MAKING DIVERSITY AND INCLUSION A BUSINESS REALITY

AutoTrader

ENNIS&CO

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INTRODUCTION

Welcome to this diversity and inclusion (D&I) report from executive search specialists Ennis & Co. and digital automotive marketplace Auto Trader. Over the following pages we intend to provide a fresh and up-to-date view of D&I within the automotive industry; how it's perceived, how it's managed, whether it's understood and, most importantly, how a commitment to D&I can be a driver for positive change.

We'll share brand new insight based on independent research, conducted by the Engage Group, a leading research agency, as well as the opinions and guidance from some of the leading industry HR directors, managing directors and chief executives, who joined us for a one-day collaborative seminar in June, hosted in partnership by Ennis & Co. and Auto Trader and supported by Auto Retail Network.

If you'd like to join the conversation, just follow **#diversityinauto on Twitter**.

'A successful D&I strategy can increase profits. It's achievable and your business could start making the changes to deliver it today.'

Al Clarke, Ennis & Co

01

AN ESTABLISHED CONCEPT, A NEW PRIORITY

Diversity and inclusion in the workplace is far from a new concept. In one shape or another it's been discussed and considered in boardrooms for decades. However, with a few exceptions in our industry, it's typically sat towards the bottom of the list of business priorities. As we'll come to explore in this report, D&I is an issue that can no longer be ignored – it's not simply vital from a social and cultural perspective, but there's a critical business need for it too.

That was clearly illustrated in a recent report from McKinsey & Company[1] which highlighted that companies in the top quartile for gender or racial and ethnic diversity are more likely to have financial returns above their national industry medians. Whereas companies in the bottom quartile in these dimensions are statistically less likely to achieve above average returns.

Indeed, the research pointed to a clear linear relationship between racial and ethnic diversity and improved financial performance. In the UK, for every 10% increase in diversity on the senior executive team, earnings before interest and taxes rose 3.5%.

That report looked at diversity across all sectors, however the detrimental impact of a weak D&I culture seems particularly acute in the automotive industry.

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of women visiting a dealership noticed there were very few, if any female staff or salespeople

A greater challenge for automotive?

Despite the rapid pace of change we've seen in the industry over the last decade, the focus on D&I hasn't kept up. A non-diverse workforce is clearly having a profound impact on not only the culture of our businesses, but our bottom lines too.

Women form a significant and growing proportion of the car market. Female car ownership reached a record level of 11.8 million vehicles in 2017, and according to the DVLA the number of women car owners is growing faster than men. The number of female registered owners of cars has increased by 66% since 1996, compared with an increase of only 23% in male keepers. Yet despite this, 76% of female drivers surveyed in a recent study by Auto Trader[2] don't believe that car brands currently understand women's car buying needs .

The research found that hyper-masculine marketing and advertising resulted in 87% of UK car buyers feeling disconnected from automotive brands. In fact, 65% of the 2,000 car buyers interviewed said they found gender stereotypes in car advertising off-putting. The study found that the major contributing factor behind poor experiences of the automotive industry is a lack of gender diversity, not only in senior roles making key decisions, but also at the coal face in dealerships. Over a third (35%) of women who visited a dealership noticed there were very few, if any, female salespeople or staff.

This lack of diversity left 13% of women finding the in-store experience an uncomfortable one and, staggeringly, 94% of women said they don't trust car dealerships. It's not surprising either; a quarter (25%) of women felt that sales staff made presumptions about what they were looking for, compared to just 7% of men, and more than twice as many women (11% vs 5%) felt they were talked down to. Most alarmingly, 15% of women said that the salesperson didn't acknowledge them at all and only talked to the man.

Our industry is currently facing unprecedented challenges, not least the consumer uncertainty around Brexit and the ongoing demonisation of diesel. With 40% of women stating that greater diversity would create a better in-dealership experience for them, the industry must recognise that in today's challenging market a meaningful D&I strategy should be as much a priority as any other business issue, if not more.

1. Diversity Matters, McKinsey & Company, 2018

2. Auto Trader research conducted by OnePoll in April 2018

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HAPPY COLLEAGUES = HAPPY CUSTOMERS = HAPPY PROFITS

The traditional pool for recruitment is shrinking and staff retention is becoming more difficult, resulting in a high staff turnover, which has a major impact on the stability of a business. As organisations look to increase margins, they're overlooking the people in front of them who can make a difference.

A diverse and inclusive team has been proven to be a happier and more stable team. That extends from the ground level right up to the top. At the highest levels, we also see that boards that have embraced diversity and inclusion within their own ranks make better business decisions, more of the time, more quickly. Quite simply, a diverse workforce provides a more diverse approach, a more diverse outlook, and a more diverse understanding, all of which is critical in an industry as fast evolving as ours.

Of course, D&I is a broad issue that covers much more than gender diversity. It also covers more than simply looking at recruiting within different age groups or recruiting those with a disability, from an ethnic minority, or a less traditional skill set. D&I needs to be an all-encompassing recruitment and engagement strategy which also looks to understand how employees work together and the impact and importance of the environment in which they work. D&I is as much about making your colleagues happy, as it is your customers. Flexible working hours, equal opportunities, benefits and conditions regardless of gender, age, ethnicity, religion or physical or mental ability, are all fundamental to a successful D&I strategy.

By ignoring D&I, businesses are at risk of not only missing out on the best talent (and therefore exposing themselves to a commercial risk that will inevitably impact on the bottom line), but also wider benefits such as a positive impact on culture, vibrancy and relevancy in our fast-changing world.

To quote Sharon Ashcroft, HR Director at TrustFord, one of the UK's largest retail groups:

"We follow a simple mantra: 'happy colleagues = happy customers = happy profits' and without a proper commitment to D&I, happy colleagues simply wouldn't be possible."
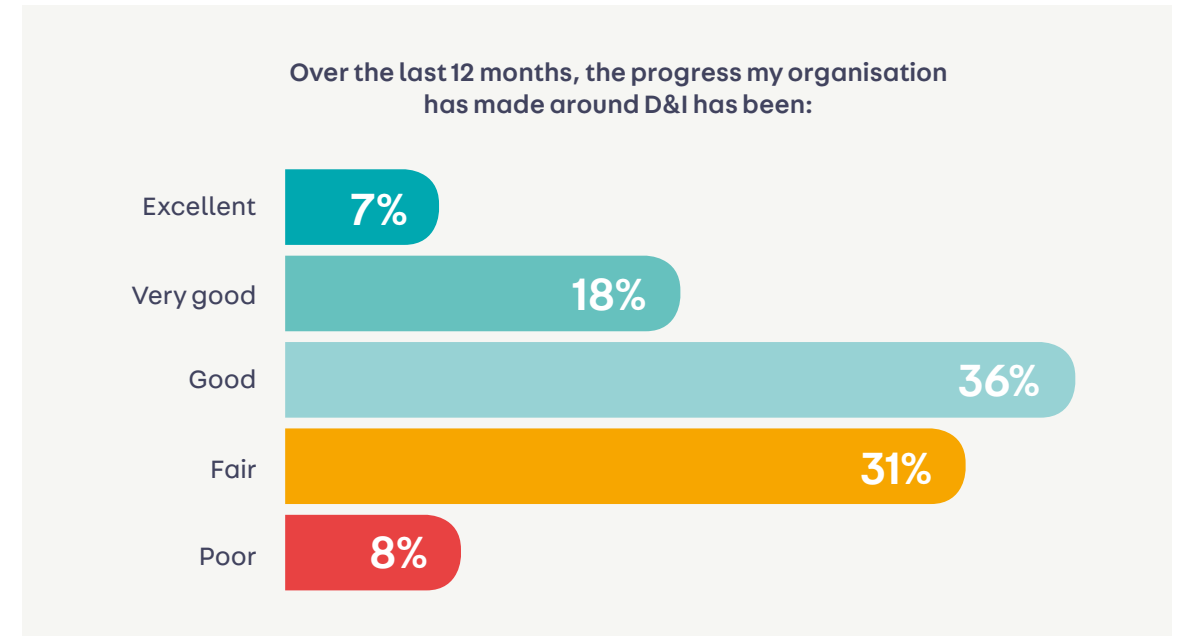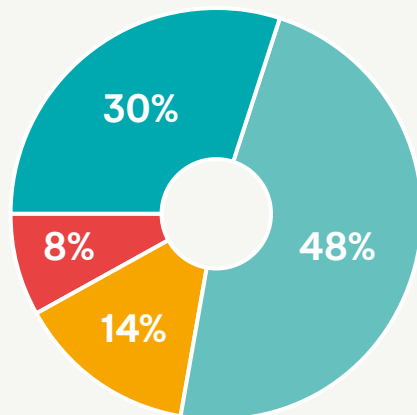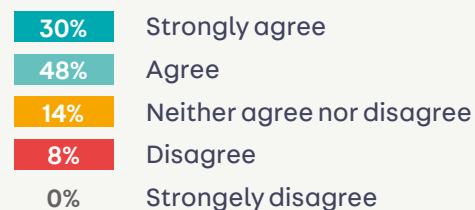
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AUTOMOTIVE D&I IN PRACTICE

In 2017, Ennis & Co. commissioned a research agency, the Engage Group to conduct extensive research to explore pervading attitudes to D&I within the UK automotive sector and to benchmark it against other sectors. An online, confidential survey was completed by 75 senior executives (including HR directors, managing directors and chief executives) closely involved in D&I within their respective organisations from within and outside the automotive industry.

The results offer a snapshot of how organisations are translating this complex issue into actionable policies,

and it highlights the need for a re-evaluation of how to take diversity and inclusion to the next stage in its evolution – where its commercial value becomes an integral part of business performance.

Perhaps not surprisingly given the universal drive to embrace D&I in the workplace, the vast majority of respondents said that this issue was a priority for their organisation. But did that translate into meaningful efforts to embrace a culture of D&I, was there commitment across the board, and was it driving positive impacts on their business? And if not, why not?

The Executive/Senior Leadership team of my organisation demonstrates a commitment to creating an inclusive environment:

30%	Strongly agree
48%	Agree
14%	Neither agree nor disagree
8%	Disagree
0%	Strongely disagree

30% 48% 8% 14%

Over the last 12 months, the progress my organisation has made around D&I has been:

Excellent	7%
Very good	18%
Good	36%
Fair	31%
Poor	8%

Certainly, there was evidence of support for creating a more inclusive working environment at all organisation levels. Over three quarters (78%) of those questioned either agreed or strongly agreed that their executive/ senior leadership team demonstrated commitment. But although none strongly disagreed, 8% of respondents did disagree.

Senior executives believed there was a strong commitment to D&I among their employees, with 83% either agreeing or strongly agreeing that this was the case. Nobody either disagreed or strongly disagreed.

Asked what progress they felt they had made around D&I in the last 12 months, the overall opinion points to a certain level of change. Just over half (54%) rated their progress as good or very good, and a further 7% said their progress was excellent. But there has not been a universal step forward. Almost a third (31%) could only describe their progress as fair, and 8% said it was poor. It is clear then that further action is needed, and D&I is very much a work in progress.

'We need to bring people in who can think creatively, think differently, think innovatively, and we can only do that by having the most diverse employee population we can.'
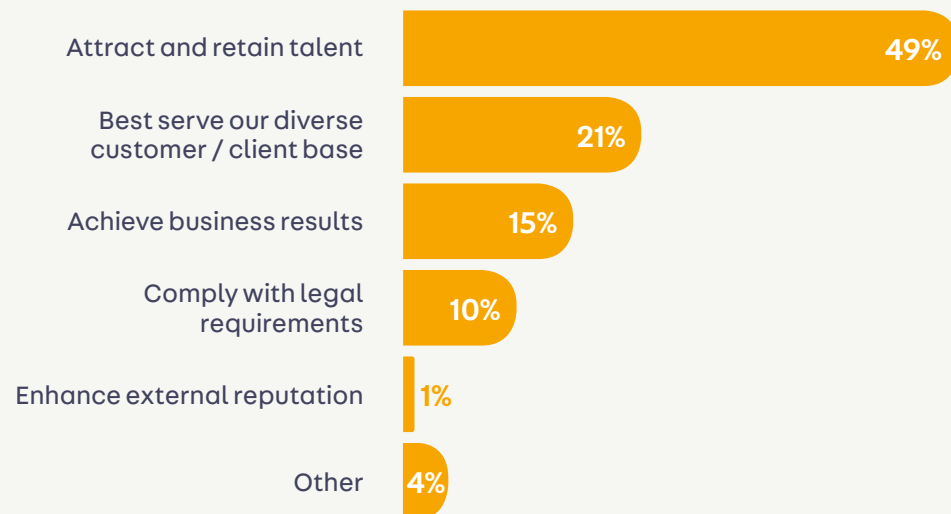
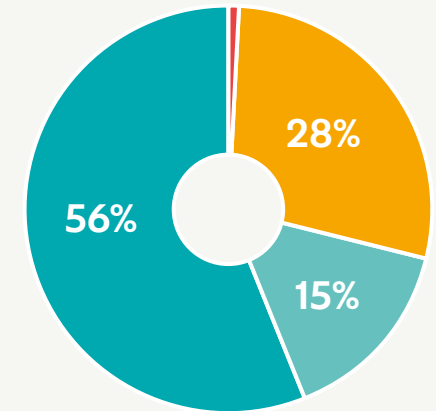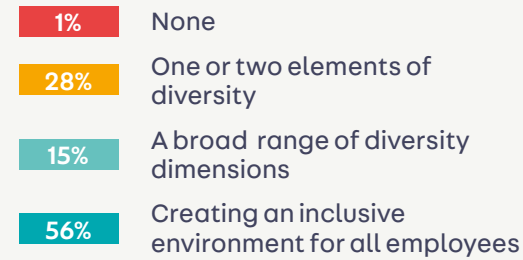*Penny Burnett, HR Director, Volkswagen Group UK*

The research went on to question respondents about the primary objectives of their D&I efforts, and this provides useful insight into the motivating factors behind their activities. For almost half (49%) of those surveyed, attracting and retaining talent is the number one goal. Some 21% see it as beneficial to serving a diverse customer/client base. But only 15% believe it is integral to achieving business results.

49%

of those surveyed said attracting and retaining talent is the number one D&I goal

The primary objective of my organisation's D&I approach is to:

- Attract and retain talent — **49%**
- Best serve our diverse customer / client base — **21%**
- Achieve business results — **15%**
- Comply with legal requirements — **10%**
- Enhance external reputation — **1%**
- Other — **4%**

D&I at my organisation has a stong focus on:

- **1%** None
- **28%** One or two elements of diversity
- **15%** A broad range of diversity dimensions
- **56%** Creating an inclusive environment for all employees

Narrow focus

Given the breadth of issues associated with D&I, including: age, disability, ethnicity, gender, religion and sexual orientation; there remains a surprisingly narrow focus in terms of activity that organisations are employing in their policies and programmes. Over half (56%) of respondents are concentrating their efforts on 'creating an inclusive environment for all employees.' Some 28% are looking at one or two areas of diversity but only 15% could say that they were focused on a broad range.
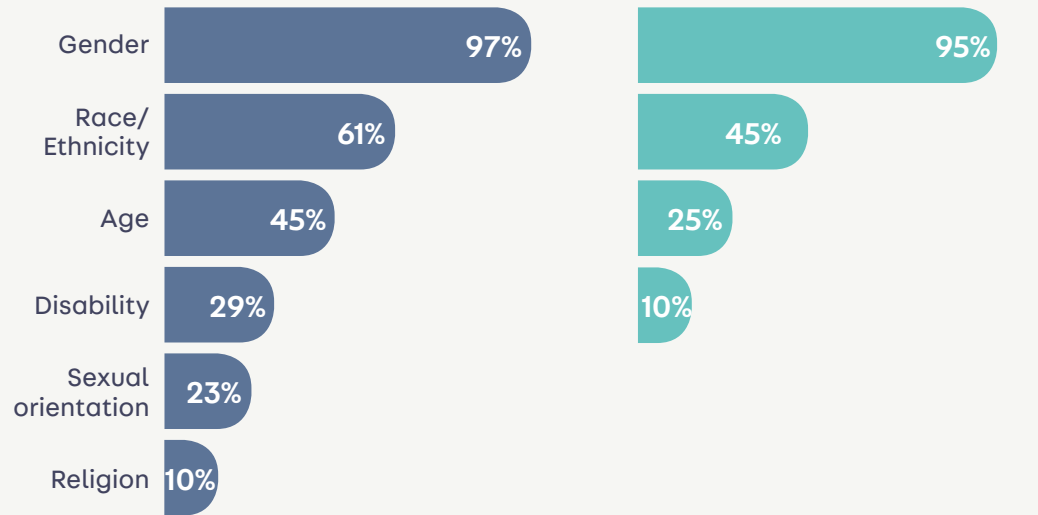
And in terms of which elements were of the most concern, gender was by far the standout, with 97% of organisations with a multi-dimension focus citing this, and 95% of businesses with a one or two-dimensional focus. Ethnicity and age completed the top three areas of focus, but it was disappointing to see other important aspects of D&I such as disability and religion receiving very little focus.

There is also quite a narrow focus in terms of the top activities being employed to boost D&I within a business, given the extensive list of activities that organisations have at their disposal. Some 93% of businesses cited flexible working policies and practices, while 71% said they monitored

71%

of employers said they monitored and reported on the diversity make-up of their employees

Which elements of D&I are the focus?

Base: organisations with a multi-dimension focus

- Gender — 97%
- Race/Ethnicity — 61%
- Age — 45%
- Disability — 29%
- Sexual orientation — 23%
- Religion — 10%

Base: organisations with a focus on one or two dimensions

- Gender — 95%
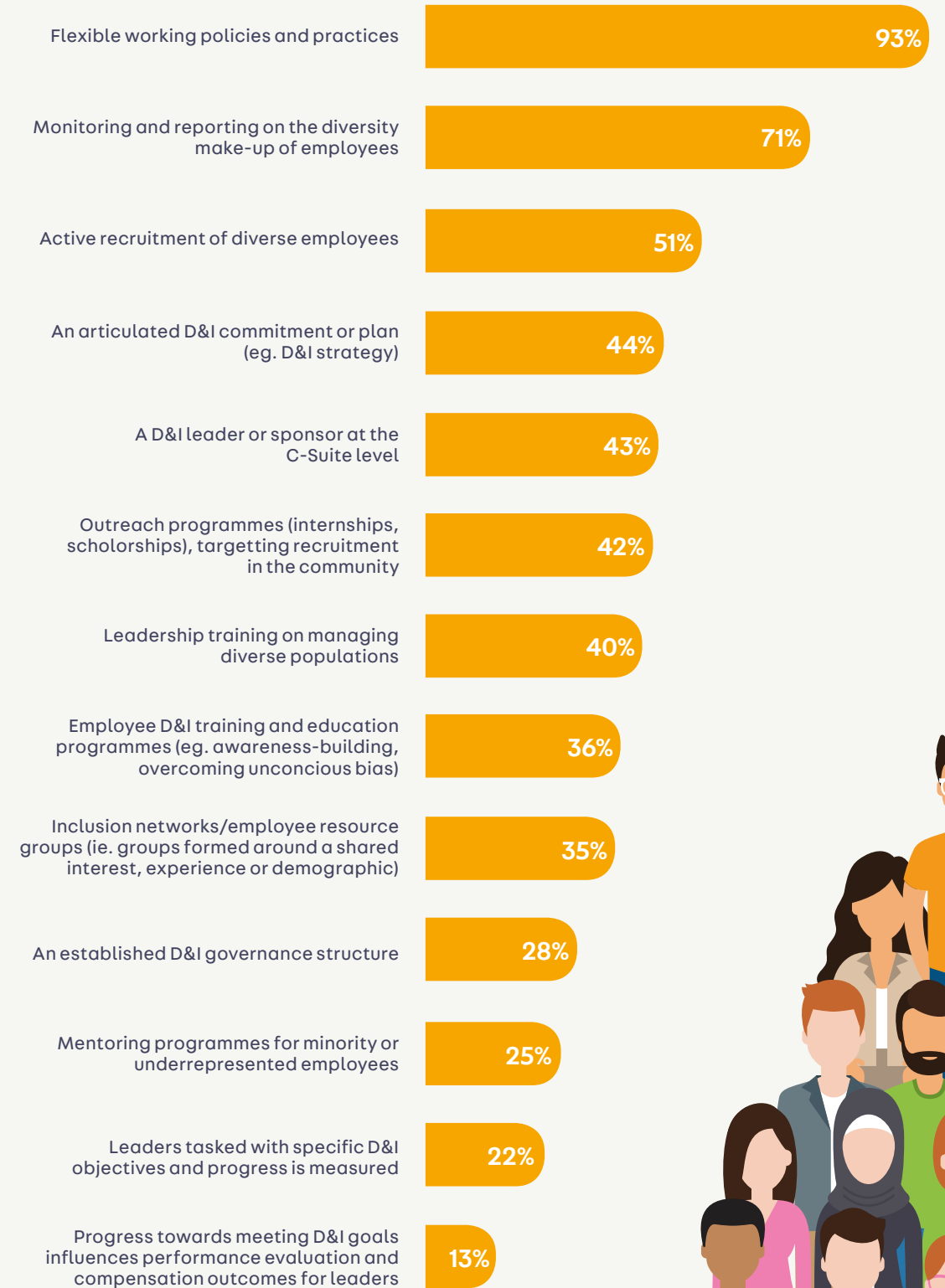- Race/Ethnicity — 45%
- Age — 25%
- Disability — 10%

and reported on the diversity make-up of their employees. Some 51% of those surveyed, said they had active recruitment policies to achieve a diverse workforce.

Systems to evaluate and measure progress appear to be less commonly established. And when looking at D&I in the context of what has the greatest impact, there are clear gaps in terms of realising the full potential of a number of key activities.

So, if activity is not equating to results, is the focus on the wrong activities? Are businesses failing to spot opportunities? Or are the strategies to monitor and measure the effectiveness of programmes simply not in place? Looking at the respondents in isolation who said they were making excellent or very good D&I progress, we see a clear and positive shift in the response pattern. These are companies who employ the broadest range of D&I areas, and they are seeing clear business results.

51%

of those surveyed, said they had active recruitment policies to achieve a diverse workforce

Which D&I activities are most/least commonly in place?

- Flexible working policies and practices — 93%
- Monitoring and reporting on the diversity make-up of employees — 71%
- Active recruitment of diverse employees — 51%
- An articulated D&I commitment or plan (eg. D&I strategy) — 44%
- A D&I leader or sponsor at the C-Suite level — 43%
- Outreach programmes (internships, scholorships), targeting recruitment in the community — 42%
- Leadership training on managing diverse populations — 40%
- Employee D&I training and education programmes (eg. awareness-building, overcoming unconcious bias) — 36%
- Inclusion networks/employee resource groups (ie. groups formed around a shared interest, experience or demographic) — 35%
- An established D&I governance structure — 28%
- Mentoring programmes for minority or underrepresented employees — 25%
- Leaders tasked with specific D&I objectives and progress is measured — 22%
- Progress towards meeting D&I goals influences performance evaluation and compensation outcomes for leaders — 13%

04

IMPLEMENTING D&I: BEST PRACTICE

Whilst the automotive industry may have struggled to implement meaningful D&I strategies at the same rate as other sectors, that's not to say there aren't brands making huge strides. Quite the opposite in fact - a point which was highlighted during the recent one-day collaborative seminar.

During the event, truly inspirational individuals from brands from across the industry, including: TrustFord, Inchcape, Jardine Motors, Marshal Motor Group, Volvo, CitNOW, Avis Budget Group, Volkswagen, BMW, Bentley, Williams Martini Racing, and the Retail Motor Industry Federation (RMIF); shared their own experiences and offered advice for improving D&I.

The three breakout sessions which formed part of the seminar were *'ways of working'*, *'selective focus'*, and *'brand engagement'*; and the participants shared passionate and personal discussions of the importance of D&I and emphasised key drivers for change. They also highlighted how we link D&I to commercial necessities. The result was a wide range of important do's and don'ts for D&I, as well as useful best practice advice.

'As an industry, we need to start addressing diversity, and actually doing something, rather than just talking about whether it is or isn't an issue.'

Clare Martin, HR Director, Jardine Motors Group

Seminar one: ways of working

Is flexible working the holy grail of employee satisfaction or a fast track into HR hell, with empty offices and sinking productivity? Employers face new realities when developing working practices to meet employee expectations and the commercial needs of their organisations. So, what practical measures can you employ that will make a real difference?

Ways of working (do's):	Ways of working (don't's):
• **Redefining ways of working:** A core theme of this group was the need to redefine the ways of working and how teams work. Senior management must think about D&I in terms of shifting the culture so that ways of working aren't simply about flexible working hours but focus more broadly on unlocking value and potential in all employees. At the heart of this was creating the right environment based on trust and empowerment, rather than hiding behind formality, over regulation and a 'one size fits all' policy. Advice included: creating role models to lead by example; leaving on time (especially Fridays) and working flexibly when necessary (doing the school run, letting in the plumber etc.); celebrating the teams that are embracing principles instead of rules; and prioritising output rather than input.	• **Don't be wedded to the past:** The industry executives all talked about the need to 'thaw out' old practices and consider the benefits of empowering people, trusting people and working more flexibly with them. Like in many other aspects of business (and particularly within such a fast-changing industry as automotive) taking bold and often unchartered steps is fundamental to success - being stuck in the past or refusing to evolve, is usually a fast track to failure. It's in this context, the group believed companies should have the confidence to embrace new ways of working and above all, not be afraid to fail. It's easy to use adages like 'nothing ventured, nothing gained' but for this group, it felt very accurate. They promoted an approach where you can try an idea and if it fails, then fail fast and move on and try again.
• **Business case for work-life balance:** The session also highlighted the need to recognise the commercial benefits of flexible working. Management should consider how customers want to interact with their business and realise that enabling flexible working will allow employees to be more responsive to their customers. During the session this point circled back to the other benefits of a culture based on trust and flexibility, many of which are harder to measure. The group shared lots of great benefits, but the most common was the increased commitment, loyalty and general willingness to go the extra mile for the business when required.	• **Don't over-engineer:** Flexibility isn't just vital for attracting the broadest pool of talent, or retaining them, but it's also essential to how an organisation approaches its working culture. Brands shouldn't over-engineer a strategy and insist on a long-term plan with strict measurements, but rather introduce a variety of initiatives assessed on a case-by-case basis. On a more granular and personal level, individuals should be treated as such, understanding that one policy isn't appropriate or welcomed by everyone. The group said brands should aim to put flexibility into all aspects of their D&I strategy.

Seminar two: brand engagement

If the automotive industry can point to one single issue that's holding back D&I, then it must surely be the narrow and non-diverse range of people who are applying for positions within a business. That comes from a lack of brand engagement with the wider talent pool, which impacts attracting staff, as well as retaining them. From a D&I point of view, that becomes a spiral of negativity: the narrower the diversity of people applying and being employed, the more an organisation gets a reputation for having a bias or a particular behaviour. The result is fewer people from a specific background of diversity applying.

The brand engagement group looked at how we can break out of this cycle, providing practical do's and don'ts focused on aligning behaviours and brand.

> 'Of course, you want the best person for the job, but perhaps more importantly you want the right person for the team.'
>
> *Alison Ross, People, Operations and Technology Director, Auto Trader*

- **Long-term commitments with schools:** In ten years' time our industry is set to look very different, including the skills our workforce will require. This is a challenge the industry is already struggling with because of what this group believed was a negative perception; most people think the automotive industry is limited to either technical or sales roles.

  For this reason, it's essential brands engage with schools and other educational institutes, such as colleges and universities etc. as early as possible to educate and inspire them on the breadth of opportunities and skills available. This shouldn't be a one-off experience, but a consistent and long-term initiative – some brands gave examples of a 10-year pipeline.

- **Incentivise and reward:** An important part of D&I is incentivising and rewarding your workforce. The HR directors, MDs and CEOs in this group gave examples of how they've used reward programmes to not only motivate colleagues to reach their various targets, but to also adopt best practice and even embrace corporate principles and culture.

  The group was keen to stress that rewarding colleagues shouldn't be viewed cynically – it's a hugely effective way to build an important connection between the brand and colleagues. Examples ranged from gift vouchers in recognition for great work, to free driving lessons from Avis Budget Group, to annual national Excellence Awards from TrustFord.

- **Retaining restless talent:** Talent retention is a big challenge and whilst incentivising and rewards can be an effective way to improve retention, it's not always enough. The group highlighted that offering a clear and structured career path with opportunities for personal development is vital, particularly for retaining younger talent who are more inclined to get restless. A mapped-out career path offering an opportunity to learn in a variety of different roles was highlighted as the best way to avoid 'itchy feet syndrome'.

- **Internal communications:** Technology means we live in a world of instant information where we can easily access and share the latest news and developments. Increasingly, this is expected in the workplace environment too, particularly amongst younger colleagues. Without proper internal communication channels in place, it's easy for colleagues to become disconnected and ultimately disinterested in the business.

  The group discussing brand engagement shared examples of how regular newsletters (digital and physical), an intranet, bulletin boards, and TV screens sharing news, training courses, job opportunities and colleague's achievements offer a great opportunity to drive more of an emotional engagement. Apps and social media platforms were highlighted as particularly powerful channels for a modern workforce.

- **Don't try to be something you're not:** When it came to identifying the 'don'ts' of brand engagement, there was one overarching theme - be genuine. Everyone agreed that as soon as you stop being genuine in the way you engage with colleagues, customers, talent, schools, industry partners etc., you are setting your D&I strategy up to fail.

Seminar three: selective focus

The primary focus of many D&I programmes or policies is either gender or ethnicity. But why should organisations not consider age, disability, sexual orientation or religion with equal priority? The selective focus breakout group sought to explore the learnings from the survey and to discuss solutions to address the often unintentional but nonetheless damaging biases in this area.

Selective focus (do's):	Selective focus (don't's):
Creating a diverse culture: Rather than identifying lots of smaller action points for brands, this group focused on one large overarching theme. They argued that diversity needs to be cultural and it needs to be systemic in the entire organisation. It's not a policy. As such, moving away from a consequence orientated philosophy of D&I and focusing more on the inclusive and positive mentality of diversity will reap benefits for the entire organisation. Diversity equals agility and in these challenging times agility is vital to all businesses within the automotive industry.	**Negative perceptions:** Again, when it came to identifying the habits brands need to give up, this group focused on just one overarching action point: stop reinforcing the negative perception of the automotive industry. As they made clear, it does us no favours in the long-term. We all need to focus on the positives and drive the change we want to see.

05
CONCLUSIONS

Rebecca Clark, Manufacturer and Agency Director, Auto Trader

Change is never easy, and it only happens when it comes from the top. If we are to truly embrace D&I within the automotive sector, then that's where it's going to need to come from.

The advantages of embracing D&I from a business benefits point of view are clear, and with the skinny margins on product sales, the adoption of best practice can add significantly to the bottom line simply by following some basic changes which also make sense from a social and ethical perspective.

Embracing a culture of change is a vital driver for success, but you must live it, breathe it, and believe in it. If you don't, your existing workforce, potential candidates and your customers won't believe in it either.

We must remember that D&I targets must be real, and strategies need to be workable. Invest in the right areas where there are tangible benefits and there can be a genuine commercial return. Employee engagement is a powerful thing, and small but committed steps, can have huge tangible results.

Don't make the recruitment process difficult, and when you are recruiting focus on the right person for the job and the right person for the team. Look more broadly at the skills you want rather than the person you want, and you'll find hidden gems.The industry cannot afford to underestimate just how vital an issue this is. Get it right and the benefits to both the culture and the bottom line are endless. Get it wrong, and retailers and manufacturers alike run the very real risk of being left behind.

As we've seen, the seminar event produced a variety of outputs, best practice advice and rich insights, but most importantly, it highlighted that this is an ongoing issue. It's a conversation that needs to continue, and even for those businesses that are making committed steps, always question and challenge your approach: should diversity be a policy or a culture? What steps does your business need to take to reap the benefits? Is the understanding your organisation has of diversity correct and how can we broaden our approach?

We're making important steps on our own, but for the automotive industry to truly achieve its diversity and inclusion objectives, we need to work collaboratively – sharing ideas and inspiring each other. We all need to drive the change we want to see.

Please make sure you are part of the conversation **#diversityinauto.**

Where does this leave us?

Lynda Ennis, founder, Ennis & Co.

As an industry, we are necessarily diverse and have much to reflect on and celebrate. A London-based consumer-centric retailer is a world apart from a car manufacturing plant in the North East; as much as artificial intelligence designers in Cambridge are to component manufacturing in the Midlands. It cannot be said that one survey and a gathering of forward-thinking D&I practitioners and champions is truly representative of our industry, or enough.

What can be said though is that the automotive industry, because of its very depth and breadth, is in a perfect position to lead the way. Diversity and inclusion is still not yet entirely understood, so chief executives should not feel it is too late or be frightened by it. We are only just getting started in terms of thinking of diversity and inclusion in the broader sense, as an open mindset. Put simply, it is going to shape everything we do, across every business function.

At Ennis & Co, we are going to continue to be a part of driving, shaping and facilitating discussion and action around this issue. For us too, this is just the start. In our executive recruitment work, we see the impact D&I is having on the acquisition, retention and even sharing of talent, with increased flexibility in the recruitment process and the move to hiring for skills, rather than job titles. People want to work differently and do not want to stay with the same organisation for 30 years. We also recognise that the flexibility needs to work both ways – shareholders still want to make money after all – and for that to happen, it all boils down to one word: trust.

Organisations that are open to building employee relationships based on trust, who can attract and assist individuals to work on the same trust-based wavelength, will come out on top through these unprecedented disruptive times. Those in leadership positions would be wise to put themselves in the shoes of employees and ask if the company deserves their trust. Ask what it would take to get that trust, start there, and you are already thinking like an inclusive employer.

> 'The automotive industry, because of its very depth and breadth, is in a perfect position to lead the way.'
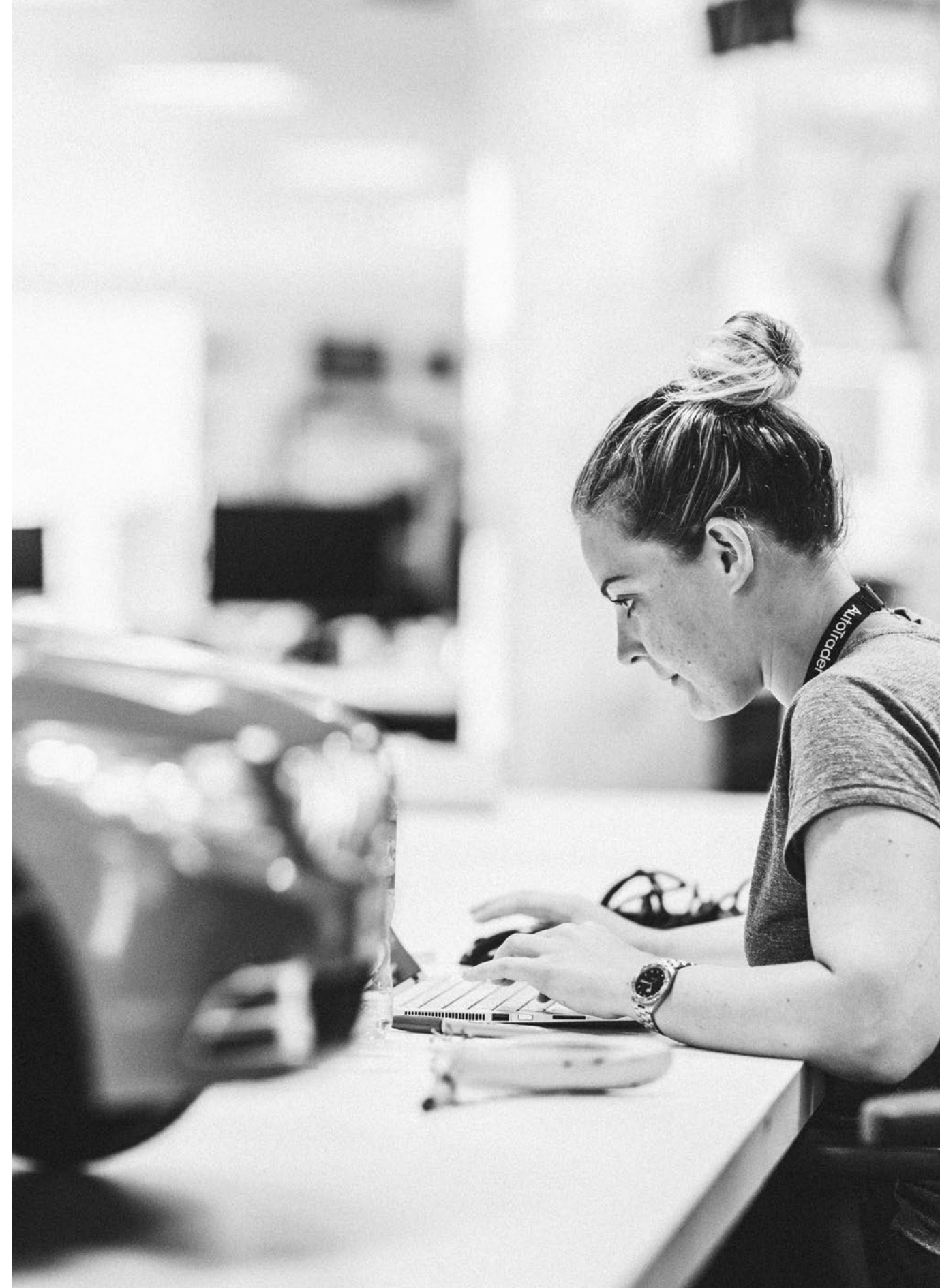
ABOUT
AUTO TRADER

Auto Trader Group plc is the UK and Ireland's largest digital automotive marketplace. Auto Trader sits at the heart of the UK's vehicle buying process and its primary activity is to help vehicle retailers compete effectively on the marketplace in order to sell more vehicles, faster. Auto Trader listed on the London Stock Exchange in March 2015 and is now a member of the FTSE 250 Index.

The marketplace brings together the largest and most engaged consumer audience. Auto Trader has over 88% prompted brand awareness and attracts an average of 55 million cross platform visits a month, with circa 70% of visits coming through mobile devices.

The marketplace also has the largest pool of vehicle sellers (listing more than 450,000 cars each day). Over 80% of UK automotive retailers advertise on autotrader.co.uk

For more information, please visit http://trade.autotrader.co.uk

For all media enquiries, please contact Auto Trader's Press Office:

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For the latest news, views and insight for the automotive retail community, follow @ATInsight on Twitter and LinkedIn.

ABOUT
ENNIS & CO

Ennis & Co is an executive search organisation that specialises in the automotive sector. Clients choose to engage with us because we secure the best available talent and candidates appreciate our supportive approach. Above all, we are a trusted partner. We have a nuanced understanding of the automotive market including prestige and luxury brands, and fulfil assignments at senior management levels including Board and C-grade. We place candidates in the UK and internationally in functions from Executive to HR, Finance, Technology and Sales & Marketing.

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