their business. In this case, those who understand the needs of a lower-income consumer are better suited to make key decisions.

However, the retail industry is going through an extended period of transformation, which is impacting the profile of its leaders. As advances in technology make the retail industry a more nuanced and competitive space, leaders with degrees from elite universities or specific experience, or former management consultants, are being favoured over those who have risen through the ranks in retail. This is especially true in private equity-backed businesses.

Covid-19 has accelerated this trend, with businesses increasingly looking for those with experience in large-scale transformation, including digital transformation, who are less likely to come from the shop floor.

There is work to be done to encourage role modelling in social mobility. A few retailers noted that once leaders reach a certain seniority, they stop being seen by the workforce as role models or as examples of social mobility.

Moreover, some retailers told us that the leaders who started on the shop floor are often the most resistant to change, and can actually hinder progress on other areas of diversity.

At workforce level, the challenge remains for retailers to bring in talent from different socio-economic backgrounds. Most of the retailers embracing social mobility are doing so through apprenticeships schemes. Research from the Social Mobility Commission found that 92% of companies who run an apprenticeship scheme believe it led to a more motivated and satisfied workforce, while 80% reported higher retention rates.

Retailers also need to encourage and support candidates from lower-income backgrounds to apply for management positions, a task which is complicated by the relative lack of middle-management roles in the sector. Regardless,

identifying high-potential candidates early on in their career is an important step.

Applying a functional lens, marketing emerged as an area particularly lacking in social mobility. Broadly speaking, retailers told us that their marketing departments are dominated by white, middle-class employees.

Examples of best practice

HIRING FOR SOCIAL MOBILITY

- Many retailers develop apprenticeship schemes in partnership with schools, colleges and charities. The Prince's Trust, The Resolution Foundation and the government's Kickstart scheme were all mentioned by retailers as being useful partners.

- Some large retailers have apprenticeships in every function in the organisation to ease the challenging transition from shop floor to head office. One large retailer reported that it had 1,200 apprentices.

- One high street retailer has launched a work placement programme specifically for people leaving care.

NURTURING EXISTING TALENT

- One supermarket has launched career sessions and work experience placements for those working in hourly paid roles.

- Another has introduced a technology apprenticeship and committed to filling every role with someone already in retail operations.

Age

Retail is celebrated for being an industry that welcomes store colleagues of all ages.

Given the vast age range within the retail workforce, the industry is split on the specific areas of focus on age diversity: some retailers are working to encourage the development of young people, and others are focusing on inclusion among older employees.

By supporting and retaining young employees, businesses can unlock many other areas of diversity, such as ethnicity and social mobility.

The numbers

- 20% of D&I initiatives in the retail industry include age.

How does this compare?

The retail industry is outperforming the hospitality, travel and leisure industry in this area. Almost a quarter of retail businesses have D&I policies focused on age, compared to 18% in the hospitality, travel and leisure sector.

Nuances and challenges in retail

Similarly to gender diversity, the average age of a retailer's employee base tends to reflect the brand and product offering of the retailer. One specialist business prides itself on consciously hiring older shop floor staff who mirror its customer base and can offer better insights to customer. Moreover, some retailers noted that the average age of their shop floor employees was high in rural locations, but much lower in cities. Targeting an older workforce allows retailers to avoid the cost of high staff turnover, which is particularly a problem among 16 to 21-year-olds.

According to ONS data, retail is the single biggest employer for 22-29-year-olds, and according to Retail Appointment, a third of retail employees are under 25. As a result, retailers are paying close attention to the needs of younger employees, in particular, prioritising engaging their rosters of young employees on hourly contracts. These colleagues often represent a more ethnically and socially diverse talent pool than the one that graduate schemes attract. The challenge for retailers is how to hold on to these individuals, when many view their time in retail as a stop-gap before they move into a different sector.

The HRD of one supermarket told us that engaging its young, hourly-paid members of staff was a central priority, telling us that young people take leadership opportunities in retail more seriously, opting for a strategic approach rather than just practical.

However, the industry's historic pride in and reliance on its young employee base has been challenged in the last twelve months, with the impact of furlough programmes disproportionately felt by young people.

On the other hand, the focus for some retailers is promoting inclusion among older team members. One online business reported that age only became a part of their strategy when older colleagues reported feeling sidelined by the focus on other areas such as ethnicity. In particular, the business told us they had introduced workshops about age discrimination only when conversations around racism were accelerating, so as not to make other groups feel left out.

Examples of best practice

SUPPORTING YOUNG EMPLOYEES

- Several larger businesses have dedicated programmes to give accelerated training and management opportunities to their young store colleagues on hourly contracts.

- One business has announced plans to source all its future apprentices from within its existing workforce.

ENGAGING OLDER STAFF

- One specialist retailer gives 'long service awards' every five years. Aside from a monetary token, the Chair sends a personalised letter and phone call to assure every employee that their continued contribution is valued.

- Another retailer specifically targets older workers in its hiring strategies, with the view to reflect its customer base.

- More than one retail business holds focus groups for age diversity, where members can share experiences and discuss ways of avoiding age discrimination.

Impact of 2020

The past year has been the most turbulent and destructive period for the retail industry since the Second World War. While some businesses have boomed, lockdown restrictions have led to much pain and suffering for the industry with casualties on the horizon.

Against this backdrop, it is sad – but perhaps understandable – that diversity and inclusion has dropped down the list of corporate priorities. Across the sector:

- Strong female, ethnic minority and diverse role models have exited;

- Budgets to achieve D&I have been slashed;

- D&I has become less of a priority for the Board; and

- Businesses are not collecting the vital data needed to measure the impact of Covid-19 on their business' diversity.

Sadly, the full effect on diversity and inclusion is only just emerging, and the pandemic looks set to have a long-term negative impact.

Retail jobs lost

Over the course of 2020, more than 170,000 retail jobs were lost – with many of those coming from the shop floor. The high rate of female and ethnic minority representation at shop floor level has meant that these groups have been disproportionately affected by mass redundancies, which in turn sets back representation across the entire organisation as the pipeline collapses.

Exaggerating existing imbalances

At a more senior level, the impact of mass restructuring programmes and furlough schemes was felt unevenly in retail, with women being disproportionately impacted.

There are a number of reasons for this. In cases where businesses underwent mass restructures, the lack of female leaders in senior positions meant that more women were made redundant than men. A lack of women in certain functions – such as finance and operational leadership – further contributed to this imbalance. As traditional retailers were forced to pivot to ecommerce, warehousing and distribution staff – often predominantly men – were more in demand.

Another area which has disproportionately impacted women is around voluntary furlough, with more women than men requesting furlough due to childcare commitments.

Refreshing the Board

Covid-19 has fast-tracked conversations around the role of the non-executive Board, and many retailers are calling for Boards to be refreshed to reflect the new retail landscape.

Aside from obvious advancements in digital innovation, some argue that today's NEDs are no longer best placed to advise and guide their executives, having never experienced what it's like to be an executive during Covid-19.

For retailers, rebuilding the Board will provide a key opportunity to improve on diversity – as the NEDs available to take up first-time Board seats will likely be more diverse than the current cohort.

Flexible working

The lack of meaningful opportunities for flexible working has historically been an immoveable barrier to achieving diverse leadership teams in retail. While the flexibility of hours offered on the shop floor is often a key reason for entering the industry, the lack of flexible, remote or part-time opportunities in management means that employees with caring responsibilities frequently feel unable to apply for more senior positions.

However, the last few months have shown us all that remote and flexible working is effective and should no longer be a barrier to progression.

Nonetheless, businesses are not promoting flexible working at senior levels. Only 16% of retailers reported that someone on their executive committee works anything other than full time, and all but one of these examples are people who work five-day weeks compressed into four days, rather than true part-time roles. Additionally, many of those who work part time on an executive committee are in roles like company secretary or general counsel.

Very few retailers actively promote the fact that they have senior leaders who work flexibly and/or part time – and there are few visible role models for the industry as a whole. Moreover, those role models who do exist are almost exclusively female.

Looking at executive committee and direct reports combined, 36% of retailers confirmed they have at least one member of their executive committee or direct reports who works anything other than traditional hours.

Establishing flexible working policies as the norm will be central to changing the perception that a career in the retail industry is not available to those with caring responsibilities.

In terms of remote working, most companies in our research reported that they don't intend to go back to 100% office working, even if they had no remote infrastructure before. This could drive significant change in the industry, opening the door for more diverse appointments. Indeed, 32% of businesses interviewed said remote working would allow them to broaden their talent pool. This is especially pertinent for businesses based outside of major cities, where the location of the head office can be a barrier to securing ethnically diverse candidates. The people director of one national business said head office staff would be able to use their local stores as a workspace, and another is adding 'Home' as a base location to everyone's contracts.

However, not all businesses share this enthusiasm for remote working. Many senior leaders in retail are increasingly worried about the impact of the 'always on' culture bred by working from home, especially as Covid-19 has made it very difficult to be working at anything other than 100%. Remote onboarding – particularly for junior employees – has also proved challenging.

Building back better

There are opportunities to capitalise on the disruption from Covid-19. Where businesses have undergone mass restructures, there is a chance to rebuild with diversity and inclusion at front of mind, by prioritising women and other diverse candidates.

The employee voice

On the right track or falling short? What do retail employees think about progress on diversity and inclusion?

It is clear that diversity and inclusion has been moving up the corporate agenda in the UK retail industry. But are employees feeling the benefit? Can everyone brings their true selves to work, or is advancement still confined to representation at the top levels?

To find out, PwC surveyed more than 1,000 people working at all levels of the retail industry below senior leadership. In a picture that combines important strides in some areas and frustration with the slow pace of change in others, we explore what diversity and inclusion looks like from the employee's point of view.

On behalf of PwC, Opinium surveyed 1,002 retail employees from 19 to 30 November 2020 – 33% from grocery stores, 20% from general merchants, 14% from fashion, apparel and footwear, 13% from department stores, 5% from digital-only retailers and 15% other types of retail business. The split between women and men was 50:50. 7% of participants identified as being from an ethnic minority. The participants came from all regions of the UK and included a cross section of workers across all job types and pay grades.

Retail employee voice survey snapshot

- Less than half of retail workers (49%) in our employee voice survey agree that diversity and inclusion are sufficiently high up their employers' agenda and only 18% strongly agree.

- More than two-thirds (68%) believe that their organisation's products/services cater to a diverse customer base, though only 26% strongly agree.

- Only around a half (51%) believe that their brand (for example, products) promotes inclusion and only 17% strongly agree.

- Only 35% of participants from ethnic minorities believe that their employer has taken all the steps necessary to protect their safety compared to 49% of white colleagues.

- 23% of participants from ethnic minorities have experienced or witnessed racism in their current workplace.

- 13% of women in our employee voice survey have experienced or witnessed sexual harassment and 14% gender discrimination in their current workplace.

- Only 34% of retail workers believe their organisation has responded well to the Black Lives Matter movement.

Treating diversity and inclusion as strategic priorities

Our employee voice survey raises questions about whether strategies have gained sufficient awareness or made a meaningful impact.

More than three-quarters of the retailers surveyed by MBS for this report (76%) have an diversity and inclusion strategy, while an additional 13% have one in the pipeline for 2021. This of course leaves 11% who don't.

However, less than half of the workers (49%) in our employee voice survey agree that diversity and inclusion are sufficiently high up their employers' agenda and only 18% strongly agree. Less than half (47%) agree that their business leaders communicate about diversity and inclusion and only 16% strongly agree. A further 34% neither agree nor disagree, suggesting that the message isn't getting across.

Retailers' abilities to deliver their diversity and inclusion strategy is undermined by the lack of available data highlighted in our employee voice survey. Only 20% of participants report that their employer collects information on workers' disabilities and 24% on their ethnicity. In relation to sexual orientation, this is even lower at 16%. When participants were asked whether their employer collects data in any of the areas of ethnicity, disability, sexual orientation or social mobility, only 30% said yes, though 40% didn't know. If diversity and inclusion were strategic imperatives on a par with sales or customer satisfaction, there would be regularly collected and visible data to support this.

In our view, there are significant benefits for retailers that do collect, track and analyse data on diversity and inclusion. This includes helping to gauge the diversity of the talent pipeline or inclusivity of products. This in turn improves their ability to identify issues in need of attention, pinpoint commercial opportunities and drive progress. With the impact of the pandemic still all around us, this data could be especially important in gauging whether some sections of the workforce are facing disproportionate rates of redundancy, reduced hours or other negative impacts.

Inclusion as a commercial imperative

As the responses from the companies surveyed by MBS for this report highlighted, retailers are increasingly focusing on creating a diverse leadership and inclusive workplace. But what about their customers?

As we explored in our 2019 report, *Are you missing millions?*, the commercial lens on inclusion is much less of a focus and businesses are paying the price. It's notable that less than half (44%) of the companies surveyed by MBS for this report use the customer/product lens as a way to improve diversity and inclusion. More than two-thirds of the participants in our employee voice survey (68%) believe that their organisation's products/services cater to a diverse customer base, though only 26% strongly agree. Moreover, the younger the employee, the less likely they are to agree.

Approaches to disability highlight the costs of failing to recognise inclusion's commercial as well as moral implications. Half of the companies surveyed for this report include physical disability within their diversity and inclusion strategy. Yet research indicates that three-quarters of disabled people and their families have left a shop because of poor customer service. With one in five working age adults in the UK having a disability, can retail businesses afford to lose this custom?

In our view, looking at diversity and inclusion through a commercial lens can help retail business to get closer to customers, tap into underserved markets and create offerings that are innovative and unique. Moreover, if diversity and inclusion are seen as a competitive differentiator within the organisation, they're more likely to be embedded into business strategy and the pace of progress will be stepped up.

From a brand and reputational perspective, diversity and inclusion are coming to be recognised as key influencers of consumer choice. In the same way that workers and consumers are gravitating towards sustainable businesses, they also favour inclusive companies. Yet only around a half of the participants in our employee voice survey (51%) believe that their brand (for example, products) promotes inclusion and only 17% strongly agree.

Reflecting customers and employees

Retail workforces are exceptionally diverse. But is this diversity reflected in the leadership team? How inclusive is the workplace?

There are some encouraging signs. At 32%, the proportion of women on executive committees in retail is above the 26.5% FTSE 350 cross-industry average reported by the 2020 Hampton-Alexander review, and fast approaching its 33% target.

However, people from ethnic minority backgrounds make up less than 6% of executive committees, compared to 13% of the UK population as a whole.

As we've already outlined, data is crucial in determining whether talent development and progression are sufficiently inclusive and, if not, what barriers need to be eliminated. Employees also need to believe that opportunities are open to all and that their potential can be fulfilled. Yet 46% of participants in our employee voice survey believe that they're overqualified for the work they do. In turn, 41% report that there's not much support or encouragement available for them to go for promotion. This rises to 47% among ethnic minority workers. In turn, 46% of workers with a child/children under 16 and 37% of 18-34-year-olds would be worried about a promotion because of family commitments, indicating the need for more family-friendly policies.

The impact of the pandemic has accelerated sector disruption. Several leading chains have closed for good. Many others are cutting staff and scaling back their bricks and mortar presence. Yet the training and development needed to come through this period of disruption appear to be lagging. Only 46% of participants in our employee voice survey believe they've had sufficient training in the last 12 months and only 13% strongly agree. The proportion who agrees falls to 39% among ethnic minority workers.

Related concerns centre on social mobility. Retail used to be one of the few sectors where many Board members had been able to work their way up from the shop floor. Yet many of the companies surveyed by MBS for this report acknowledge that these opportunities are diminishing as more and more Board members come with degrees from elite universities or are recruited from consultancies. The lack of priority afforded to social mobility is reflected in the fact that only 12% of participants in our employee voice survey report that their organisation collects data on it.

Treated fairly or unfairly

The Covid-19 pandemic has created significant upheaval and anxiety within many retail businesses. Many workers have spent long periods away from work as a result of the lockdowns. Many also fear losing their jobs as revenues within many businesses dip. Further challenges include the need to protect employees and customers from the risk of infection.

Why my experience of working during Covid-19 has been positive

"We've been lucky to have plenty of customers and are able to carry on, albeit a bit differently, but it's working well. We take orders over the phone and by email and do contactless deliveries."
Employee voice survey participant

While the impact of this upheaval has been felt across the workforce, studies show that in the economy as a whole, the pandemic has had a disproportionate impact on women, carers, workers with disabilities and workers from ethnic minorities. Contributing factors include the high proportion of such workers who are employed on insecure contract terms (e.g. 'zero hours') or in jobs at potentially heightened risk of exposure to the virus (e.g. cleaning or working on tills).

Why my experience of working during Covid-19 has been negative.

"I lost my job due to the pandemic. As a parent to two children, I couldn't be as flexible as my employer wanted."
Employee voice survey participant

Given the scale of the upheaval within retail, we wanted to find out whether Covid-19 has had a disproportionate impact on particular sections of the workforce. For example, are women more likely to lose out on working hours and pay than men? Do workers from ethnic minorities feel less protected than colleagues? If so, the sense that "we're all in this together" and the workforce cohesion that comes with this will soon slip away. And while decisions that disadvantage certain workers may not be the result of conscious discrimination, they could still stem from unconscious biases that have become ingrained within the organisation and its management.

Why my experience of working during Covid-19 has been positive.

"Being able to help others."
Employee voice survey participant

Encouragingly, our employee voice survey reveals that 69% of participants were still working at their companies when the research was carried out during November's second national lockdown. However, proportion still working drops among women (62%) and workers from ethnic minorities (59%).

Why my experience of working during Covid-19 has been negative.

"Customers will not abide by the rules of distancing or mask wearing."
Employee voice survey participant

"I don't feel that the staff's wellbeing is a top priority. The customer is being put first as they are spending the money."
Employee voice survey participant

Also encouraging is the fact that nearly two-thirds (64%) of participants in our employee voice survey have felt supported by their employer during Covid-19 (completely or somewhat), though only 31% feel completely supported. However, less than half of participants (46%) report that their working experience during the pandemic has been positive. Our employee voice survey also reveals a wide disparity between office workers (62% positive) and colleagues working in the store (37% positive).

Only 38% of participants in our employee voice survey report that their employer has put in place new working from home practices/policies since the start of the pandemic. However, most of these believe these practices/policies have taken their personal circumstances into account (76%).

"Insufficient provision for working from home. Insufficient provision for on-site safety. Increased workload in reduced hours. Increased work pressures detrimental to mental health."
Employee voice survey participant

Why my experience of working during Covid-19 has been positive.

"All procedures put in place regarding not only my safety, but the rest of the workforce as well as customers."
Employee voice survey participant

One of the most troubling findings in our employee voice survey is the fact that only 35% of participants from ethnic minorities believe that their employer has taken all the steps necessary to protect their safety compared to 49% of white colleagues. The need for appropriate protection and support is underlined by the fact that the risk of exposure at work is one of the possible reasons why ethnic minority communities have suffered worse health outcomes from Covid-19 than the population as a whole.

Calling out racism, harassment and discrimination

Racism, sexual harassment and other forms of abuse and discrimination continue to blight the lives of a significant proportion of Britain's workers.

We therefore wanted to find out how prevalent retail employees feel these problems are within their organisations and whether enough is being done to tackle them. With the Black Lives Matter movement having intensified the spotlight on inequality and discrimination, we also wanted to find out how retail organisations have responded.

The findings from our employee voice survey are worrying. Nearly one in four participants from ethnic minorities (23%) have experienced or witnessed racism in their current workplace.

Equally troubling are the 13% of women in our employee voice survey who've experienced or witnessed sexual harassment and 14% gender discrimination. Of the women who've experienced or witnessed discrimination or harassment, 60% report that this has come from management, followed by 45% from colleagues and 35% from customers. One in ten of all participants have experienced or witnessed disability discrimination. Among workers aged 18-34, 32% have experienced or witnessed sexual harassment, 33% gender discrimination, 30% racism, 31% age discrimination and 26% disability discrimination.

90% of the retailers surveyed by MBS for this report with a diversity and inclusion strategy have ethnicity/race as an area of focus. Over 60% (62%) report that they've increased internal discussions around ethnicity following the Black Lives Matter protests. However, this has made little or no difference to employees. Nearly a third of in the participant in our employee voice survey (32%) report that their organisation had conversations about racism in the workplace before the protests. But this hasn't increased since. Only 15% report that their organisation has introduced training courses in response to the Black Lives Matter movement. Only 34% believe their organisation has responded well to the Black Lives Matter movement.

The way forward

As retail businesses strive to get through this difficult period, diversity and inclusion might appear like second order priorities, In fact, they're critical.

Diversity and inclusion can help to strengthen product appeal by improving the organisation's ability to understand and connect with customers. They can also help businesses to engage more closely with their workforces at a time when they need all their employees' insight and support in areas such as managing social distancing.

These are the five priorities our work with clients highlights as critical in driving progress and harnessing the commercial potential of diversity and inclusion:

1/ Align with business strategy

Treating diversity and inclusion as business critical is the starting point for progress. Organisations can then build them into the fundamentals of strategic management, not just talent selection and progression, but also business planning, marketing and operational management.

Priorities include ensuring that diversity and inclusion are on the business planning agenda from the outset. This would be supported by

diverse customer data and key performance indicators (KPIs) to inform decision making, track performance and drive improvement and innovation. For example, how much data does the business have on what disabled people want from them and does this highlight any gaps in service this highlights? How are they responding to this data? Do they have the people who can relate to these customer experiences and develop strategies around them?

There will continue to be difficult decisions ahead, including the possibility of further redundancies and reduced hours. Clear data in areas such as the impact of these measures on different groups within the workforce can help to ensure that everyone is being treated fairly. Data can also help to inform a proactive approach to redeployment and reskilling that reduces job losses and maintains a diverse talent pipeline within the organisation.

2/ Get closer to customers

Retail is an industry that touches almost everyone's lives and in which success is all about understanding customers' tastes and delivering a compelling experience. This is also a market where customer expectations are shifting and becoming more complex all the time. Examples range from the demand for omnichannel service to the growing focus on sustainability and ethical sourcing.

Boosting diversity and inclusion helps businesses to truly connect with customers by creating a workforce, leadership and culture that reflects and better understands the people they serve in all their diversity. Inclusion can also help bring in people with fresh ideas and experiences and foster a culture that enables creativity and innovation to thrive.

It's therefore important to consider what more the business could do to create the leadership pipelines and role models that can boost diversity within senior management. And a key part of this is having the strategic impetus and associated data and executive accountability needed to drive real movement.

3/ Build inclusion into the brand

Clarify brand priorities from an inclusion perspective. This includes articulating what is and isn't acceptable – for example in how women are portrayed in the business' advertising. It's critical to live by these brand values, from expectations for suppliers and agencies through to the performance objectives and incentives for sales and marketing teams. It's also important to collect data on how the organisation is perceived, whether this aligns with its values and the impact on its brand and customer advocacy.

4/ Get it out in the open

Encouraging people to speak out is essential in raising awareness about discrimination and tackling issues within the organisation. Both Covid-19 and Black Lives Matter can be catalysts for greater openness. Clearly, some people may not feel comfortable about raising concerns. When people are worried about their jobs, they may be even more wary about speaking out. Networks for disabled workers, workers from ethnic minorities and other potentially marginalised or vulnerable groups can therefore help to provide a forum for sharing experiences and give people collective confidence in putting forward their views and concerns. In turn, role models and allies within management can promote understanding, solidarity and advocacy.

5/ Recognise that some workers may need extra support

Many employees may be facing additional challenges in areas such as juggling work and caring responsibilities. They may also face multiple risks, with higher vulnerability to sickness, childcare issues and possible loss of work. Talk to staff regularly, including all the people on furlough or working from home. Check on their welfare and what support they need.

A challenge to the industry

Empowering retailers to successfully transform on diversity and inclusion

Over the past year, the BRC has worked with its members to deliver a strategy for better jobs which focuses on the industry's D&I performance.

Following a series of member roundtables to gather and share initiatives, the BRC has established the Better Jobs D&I Charter, a set of pledges agreed by retailers across the industry, all of which are committed to prioritising diversity and inclusion as they emerge from Covid-19.

Retail is the largest UK private employer and, through nearly 200,000 separate enterprises, it provides more than three million jobs. As the industry transforms, and with it the nature of retail jobs, the need for those jobs to be more productive, higher paid, fit for the future and more rewarding for the retail workforce is vital for the industry's success.

As part of the BRC's Better Jobs vision, we also want retail to be seen as a career of choice, that the industry offers opportunities for progression and employees are satisfied in their roles. Creating opportunities for progression and development is key to moving people out of entry level roles and enabling them to achieve their potential, recognising that everyone in the workforce is unique and brings their own individual strengths and perspectives. The retail workforce represents different age groups, socio-economic backgrounds, faiths and beliefs. To maximise the benefits of our workplace diversity, we must embed an inclusive culture where everyone feels comfortable voicing their own opinions and ideas. Everyone, whether from a currently underrepresented group or not, has a role to play.

For leaders to understand its importance, the value of D&I needs to be tangibly understood. Diversity goes beyond demographic diversity (ethnicity and gender) to cover other areas such as cognitive diversity (education, social backgrounds and personality).

While D&I is often viewed as a single concept, taking a more granular approach is particularly beneficial. Workplace diversity is really about creating a respectful, inclusive work environment in which every employee has the opportunity to make a meaningful contribution to their business' vision and goals.

Over the past year, the BRC has worked with its members to develop and deliver a strategy for Better Jobs which focuses on the industry's D&I performance. Meanwhile external attention has continued to build in this area. The expected forthcoming requirement to report on ethnicity pay in the same way as gender is a good example of the Government's focus in this area.

The Government and a range of interested parties have also taken a growing interest in the quality of work, expected to be the focus of the upcoming Employment Bill.

By collaborating with expert insight and sharing good practice, we aim to empower retailers to successfully transform what they do and how they do it, helping the retail industry to ensure it attracts and retains the best talent and develop a vitally important diverse talent pipeline.

Better Jobs dashboard

The Better Jobs dashboard has been tracking progress on key issues such as productivity, pay, engagement and employment since its inception. In the face of industry transformation, it is important to understand how the rapid pace of change is affecting those working in the industry. Recognising that data, or the lack thereof, presents the biggest barrier to measuring metrics on D&I across the retail workforce, it is important that businesses come together to address this challenge and understand both the significance of collecting data on workforce characteristics and how to use this data positively.

The BRC D&I Charter

To consider the most effective drivers of change, the BRC convened a series of member roundtables to gather and share initiatives. The outputs from these sessions identified some effective interventions and tools to promote and assist all members, irrespective of where they are on their journey.

The BRC drafted a D&I Charter containing a set of pledges for members to commit to implement in their businesses. Committing to these pledges will demonstrate the industry's commitment to making material progress on creating a diverse workforce and enabling them to become more inclusive employers.

The D&I Charter recognises the value of transparency; retailers from across the industry have agreed to transparency in their recruitment

processes, demonstrating their commitment to reduce inequality in their workforce and look at the whole employment journey to understand and address any barriers to progression.

The BRC Better Jobs D&I Charter

1 Our CEO will be accountable for diversity and inclusion in our business and will appoint an executive with ownership for D&I

2 We will ensure there is no bias in the recruitment process and will undertake a transparent process of audit

3 We will take positive action that supports open career opportunity and progression and will undertake a transparent process of audit

4 We commit to contributing data on our diversity in the workplace which will feed in to the BRC Better Jobs dashboard

5 We commit to creating a respectful, inclusive work environment within which every employee has the opportunity to make a meaningful contribution to the company's vision and values

6 We believe supporting equity in the workplace is the responsibility of all line managers

Diversity and inclusion in practice

How leading retail companies are turning their intention into action

In this section we present six case studies, taken from retailers of varying sizes and at different stages of their D&I journey. They cover vital topics, including data collection and hiring for diversity, and provide practical examples of how to foster an inclusive environment in the workplace and overcome common challenges.

Hayley Tatum

Chief People Officer, Asda

Has D&I always been a priority for Asda?

Between us and our parent company Walmart in the US, we've had clear and ambitious plans for improving gender representation for a long time. Until a few years ago, however, that was as far as it went – it was clear we needed to do more to support and celebrate other underrepresented groups. We were still in that embryonic period when we set up our five 'strands': gender, ethnicity, age, LGBTQ+ and disability, which we later separated into physical disability, and mental health and wellbeing. Since then, we've laid out a more pointed strategy to force change in particular areas, with each strand appointed an executive sponsor and a colleague resource group. It's become so much broader than a 'talent agenda' – we look at diversity, inclusion, equity and belonging as cornerstones of our culture.

How do you think retail specifically lends itself to D&I?

Social mobility is the bread and butter of what retail – and particularly grocery retail – does. So many colleagues join us for a convenient part-time job at school or college, and quickly progress. Some love their experience so much that they never leave!

Which areas are the hardest to get balanced gender representation? Why do you think that is?

Logistics and supply can be really male-dominated, and though store management is starting to change, it's a slow burn. At entry level we have more women than men, but as you go up the organisation the balance drops off at store manager level. Our stores are open 24/7 which carries a certain traditionality, so we're working hard to disprove the stereotype that store management isn't conducive to part-time or flexible hours – but it's a stubborn preconception to shake off. The pandemic has been a portal into the future for flexible working, dispelling presenteeism and proving that some of the beliefs and restrictions holding us back from participating previously are disappearing.

A common problem for business looking to do more on D&I is a lack of data. How did you go about gathering more information on your workforce?

At Asda, we track 'all-male leadership spines' – that is, the proportion of people in different areas of the business who only see men above them in their direct chain of command. That allows us to identify which functions are suffering from a lack of female role models, and which have a healthy mix. Our goal is to disrupt the pipeline; to proactively reduce the number of colleagues who report into a male store manager, a male senior director, a male VP etcetera. At the end of the day, though, you can have all the data in the world – what matters is what you do with it. We started picking out random anonymised employee numbers and tracking their history at Asda to see what real career progression looks like, behind all the talk. It's helped us question assumptions and views which I'm not sure we would have done otherwise.

Once HR have the data and start to act on it, how do you communicate those messages to the entire workforce? What's the best way to hear them out?

After the Black Lives Matter protests, every VP at Asda held listening groups – we hosted 72 in July alone. The goal was to get into those uncomfortable conversations we'd maybe been uncertain to provoke in the past – we wanted to move away from a policy of "we don't condone" towards the more powerful and actionable stance of "we reject". We ran a series of sessions on allyship for National Inclusion Week last September, explaining the basics of what prejudice and privilege are. We felt it was all about starting a conversation: we launched an Instagram campaign for Black History Month where colleagues gave simple tips on how to avoid microaggressions, things as simple as what to do when you see an unfamiliar first name on a name badge.

Mark Adlestone, OBE DL

Chairman, Beaverbrooks

Your MD, Anna Blackburn, is one of a handful of female leaders in UK retail. What does having her at the helm mean for the business?

Our MD has been with us since 1998 when she came up through our management development programme, and we're all the stronger for it. Our workforce is predominantly female, so Anna understands what it's like on the shop floor because she's been there herself. She took on the role when she had two children under five, so figuring out work life balance was top of the priority list and this is something Anna actively promotes today.

Flexible working is obviously role modelled from the top at Beaverbrooks. Has that always been the case?

We first started flexible working 20 years ago when we were approached by a store manager returning from maternity leave. One in three Beaverbrooks colleagues have been with the company for 10 years or more and we believe this is because of our people-centric approach, our family values and our focus on making Beaverbrooks an exceptional workplace. We take a unique approach to flexible working by limiting policies and instead being open to bespoke approaches to an individual's circumstances.

We've always given our colleagues the option to work from home on certain days (long before Covid!) as we believe the more we trust and invest in our people, the more they will invest in the business.

We actively encourage people to return to work after maternity/paternity leave, adapting flexible working patterns where we can to ensure a positive work life balance. One example is ensuring all parents get to attend nativity plays, despite Christmas being a pivotal trading period for us, as we understand how important this is.

Where does that trusting philosophy originally come from?

Trust is one of Beaverbrooks' five key values (passion, integrity, caring, trust and fairness) which, along with our business purpose of 'Enriching Lives,' is set out in a document we call The Beaverbrooks Way. Beginning life as a mission statement in 1998, The Beaverbrooks Way has since evolved through feedback from our people. Today, it defines how things are done at Beaverbrooks. It's a company ethos by which all decisions are made within which everyone in the business works.

We are very proud of our core values and strong company culture; and are delighted to have been recognised in The Sunday Times' Best Companies to Work for list for 18 consecutive years.

As a family business, how have you approached D&I?

Because we have such clearly defined core values that have been at the heart of the brand for 102 years, and are deeply invested in and value each of our 960 colleagues, we naively believed that this was enough.

The atrocious murder of George Floyd in 2020 prompted us to look further within ourselves and review our efforts. We've been holding focus groups for 25 years, but in summer 2020 we invited colleagues from across the business to hear ideas and opinions of how we can improve diversity and inclusivity within the business.

We've recently set up a diversity and inclusivity committee who meet monthly and are responsible for developing a diversity and inclusivity strategy at Beaverbrooks and ensuring our commitment is communicated and supported throughout the business.

We've also pledged our support to Black and minority ethnic jewellers and silversmiths. We're a proud partner of the MasterPeace Academy – the UK's first culturally relevant jewellery academy.

We acknowledge that there's no quick fix when it comes to diversity and inclusivity; the real fix must be long-term and requires sustained commitment and we're working together as a brand to achieve this. For us, it's about understanding that each individual is unique, recognising our differences and celebrating people for who they are.

How do you manage to translate your family values into a workspace where everyone feels included?

We believe that a collaborative and inclusive culture is key to business success. Each year Anna and I send over 100 personalised letters and phone calls to recognise and celebrate long service. Anna hosts a series of focus groups every year to hear from different people across the business, and in 2020 we received our highest response rate yet (92%) for the Best Companies To Work For survey. Feedback from colleagues is that our people feel valued and listened to, knowing they are genuinely contributing to the direction of the business. We also use Yammer to encourage teamwork and greater collaboration across our 72 stores and office – it's a great platform for our people to share ideas and best practice.

Sarah Miles

CEO, Feelunique.com

Feelunique is your first CEO role. What were your top priorities when you joined?

I set up an I&D panel as soon as I started. We went out into the business and asked for voluntary data on a range of protected characteristics to lay the groundwork for a strategy, and fortunately the response rate was strong. Measuring that data against the UK working population as a whole mattered to us – it's not just about percentages of BAME employees, but rather considering the challenges and representation of each ethnic group. We've devised targets and a set of actions designed to move us forward on them.

What's your main takeaway from establishing an D&I agenda within the business?

Education is everything – people need to know what they don't know. It's informed a lot of work around our internal comms more generally, as we set up channels to share and celebrate diversity of thought, cultural events, knowledge and books. As a senior woman in retail I have strong opinions about what battles women face in business, but I know to defer to experts in other areas of I&D to help me lead the conversation. I wanted to lead an organic and open-minded group, where people can take it off in the directions they feel passionate about and talk about their experiences to a receptive audience. It's never easy, particularly around language, but that teaching is critical.

You've been accommodating flexible working since before the pandemic. How has that worked in the business?

We have a lot of flexibility in terms of how people work – whether that be school hours from 7am-3.30pm, or full-time hours in four days. Lower down the organisation we have job shares too. From a remote working perspective, our CTO lives in Australia with four direct reports in the UK. We're used to dialling in remotely – we capitalise on the overlap and schedule meetings for the morning, UK time. If we ever have tech issues, it works in our favour; he works while we're asleep!

What positive impacts has flexible working had at Feelunique?

Traditionally, our business is segmented across three geographies in the UK, each of which hosts a slightly different demographic. Marketing and buying are based in London, which tends to attract a younger, more diverse – and more transitory – workforce. On the other hand, our tech team and call centre in Jersey are populated with a slightly older population local to the area, while our finance team is based in Northampton. Covid-19, however, has cracked open a whole new world of opportunities in terms of where people are based – we put in working from home infrastructure very quickly, and people were really energised. It's definitely smoothed some of our previous sticking points around inter-office communication.

Have there been any negatives? What are your predictions for the future of how we work?

As the months of working from home dragged on, productivity seemed to be fraying. It's harder to get stuck into the strategic and cultural topics beyond the day-to-day to-do lists from home, and monitoring mental health became a challenge. Some people clearly loved the flexibility on childcare and commuting that working from home affords you, while others found it harder to engage remotely. Ultimately, while I don't think we'll ever go back to every member of staff spending every day in the office, the social, onboarding and educational aspects of work are best done in person. I hope for a future where every individual can create a bespoke work pattern that takes their personal circumstances and professional strengths into account.

Kendra Moffatt

Senior Inclusion & Engagement Manager, Superdrug

Whose responsibility is D&I on a day-to-day basis?

In 2019, we created a purpose-built role – a Senior Inclusion & Engagement Manager. We'd had inclusion in our people strategy for a couple of years previously, alongside our employee networks, but we realised that if we wanted to achieve more, we would have to dedicate someone to drive the initiatives forward. Our six employee networks each have a lead and an executive sponsor, and it's the inclusion manager's job to fit all the pieces together under the wider I&D strategy, alongside initiatives such as training and recruitment processes.

Superdrug is only one of two retailers, alongside Co-op, in the Social Mobility Employer Index of the best 75 companies for social mobility in the UK.

How do you target and celebrate people from all social backgrounds?

One of our core networks, Access All Areas, is dedicated to social mobility. Our apprenticeship programme has been running for 13 years, which is something we pride ourselves on: retail should be an environment where we can really play a part in social mobility. 70% of our apprentices move into team leader roles, many of whom are now moving up to store manager roles. We take apprentices straight after GCSEs, so they have the accelerated opportunity to achieve a lot by a young age. And outside of our apprenticeship programme we know that many people start their careers in retail from a Saturday role but find they love it and can see how broad the opportunities are and how much support there is to get the role they want. In 2020 we started to track social mobility data for individuals on our development programmes, so we can ensure we're getting the right mix of diversity rising up through our cohorts.

How important is role modelling when it comes to showcasing social mobility at Superdrug?

It's really important to us: retail is a great career and there are so many opportunities. As it stands, five out of six of our regional general managers have been store managers with us, and one of our directors started as a Saturday boy aged 15! It's worth remembering though, that even the most socially mobile senior leaders who've 'made it' may not resonate with teenagers who are just starting out. That's why our internal promotion target is 70%: the more people you can see move up the ranks, the more you will believe it for yourself.

Store management positions are often less attractive to women, who fear that the role is a 24/7 commitment. Is flexible working something you've considered?

Flexible working has always been on our radar – our network encouraging work-life balance, Make Work Work, was created a few years ago with parents and carers in mind. Of course, field roles don't translate as easily to working from home as head office roles, but there are absolutely examples of senior operations colleagues making work work for them. One area manager does his admin from home one day a week so he can help with the school run for example – it's refreshing.

Last year, we rolled out flexible working and job design training. We had some really interesting examples from our field-based area managers about the situations that would have seemed insurmountable in 2019, but that they had been forced to reconsider and solve laterally during the pandemic. Now, we know that you don't need a store manager, an assistant manager and a full team of store colleagues in every single store at every minute of the day – we're trying to break that 'always on' culture.

How do you go about connecting the senior team with those voices on the ground?

We host listening groups which provide us with a consistent platform to listen to our colleagues' challenges, suggestions and ideas. We've also held conferences with employee panels and ran masterclasses on specific inclusion subjects.

It's our role to understand that certain groups of people experience unique challenges in the working world that we may not have had to face. Between Superdrug and Savers there are 16,000 colleagues over 1,300 stores, so the challenge is making sure our store colleagues and head office communities are equally behind our vision.
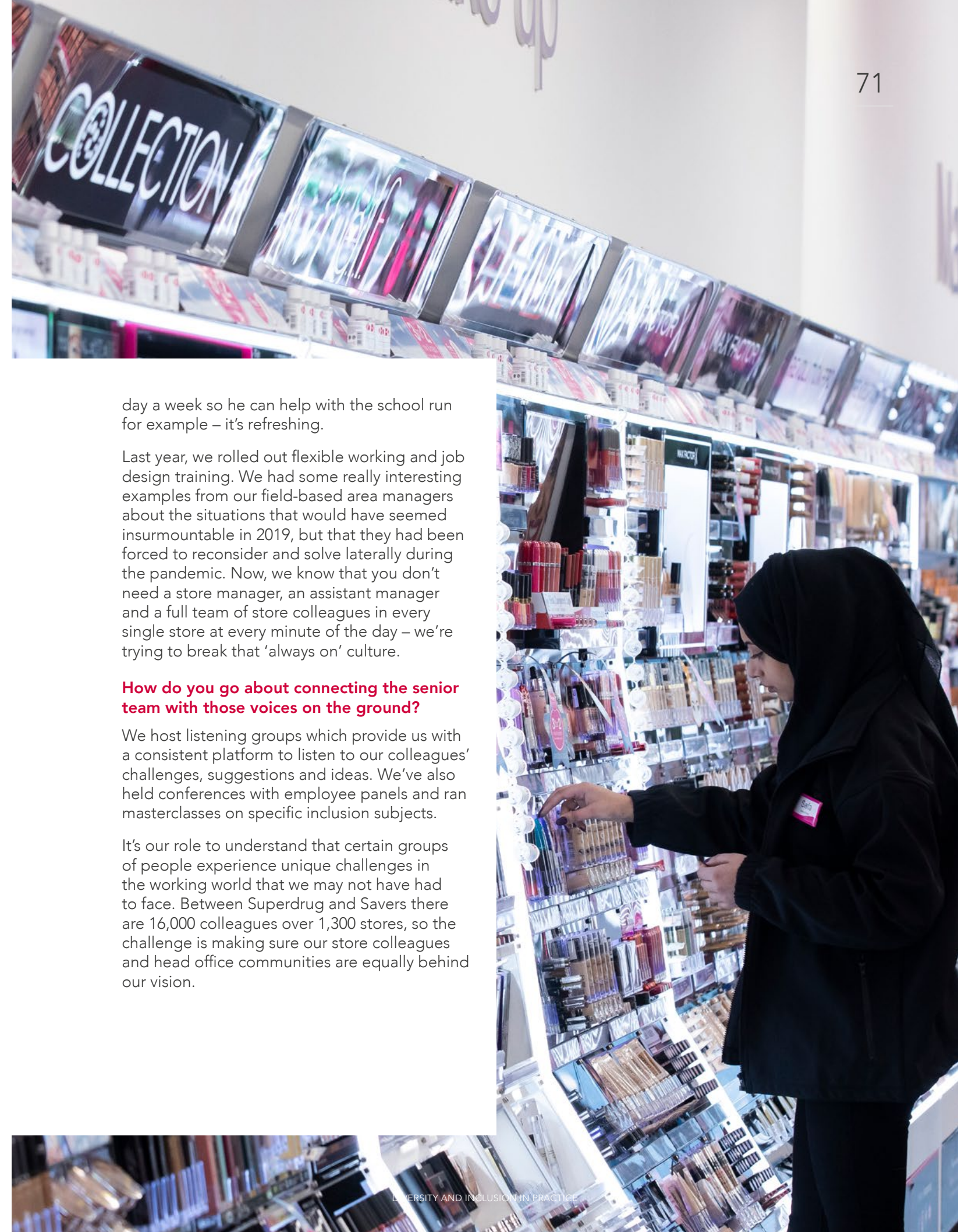
David Wood

CEO, Wickes

There's a stereotype that women may not be interested in careers at home improvement retailers. In your experience, has that proved true?

At Wickes there is a place for everyone and we thrive on creating a space that allows our colleagues to be their authentic selves. Our Balance for Better workstream is committed to creating a workplace where colleagues can reach their full potential by having access to the same opportunities.

We value diverse communities as they challenge our way of thinking, pushing us to evolve and establish policies that represent our people. With five active inclusive workstreams, the secret to making them successful is the people: the fact they are diverse and inclusive themselves ultimately creates a driving force for change.

We have always believed our best kept secret is our culture and this is by and large down to being a diverse home improvement retailer. We are proud to have been recognised for this in The Financial Times' 2021 Diversity Leaders, ranking as a top 10 UK retailer for D&I.

Wickes have been supporting the LGBTQ+ community for a while. When did you decide to make that a priority?

Well over five years ago. It started off as a grassroots movement with LGBTQ+ initiatives celebrating the traits and characteristics that make people unique, and since has continued to evolve and be led by our people, creating a positive environment of pride, fairness, accessibility, balance and wellbeing.

The Wickes Board and I each sponsor a workstream to support them in flourishing and most importantly for us to become more educated on the topic we are sponsoring. This includes reverse mentoring and coaching, which leads to regular discussions and listening groups at the Board table, keeping all topics front of mind such as how it feels to be a BAME colleague at Wickes and to put pressure on the system for change.

The entire business is involved in the conversation, with our Ally programmes set to educate the workforce on how to support their colleagues. Our partnerships with independent organisations such as Business Disability Forum and Stonewall also hold us to account and provide independent expertise to balance the focus and follow best practice.

How do you keep up momentum around D&I over the last year with people having to work differently?

As an essential retailer our shops and distribution centres have continued to run as normal, which translates to over 95% of our colleagues turning up to work to serve customers every day. Our lean support office team are working remotely, but this hasn't stopped the team from keeping up the D&I spirit at Wickes.

We have continued to commit to the investment for each workstream, giving them the freedom to support and develop a regular beat of activity that educates and celebrates their ambitions with everyone at Wickes and ensuring the important subjects are recognised.

There have been a number of innovative ways that our colleague-led workstreams have kept the entire team engaged, from a virtual film inclusion festival to a virtual panel event with external speakers in celebration of Black History Month. To support in keeping the conversation alive our Google Forums, weekly newsletters and monthly Town Halls all feature regular content for the team to engage with.

Mental wellbeing has come to the fore during the last year. Have you done anything to check in with colleagues?

The wellbeing of the Wickes team is our number one priority and through the great help of the Wellbeing network and each other, we continue to create a supportive and caring environment.

It is encouraging to have over 350 leaders and line managers Mental Health First Aid trained to support 8000 colleagues to thrive in the workplace. Since the start of the pandemic we have conducted regular check-in surveys with the team to understand how they are feeling and what more we can do to support.

This last year has very much highlighted the importance of taking a moment for ourselves. To help colleagues, we introduced the Music Diet programme which focuses on how to use neuroscience and music to reboot your own mental wellbeing and included access to virtual DJ, guitar and neurobics workshops. And we also closed our doors over the festive period so our colleagues could have a well-deserved break.

Tea Colaianni

Non-executive director, Watches of Switzerland

Founder and Chair of WiHTL – Diversity in Hospitality, Travel and Leisure and Diversity in Retail

Why is diversity and inclusion important to you and how did you come about making the pursuit of inclusive cultures your purpose?

Over my 25+ year career I have often been the only woman or one of two women on many Boards. I have had to find my voice and learn how to use it in male-dominated work environments. It is not easy or comfortable to be in the underrepresented group, to work your way around well-established ways of working and share a perspective that is different from the rest because of your language, culture, skin colour, country of origin or other characteristics.

I have always been passionate about supporting other women on their way up, sharing my own experience with others and choosing to challenge archaic ways of hiring, engaging and developing people that consciously or unconsciously left some groups out.

When I left my role as group HRD at Merlin Entertainments five years ago, I felt a sense of duty and responsibility to create solutions that work and make a tangible difference. I started by engaging with CEOs, CPOs and other C-suite executives to make inclusive cultures work for all in their organisations, encouraging them to share and learn from each other and advocating for our senior leaders to do more, be brave and use their platform to drive meaningful change, thereby raising the bar for the industry as a whole.

It was a conversation with Keith Barr, CEO at InterContinental Hotels Group, who said that "as an industry we should not compete when it comes to diversity, but we must collaborate instead", that inspired me to create the WiHTL Collaboration Community. The Community now positively impacts over 2.2 million employees globally across hospitality, travel and leisure with advocacy and collaboration at its core. McDonald's, Hilton, IHG, Deliveroo, Airbnb and Virgin Atlantic amongst others are incredibly engaged members of the WiHTL Community focusing on gender and race and ethnicity, where the principles of inclusive leadership and a culture where people feel like they belong apply to LGBTQ+, age, religion, social mobility, disability and more.

I am really excited about the impact we can have when we work together in this area and fundamentally I believe no single company can make progress on its own; collaboration is the way forward. Progress made within the hospitality industry makes me very confident that the same depth of collaboration and impact can be achieved within the framework of Diversity in Retail, which is the sister project of WiHTL. John Lewis, WH Smith, Wickes and Watches of Switzerland have already joined the Diversity in Retail Community, with an ambitious mission to make a positive difference to 1 million people by 2025.

What are the insights and learnings you can share from your experience of engaging on the inclusion agenda with so many brands across hospitality and retail?

I would highlight five specific areas of insight:

1 There must be genuine commitment from the top of the organisation to make a difference, to have courageous conversations, to approach D&I as one would deal with any other strategic business issue with a business case, clear accountability, specific targets and resources allocated to make things happen at pace. If that commitment is not there, your employees, customers and shareholders will be unforgiving.

2 Sharing and learning from each other and co-creating solutions has a multiplier effect that benefit the industry as a whole.

3 Being on the inclusion journey is a success in its own right whether your organisation is at the very beginning of the journey or quite sophisticated in its methodology and outcomes. In 2021 it is not acceptable not to be on the inclusion journey at all.

4 Involving all employees is crucial in driving organisational change. Everybody needs to feel they are part of the solution and have a say. Employee resource groups can play an important part in this, but everybody needs to be 'inclusionist'.

5 Multiple studies have found that 'merit' is often used as a tool to reinforce the status quo, maintain existing power dynamics and perpetuate exclusionary practices. Review your diversity policy and ensure that diversity is not a secondary criterion subordinate to criteria that reinforce past practices and resist change.

www.wihtl.com
www.diversityinretail.com

Data appendix

GENDER

Level	Hampton-Alexander review target	Retail	FTSE 100	HTL	Consumer goods
Board	33%	32.6%	36.2%	28.9%	27.6%
Executive Committee	33%	32.0%	26.5%	27.2%	22.2%
Direct reports	33%	37.5%	31.2%	37.7%	35.9%

Position	% of which female in UK retail	% of which male in UK retail
CEO (including divisionals)	9.6%	90.4%
CEO (excluding divisionals)	6.3%	93.7%
CFO	11.4%	88.6%
Chair	4.3%	95.7%
All three of CEO, CFO and Chair	0%	69.3%
Overall retail workforce	64.3%	35.7%

ETHNICITY

Level	Hampton-Alexander review target	Retail	FTSE 100	HTL	Consumer goods
Board	12.5%	4.5%	3.6%	6.4%	11.4%
Executive Committee	12.5%	5.8%	8.3%	3.4%	5.7%
Direct reports	12.5%	6.0%		4.8%	7.1%

Action	% of retail businesses
Tracking ethnicity data	33%
Increasing conversations around race after the Black Lives Matter movement	62%
External statement on BLM	22%

LGBTQ+

	Retail	HTL	Consumer goods
% of businesses that could identify LGBTQ+ leader(s) among executive committee and direct reports	27%	39%	27%

DISABILITY

	Retail	HTL	Consumer goods
% of businesses that could identify physically disabled leader(s) among executive committee and direct reports	7%	14%	31%

FLEXIBLE WORKING

	% of retail businesses
Someone on executive committee works something other than full-time	16%
Someone in wider senior leadership works something other than full-time	36%

	Retail	Hospitality, travel and leisure	Consumer goods
Percentage of companies with coordinated D&I policies	89%	80%	45%
Of those companies, the percentage that cover…			
Gender	100%	100%	
Ethnicity	90%	24%	
LGBTQ+	68%	41%	
Social mobility	20%	18%	
Physical disability	50%	24%	
Age	23%	18%	
Care responsibilities	30%	6%	

THE EMPLOYEE VOICE

Organisational perceptions

Only 49% of retail workers in the employee voice survey agree that diversity and inclusion are sufficiently high up their employers' agenda

Only 30% of retail workers in the employee voice survey report that their employer collects data in any of the areas of ethnicity, disability, sexual orientation or social mobility

68% of retail workers in the employee voice survey believe that their organisation's products/services cater to a diverse customer base

51% of retail workers in the employee voice survey believe that their brand (e.g. products) promotes inclusion

Pandemic experiences

64% of retail workers in the employee voice survey have felt supported by their employer during Covid-19 (completely or somewhat)

46% of retail workers in the employee voice survey report that their working experience during the pandemic has been positive

Only 35% of retail workers from ethnic minorities in the employee voice survey believe that their employer has taken all the steps necessary to protect their safety compared to 49% of white colleagues

Racism, harassment and discrimination

23% of retail workers from ethnic minorities in the employee voice survey have experienced or witnessed racism in their current workplace

13% of women in the employee voice survey have experienced or witnessed sexual harassment and 14% gender discrimination in their current workplace

Black Lives Matter

Only 34% of retail workers in the employee voice survey believe their organisation has responded well to the Black Lives Matter movement

Further reading

Diversity is the solution, not a problem to solve
https://www.pwc.co.uk/industries/financial-services/insights/diversity-is-the-solution-not-a-problem-to-solve.html

Comeback to HTL by WiHTL
www.comebacktohtl.com

Are you missing millions?
https://www.pwc.co.uk/human-resource-services/assets/pdfs/are-you-missing-millions.pdf

Hampton-Alexander Review: FTSE women leaders (2021)
https://ftsewomenleaders.com/

Why diversity matters (2015)
https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters

Delivering through diversity (2018)
https://www.mckinsey.com/business-functions/organization/our-insights/delivering-through-diversity

Diversity wins: How inclusion Matters
https://www.mckinsey.com/featured-insights/diversity-and-inclusion/diversity-wins-how-inclusion-matters

From Intention to Action: Diversity in Hospitality, Travel & Leisure – An in-depth report from WiHTL, The MBS Group and PwC
https://www.thembsgroup.co.uk/wp-content/uploads/2020/02/WiHTL-Annual-Report-From-Intention-to-Action-2020-Edition.pdf

Diversity in Food and Grocery: an in-depth report from The MBS Group, IGD and in association with PwC
https://www.thembsgroup.co.uk/wp-content/uploads/2019/11/397402-MBS-Group-%E2%80%93-Diversity-in-Grocery-Brochure.pdf

Neurodiversity at Work – CIPD in collaboration with Uptimize
https://www.cipd.co.uk/Images/neurodiversity-at-work_2018_tcm18-37852.pdf

About us

About the British Retail Consortium

The BRC's purpose is to make a positive difference to the retail industry and the customers it serves, today and in the future.

Retail is an exciting, dynamic and diverse industry which is going through a period of profound change. The BRC is committed to ensuring the industry thrives through this period of transformation. We tell the story of retail, work with our members to drive positive change and use our expertise and influence to create an economic and policy environment that enables retail businesses to thrive and consumers to benefit. Our membership comprises over 5,000 businesses delivering £180bn of retail sales and employing over one and half million employees. For more information, visit: **www.brc.org.uk**
Twitter: **@the_brc**

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 155 countries with over 284,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at **www.pwc.com**
Twitter: **@PwC_UK**

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About The MBS Group

For more than 30 years, The MBS Group has been a leading sector-specialist executive search firm advising all consumer-facing industries, with a particular focus on the retail sector. Clients consider us to be the partner of choice when searching for critical leadership roles that make a difference. We work at board level and on executive positions across all functions of strategic importance. For more information, visit **www.thembsgroup.co.uk**
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