The Need for Diversity in the Retail Industry

The last two years have thrown the state of organizational diversity and inclusion into a frenzy. Social uprisings against systemic racial injustice created an unparalleled sense of urgency, sending corporate boards and executive leaders scrambling to respond in meaningful ways. A special onus has been placed on the retail industry, where the need for innovation and the will of the consumer inevitably cross paths.

Across all industries, organizations have made a series of missteps in attempting to respond to these social demands—in spite of their best intentions. They continue to display a lack of understanding that they have played a role in shaping and maintaining the conditions that have given rise to demands for diversity and inclusion.

Achieving diversity and social equity requires organizations to undertake a critical examination of their practices and culture. Simply hiring or placing a handful of existing employees of color into visible roles to signify a commitment to diversity and inclusion—a process commonly known as virtue signaling—is ineffectual, and it subjects companies to intense scrutiny. Superficial efforts of this type have produced no meaningful increase in racial diversity amongst Fortune 500 leadership over the last 30 years.

So how can retail organizations that genuinely want to embody social equity and inclusion achieve their goals? To answer that, let's examine the real business case for pursuing diversity in retail as well as examples of organizations that are doing it the right way.

Why Pursue Organizational Diversity in Retail?

Companies with wider diversity generate almost half of their revenue from newer and more innovative products and services—compared to just 26% for less diverse companies. Many similar studies point to the fact that diverse groups of people significantly outperform groups with no diversity. This kind of data has influenced many organizations to look at the makeup of their leadership teams and workforce, which in turn has led to more diverse hiring to boost their bottom line.

McKinsey & Company agrees with this thinking. According to a more recent study, five years of data collection have yielded "…a strong connection between diversity in company leadership and the likelihood of financial outperformance." It also appears that companies that land in the top quartile for gender diversity are 25% more likely to outperform those in the bottom quartile. Plus, companies that perform similarly in ethnic diversity are 36% more likely to outperform less diverse competitors. This research includes an astounding 1,000 companies spread across 15 countries, all but eradicating any lingering doubt about the value of diversity.

The more immediate reason to pursue diversity in retail is simply the will of today's consumer. The same McKinsey piece breaks down just how much people expect from brands in regard to aligning with their beliefs—for retailers that don't take action on racial equity, diversity, and inclusion, the cost is getting higher and higher. Even so, when looking at the leadership diversity among retail and consumer companies, it is clear that there is much more work to do, largely because most diversity initiatives begin and end with the aforementioned practice of virtue signaling.

From Diversity to Inclusion: A Primer

To be clear, visible diversity *does* have value. It is an outward, tangible sign that sends a clear message to all stakeholders and reinforces a company's values. But even to achieve this, companies have to go about recruiting and hiring differently. That means going beyond their usual networks of talent, being open to atypical or cross-functional career paths, and re-addressing their remote work or relocation policies.

This last point is often overlooked: if a company is located in a city or region that lacks diversity, its less likely they'll be able to attract diverse talent that wants to work for them. As [McKinsey](#) points out, in fast-growing U.S. cities, there are fewer than 1 in 10 Black workers, while slow-growth markets often have an overrepresentation. Even in more diverse regions, there's the challenge of unequal access to transit due to historically segregated geography. When retailers seek to expand their geographic footprint, it's imperative they go beyond an analysis of the labor market makeup and evaluate accessibility for all potential employees. If, on the other hand, leaders are looking to relocate talent to their existing offices, they must understand that the challenges of settling in and assimilating to a new town look different for families of color. In some scenarios, a strong remote work policy that allows diverse candidates to live where they prefer is going to be more beneficial.

Regardless, diversity does not end there. Once company leaders understand *why* they're seeking organizational diversity, they must begin to set goals that lead directly to true inclusion.

[McKinsey](#) defines inclusion as "the degree to which an individual feels that their authentic selves are welcomed at work, enabling them to contribute in a meaningful and deliberate manner." According to the study, this feeling of inclusion stems from four factors:

1. A diverse leadership team that makes employees feel they belong.
2. A culture of meritocracy in which performance reviews and opportunities for advancement are based on merit.
3. A system of sponsorship through which employees can rely on a specific colleague to go to bat for them, especially in the realm of career advancement.
4. Meaningful interactions with senior leaders that cultivate a sense of belonging.

It all comes down to creating a profoundly accessible environment for every single employee. Each person should have equal access to opportunities, resources and tools, compensation and benefits, and programs and channels of communication.

Modern-Day Champions of Diversity in Retail

During my career with Slayton Search Partners, I've been fortunate to meet and interview some very talented individuals who are getting real diversity results in the retail space. Let's take a look at some of the philosophies and strategies that these leaders have implemented.

PetSmart

For some time now, PetSmart has enjoyed a reputation as a company for which DE&I is a central pillar to organizational culture. In speaking with J.K. Symancyk, the company's CEO, he attributed that success to belonging. PetSmart is committed to making sure every associate feels like they belong and can be the best version of themselves. He also mentioned that PetSmart has the kind of culture and team that not only creates an environment for inclusion, but really celebrates it and brings out the best in everyone.

PetSmart's leadership team looks different today than it did four or five years ago. Having leaders who reflect the associate population makes a difference when it comes to recruitment. It really does come down to having a leadership team that is diverse enough to make employees from all backgrounds feel represented.

In 2020 the Human Rights Campaign Foundation's Corporate Equality Index gave PetSmart a score of 90%. Within the LGBTQ community, PetSmart has a very active associate resource group called Pride at Work (PAW), which works to not only increase awareness, but promote inclusion.

Lowe's

Janice Dupré has served as the Executive Vice President of Human Resources at Lowe's since 2017. In that brief time, representation amongst executives of color has increased by 400% while increasing by 300% amongst women (without regard to ethnicity). Janice credits this success to having buy-in at the very top with the company's board and CEO. This is significant: If an organization doesn't have buy-in there, establishing diversity is an uphill battle.

In Janice's own words: "If our talent acquisition does not source for diversity and all we have is very consistent-looking candidates; and if our merchandising organization doesn't feel compelled to source suppliers with a lens of diversity and opportunity, then it doesn't work."

She went on to explain that business insights and data relating to DE&I must be in the hands of leaders who understand where the problems sit in order to address the problem.

The good news, according to Janice, is that diversity begets diversity. Once your organization becomes more diverse, it starts to build upon itself. Everyone looking to establish real diversity at their retail organization can benefit from this sterling example. When you talk about a company and their DE&I strategy, it's not just what Lowe's is saying—it's actually what the company is doing.

Still Progress to be Made

Janice believes that this is just the beginning for diversity in retail, and I'm inclined to agree with her. Furthering the cause of DE&I requires the continued transfer of knowledge so that other people in positions of power can own and advance the cause. Consumers are already onboard for the most part, so crafting the business case for board members and those in the C-suite is critical.

Furthermore, all companies—beyond just retail—must take a deep look at the systemic infrastructures, processes, and values ingrained in their corporate cultures to understand how they empower or inhibit inclusion and accessibility. Doing so will require internal audits, surveys, interviews, and analysis. Where they find shortcomings, they will need to consider redesigning their company culture and building new infrastructures and initiatives that better promote diversity and inclusion. Then, and only then, will they have gone above and beyond "doing the right thing" and be able to genuinely say they equally value every person who walks through their doors.