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DOLLAR GENERAL

Racial equity audit

REPORT

Racial
equity
audit

Company Overview

Dollar General is a discount retailer headquartered in Goodlettsville Tennessee that provides products that are frequently used and replenished such as food, snacks, health and beauty aids, cleaning supplies, basic apparel, housewares and seasonal items at everyday low prices in convenient neighborhood locations. Dollar General is the largest retailer in the United States by store count, with over 19,000 stores across 47 states, and it employs more than 170,000 people.

Dollar General's Key Diversity, Equity and Inclusion Initiatives to Date

1987	GED/Learn to Read program launched
1993	Dollar General Literacy Foundation established
2010-12	Five Employee Resource Groups founded
2016	First Director of Diversity and Inclusion hired
2017	Organization-wide Conscious Inclusion training rolled out
2019	Inclusive Leader learning journey launched
2020	\$5M pledged to support racial justice and education
2020	Supplier Diversity Summit held
2020	DE&I Diagnostic and 3-year strategy
2021	DE&I-focused learning and development opportunities launched
2022	DE&I team expanded to include two new Director level positions
2022	Partnership with Citi® established as a part of the strategy to empower diverse suppliers with fiscal assistance
2022	Racial equity audit

Racial equity audit objectives

Companies are increasingly disclosing progress on their sustainability and ESG (environmental, social, and governance) efforts to ensure greater trust and transparency with all stakeholders and investors. Racial equity is a component of the “S” in ESG and organizations have started to measure the impact of their talent and business practices on their stakeholders such as employees, customers, communities and business partners.

Dollar General engaged Korn Ferry to conduct a racial equity audit to examine how its business and talent practices may impact communities of color across four key stakeholder groups – employees, customers, communities, and business partners. Findings were used to identify both strengths and areas for improvement in the company’s approach to racial equity and are intended to inform Dollar General’s future initiatives and investments.

Dollar General’s vision and growth strategy centers on it being “A Force for Opportunity” for those it serves. This vision and growth strategy are intended to translate into tangible, positive outcomes and opportunities for its four key stakeholder groups:

- Candidates and employees have an opportunity to establish and advance their careers and to be treated fairly while working for Dollar General.
- Customers have access to the everyday products and services that they need in a welcoming, inclusive shopping environment.
- Communities have access to resources they need such as literacy and educational support.
- Minority-owned business partners have an opportunity to grow their businesses through partnerships with Dollar General.

Methodology

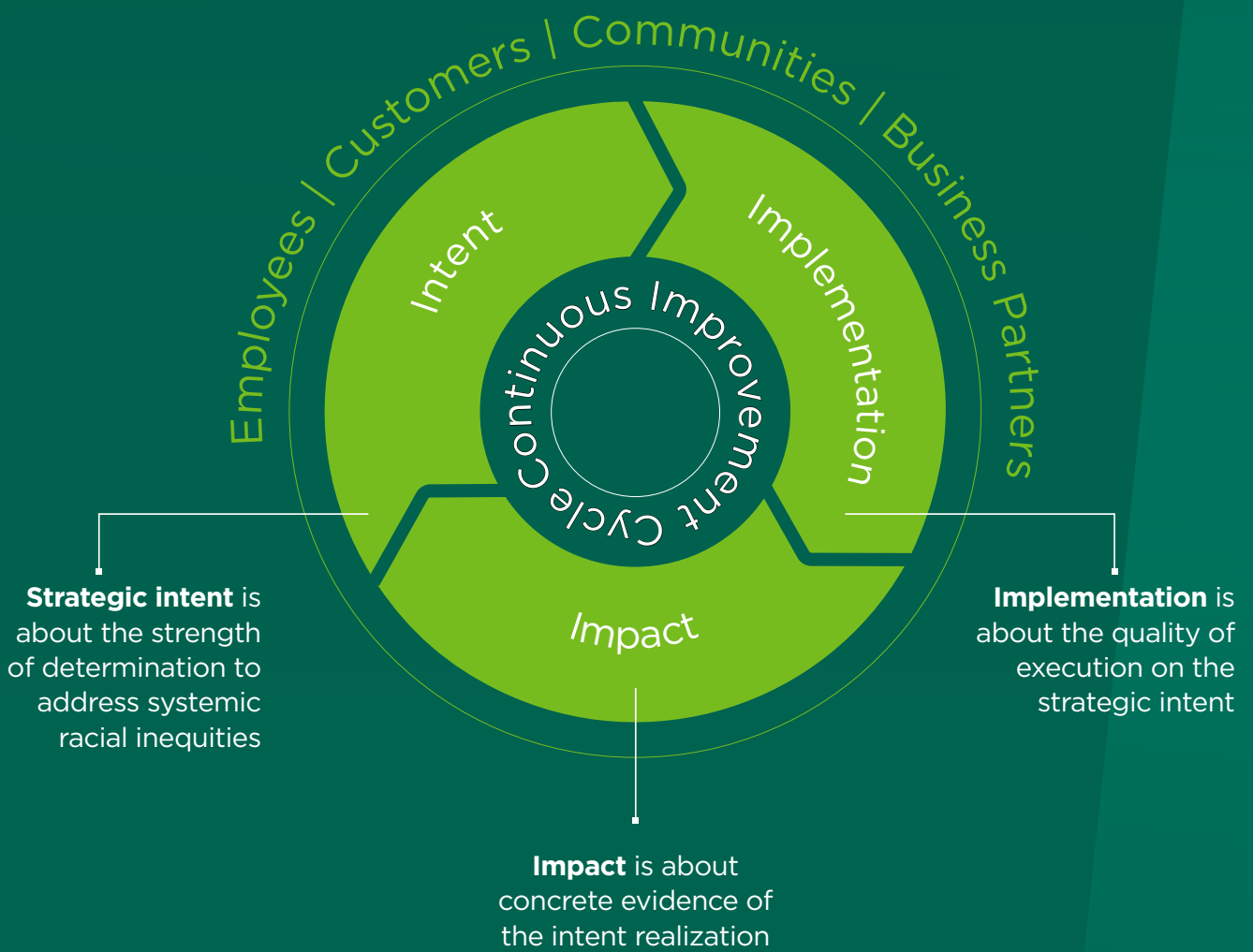
The racial equity audit was overseen by Dollar General’s Board of Directors who received periodic updates throughout the audit process. The audit aimed to answer the following questions:

- Are Dollar General’s policies, practices, tools, competencies, talent processes, and products equitable for candidates, employees, customers, and the communities in which it operates?
- What gaps to racial equity might exist? What changes could create an opportunity for Dollar General to be more equitable and inclusive?
- Does Dollar General have mechanisms in place to monitor the ongoing effectiveness and impact of its efforts toward greater racial equity?

Below is a summary of the goals with respect to each stakeholder group and types of data gathered and analyzed by Korn Ferry.

	 Employees	 Customers	 Communities	 Business Partners
Goal	Review equity of talent processes for all employees, including racially diverse employees to determine areas of strengths and opportunity.	Evaluate the customer experience including that of racially diverse customers, to determine areas of strength and opportunity.	Evaluate Dollar General’s support to communities of color to determine areas of strength and opportunity.	Evaluate supplier base and practices to determine areas of strength and opportunity.
Activities	<p>DE&I Compass Survey: Measured equity in employee experiences, with external benchmarking.</p> <p>Inclusive Talent Management Audit: Examined talent management policies and processes.</p> <p>Talent Acquisition Diagnostic: Assessed the current state of the talent acquisition model.</p> <p>Employee Advanced Analytics: Analyzed HRIS data regarding retention and advancement.</p> <p>Employee Focus Groups: Gathered feedback from racially diverse employees.</p>	<p>Existing Customer Data Analysis: Reviewed existing customer data by race/ethnicity.</p> <p>Customer Focus Groups: Gathered customer experience feedback from racially diverse customers.</p>	<p>Existing Community Data: Analyzed Dollar General’s existing community data by race/ethnicity.</p> <p>Community Consultations: Collected feedback from racially diverse community members and organizations, including interviews with executive leaders from Dollar General’s community-based partners.</p>	<p>Existing Supplier Data Analysis: Reviewed Dollar General’s existing diverse supplier data.</p> <p>Diverse Supplier Partnerships: Examined collaborations with diverse suppliers on how to grow their businesses.</p>

The audit was conducted using Korn Ferry's Racial Equity 3i Model, which helps organizations enhance existing strategies and develop new ones to advance racial equity by connecting intent, implementation, and impact.



Employees: findings

In 2020, Dollar General conducted a data-driven diagnostic that culminated in a multi-year strategy to advance diversity, equity and inclusion (DE&I). This foundational work helped prioritize efforts and the development of initiatives focused on removing actual or perceived behavioral and structural barriers and addressing inequities in talent systems. The racial equity audit offers a deeper focus on the race/ethnicity dimension of diversity and provides insights into current strengths and opportunities to extend the impact of existing initiatives.

What's working

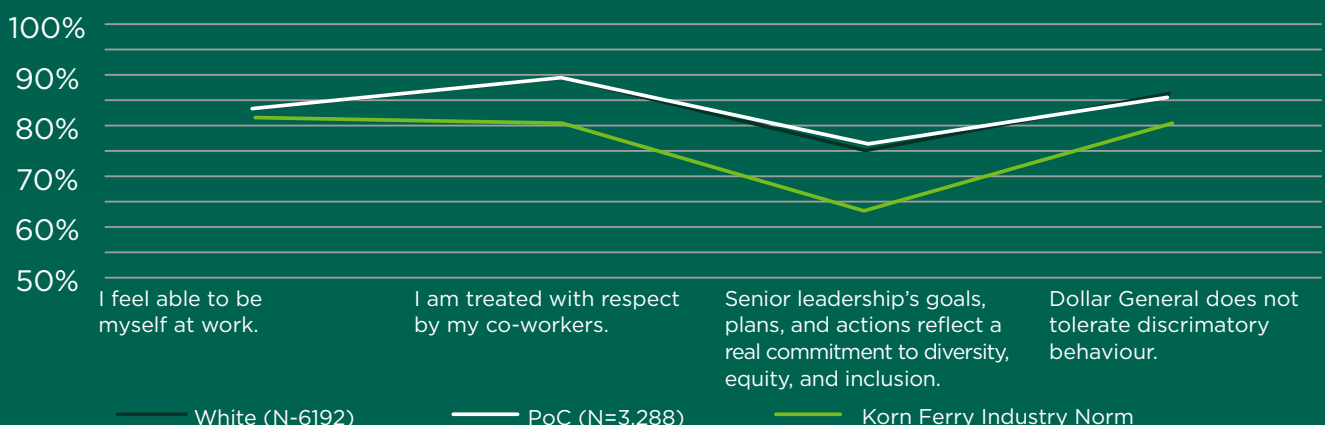
Employees value, recognize and acknowledge the commitment of Dollar General leadership to DE&I.

Overall employee sentiment captured in the DE&I survey displayed a high degree of favorability and consistency across racial/ethnic groups. Employee survey results compared favorably with Korn Ferry's external norm which reflects trends across industries. Scores outpaced the norm on 19 of 26 comparable questions with an average difference of +7 percentage points in employee favorability. Notably, 83% of surveyed employees of color agreed they can be themselves at work, and 89% feel respected by their co-workers. Over three-quarters of employees of color (76%) indicated that senior leadership's actions reflect a real commitment to DE&I (+13 vs. norm), and 85% expressed confidence that Dollar General does not tolerate harassment or discriminatory behavior (+5 vs. norm).

Barriers to employment are reduced for job candidates and employees are provided opportunities to advance their education.

Dollar General is recognized as an organization that provides work opportunities to individuals who have faced various barriers to joining the workforce. Dollar General was identified by Fortune magazine in 2022 as one of the best employers for [employees without a college degree](#). In the DE&I employee survey, people of color with a high school degree/equivalent or less provided the most positive views across educational groups regarding the impact of Dollar General employment on their personal financial situations (64% favorable) and the ability to achieve their career goals (63% favorable). They were also most likely to recommend the company as a place to work (78% favorable). Currently, full-time employees may receive up to [\\$4,000 per calendar year](#) to obtain reimbursement of approved programs at select universities for tuition in their associate's or bachelor's degree coursework, books, fees, certifications, or certificate programs.

% of favorable responses of employees when asked...



Opportunities to increase impact

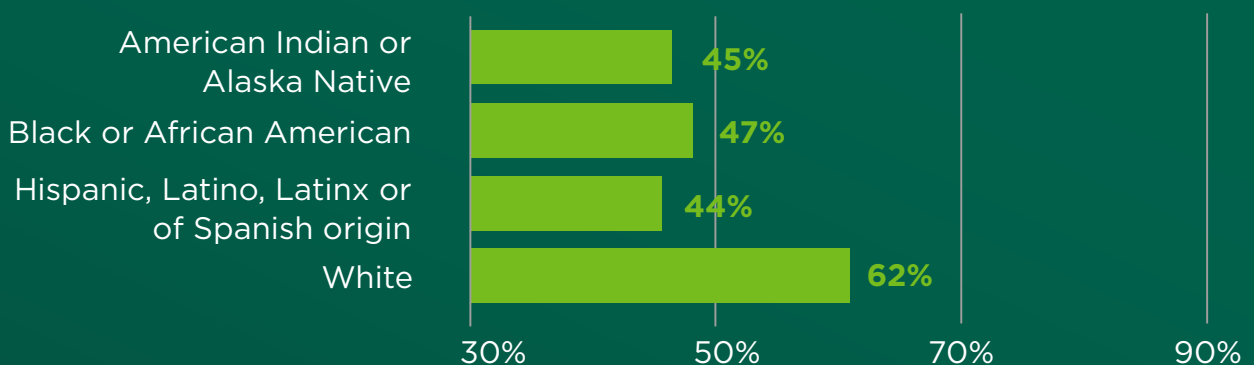
1 Develop stronger foundations to harness and integrate employees' ideas and feedback. Seventy-one percent of surveyed people of color felt they could freely express their views without fear of negative consequences. However, employees (particularly those identifying as Black or African American or two or more races) expressed inconsistency in follow-up regarding actions taken in response to their ideas or concerns. Consequently, an opportunity exists to ensure that managers respond in a timely and effective manner that gives confidence to employees that their voices have been heard and that appropriate action, if needed, will be or has been taken.

2 Focus on advancement and retention opportunities for people of color. While hiring rates are favorable for people of color and certain potential entry barriers have been removed, the development of employees of color is an area of opportunity. For effective succession planning, Dollar General should focus efforts on paths towards senior level positions (VP and above) for underrepresented employees. For mid and lower levels, Dollar General relies heavily on managers to provide development opportunities, but tools,

resources, and systems, while available, are not always well-communicated and sometimes are perceived as not user-friendly. Retention of employees of color is also an opportunity area. Given their choice, 44% of Hispanic, Latino, Latinx or of Spanish origin employees, 45% of American Indian or Alaska Native employees, and 47% of Black or African American employees would stay with Dollar General for more than 5 years, compared to 62% of white employees surveyed. Pay was a key predictor that reduced voluntary exits of employees. Focus group participants across all races/ethnicities reinforced that higher paid work, often at competitors, was the predominant reason others have left Dollar General.

3 Close the gap for Non-Exempt workforce. Non-Exempt employees working in Distribution Centers generally displayed lower scores in the DE&I employee survey compared to the rest of the organization. Non-Exempt roles are also not always fully integrated into broader HR initiatives (although they are included in some). In focus groups, Non-Exempt employees of color in both Distribution Centers and Retail expressed a desire to be appreciated and recognized for their work, to be heard, and for greater follow-up when issues are raised.

% of employees who would stay with Dollar General for more than 5 years, given their choice.



Customers and communities: findings

With over 19,000 stores in 47 states, approximately [75% of the U.S. population](#) lives within five miles of a Dollar General store. Each store and distribution center represents potential value for customers through affordable access to everyday products and potential economic growth opportunities for communities, including the creation of local jobs. Given alignment between the customers and communities stakeholder groups, findings are combined in this section.

An aligned and coordinated approach, as well as measurement of outcomes and impact, should be considered to help maximize the effect of current investment and initiatives. Data analytics conducted as part of this audit confirmed high racial alignment between employees, customers, and communities. In other words, employees often mirror the customers they serve, and employees and customers often mirror the communities in which they work and live. This presents an opportunity for Dollar General to develop a cohesive and data-driven strategy for advancing racial equity for employees, customers, and communities alike.

What's working

Strategic investments reflect Dollar General's commitment to its mission of "Serving Others" (customers and communities). [Increasing access to fresh food](#) and [health and wellness services](#), multicultural products, [financial grants](#), literacy and educational tools and programs, and bilingual signage are some examples of current initiatives focused on elevating customers and communities. Dollar General was viewed as providing an inclusive shopping experience for all customers by 60% of Hispanic and 68% of Black or African American customer focus group participants. More than two-thirds (70%) of customer focus group participants believed that Dollar General offers a wide range of products that meet the needs of its diverse customers, regardless of their differences.

Opportunities to increase impact

- 1 Coordinate among internal stakeholders to increase the impact of current initiatives.** Dollar General initiatives targeted to increase access to the most underserved customers and community members are currently designed, planned, and executed by different internal stakeholders who are not always coordinated. There is an opportunity to maximize impact by better integrating the teams working across customer and community initiatives (e.g., philanthropic giving, health initiatives, safety/security, healthy food access). An aligned approach to the expected outcomes and integrated key performance indicators (“KPIs”) between stakeholders can provide incentives and support for optimizing investments and initiatives. Dollar General tracks total spend as the key metric for measuring its philanthropic efforts, which does not provide the full view of the potential impact.
 - 2 Educate all stakeholders on the resources provided to communities and other philanthropic organizations to maximize impact of Dollar General funding and philanthropic efforts.** Dollar General provides grants and funding to organizations that are aligned with its mission and vision. Every year, the Dollar General Literacy Foundation awards grants to nonprofit organizations, schools, and libraries within a 15-mile radius of a store or distribution center. Dollar General has provided financial and other support to organizations focused on uplifting marginalized individuals, including Operation HOPE, INROADS and The Equal Justice Initiative.
 - 3 Create a more consistent shopping experience across geographic boundaries and customer demographics.** Most customers who took part in the focus groups expressed having a positive experience shopping at Dollar General. However, some Black or African American and Hispanic customers, expressed poor customer service and perceived negative differential treatment from staff. Customers also shared that experiences vary by store based on neighborhoods.
 - 4 Increase data collection to measure impact.** Dollar General’s customer and community information gathering are primarily focused on capturing the experiences and perspectives of Whites, Black or African Americans, and Hispanics. Further data collection efforts to understand customers’ diverse backgrounds across racial/ethnic groups is critical to measure impact and inform future investments.
- Customers and community partners interviewed in focus groups were largely unaware of the extent of Dollar General’s community work. Dollar General has the opportunity to communicate more broadly around its philanthropic efforts and to potentially become a convener for community partners (e.g., shared community space, providing references, goal setting) to prioritize efforts, leverage resources in an integrated way, and maximize the impact of current funding.

Business partners: findings

Dollar General has recently laid the foundation to accelerate its business diversity journey. As of March 2023, Dollar General's overall diversity spend is at 1.7%. With a newly developed business diversity strategy, roadmap, and key milestones, Dollar General can more intentionally execute on its business diversity initiative.

What's working

A solid foundation is in place to deliver on a business diversity strategy that is grounded in best practices. Even as a low cost operator, Dollar General has built a business diversity strategy grounded in inclusive design with inclusive sourcing, processes, and capacity building to educate/enable diverse suppliers and to facilitate their introductions and access to social networks. To support this strategy, Dollar General has developed a team focused on a Business Partners Diversity program and a Business Diversity Inclusion Academy ("Academy") to help reduce potential barriers for minority owned organizations. The inaugural Academy will feature initiatives such as tailored education, learning sessions, facilitated introductions and access to social networks to support the capacity building of diverse business partners.

Opportunities to increase impact

1 Increase the ability to measure the impact of its strategy.

Dollar General does not have a data strategy to measure business diversity spend, product allocation, and alignment with communities in an integrated way. Current data have the potential to be elevated to address untapped spend and measure business diversity and its integration with other initiatives.

2 Create consistency in partner relationships with Dollar General.

There are some divergent experiences across business partners, with a need to identify further unique barriers that may deter access to opportunities for different diverse suppliers.

How an integrated stakeholder ecosystem can enhance impact

Dollar General has a strong organizational commitment to promoting racial equity through enhancement of opportunities across stakeholder groups and delivering on key actions related to its DE&I strategy. To increase future impact and promote a sustainable approach to racial equity, it is recommended that Dollar General reimagines its stakeholders as part of an interconnected ecosystem. Although each stakeholder group has unique attributes, they share significant interdependencies such that removing any actual or perceived behavioral and structural barriers to racial equity for one stakeholder group can have a significant positive impact on others. Shifting from a stakeholder-by-stakeholder approach to an ecosystem-based approach will allow Dollar General to consider interdependencies, align priorities, optimize investments, and ultimately generate greater impact across stakeholder groups.

From:

Disconnected initiatives across the three stakeholder groups



To:

Integrated strategies and investments to optimize use of resources and impact



There are several examples of synergies and interconnections across Dollar General stakeholder groups that exist today:

- Stores with a workforce better aligned with the demographics of the customers have a higher average basket size and higher number of transactions.
- Customers shared that employee turnover and employee attitudes are among the main drivers contributing to their decisions to shop at other retailers.
- The Business Diversity Inclusion Academy has the potential to become a source of new products which can enhance the shopping experience of racially diverse customer groups.
- By hiring and advancing talent from local areas, Dollar General can be a driver of greater economic prosperity for members of the community.
- A diverse supplier strategy providing support to minority-owned business partners has the potential to promote community growth.

Synergies across stakeholder groups can be leveraged more intentionally in the future to enhance stakeholder opportunities and increase impact. Potential ways in which Dollar General can draw on stakeholder interconnections include:

- In addition to investing in education and skill building within diverse communities, raise the visibility of Dollar General efforts among all stakeholder groups, and extend impact by providing those who take advantage of Dollar General funded programs with access to Dollar General's recruitment programs.
- Purposefully connect store employees' skill-building and engagement initiatives to delivering a more inclusive shopping experience for customers and stronger links with communities and local business partners.
- Build greater awareness among customers and employees about the Business Diversity Inclusion Academy and other programs to identify business partners that are closely integrated into the community and can provide employment opportunities.
- Align business diversity programs to critical community and customer needs (such as health, access to fresh produce, or extreme weather preparedness) impacting the whole ecosystem.

Future directions: recommendations

Key recommendations to integrate a stakeholder ecosystem approach into business practices and to maximize the return on racial equity investments and initiatives:

1 Embed racial equity into all business and talent practices through inclusive design. Inclusive design considers the needs of historically underserved groups to create solutions that work better for all. Dollar General can, for example:

- Define its racial equity ecosystem by mapping and identifying stakeholders and assets.
- Formulate an integrated racial equity vision and strategy focused on common objectives and needs of all stakeholders.
- Remove potential barriers and silos, deploy challenged-based projects to maximize participation, and co-design solutions with stakeholders.

2 Futureproof the workforce and stakeholders. To ensure that employees and other stakeholder groups are future-ready, Dollar General can, for example:

- Remove potential barriers to access, opportunity, and future-ready skill building.
- Map the business ecosystem of the future and create programs that support the development of all stakeholders.

3 Activate diverse-by-design teams. To enable diverse teams to drive innovation and breakthrough performance, Dollar General can, for example:

- Work towards employee diversity in stores, distribution centers, and corporate teams to reflect Dollar General's communities and customers.

- Enable teams with additional inclusive design training, toolkits, and coaching.
- Identify and develop inclusive leaders to activate the performance of diverse teams across the organization.

4 Collect and analyze the right data to measure outcomes and impact. To develop a data, analytics, and feedback-loop strategy that integrates internal and external stakeholders, Dollar General can, for example:

- Identify critical metrics and develop a dashboard to measure outcomes and impact (e.g., metrics related to Dollar General's economic impact on local communities through job creation, philanthropy, supporting diverse/local suppliers).
- Map current data and develop a strategy to collect new data needed to measure progress focused on people of color and critical intersectionality dimensions.
- Integrate external stakeholders into the data strategy to leverage additional sources and current data collection investments.

5 Develop a blueprint for managing and communicating racial equity. The blueprint should include elements such as decision-making, risk management, accountability, and communications that evaluate both successes and challenges. Dollar General can, for example:

- Build on existing governance structure to clarify roles, responsibilities, and authority, particularly as to cross-functional efforts.
- Implement ongoing mechanisms for listening to all stakeholder voices.

Final thoughts

Progress toward greater racial equity requires organizations to reflect on their unique power to drive tangible outcomes and the greatest impact for their stakeholders of color. This unique power looks different for each organization depending on its industry, strategic priorities, history, geography, and access to and influence across various stakeholder groups. By closing equity gaps across all stakeholder groups, Dollar General has a unique ability to contribute to greater degrees of social mobility for its employees, customers, communities, and business partners (visualized at the center of the diagram), particularly those who may be most disadvantaged. Social mobility involves movement from a lower to a higher level of education or occupational status, or from a lower to a higher socioeconomic class or group. It can be measured against different outcomes, including health, educational achievement, and income.

Insights from the racial equity audit suggest that Dollar General has a strong foundation on which to continue building racial equity into all its business and talent practices. Focusing on the interconnections across stakeholder groups will allow Dollar General to better align and optimize efforts and increase impact for all stakeholders. Addressing racial inequities – through greater access to healthy food choices, education, job training, career advancement, business partnerships, and healthcare – will improve the stakeholders' quality of life, provide opportunities for all, and help realize Dollar General's potential as a social mobility elevator.



Unique organizational power to drive impact across multiple stakeholder groups (i.e., Social Mobility)

Appendix



Key definitions

- **Racial equity audit:** Examines how business and talent practices affect employees, customers, business partners, and communities of color.
- **Race/ethnicity:** Korn Ferry used EEO-1 definitions.
- **Equality:** The promise of equal access to opportunity, advancement, support, and reward for all.
- **Equity:** The removal of behavioral and structural barriers in fulfilling the promise of equality.
- **Behavioral barriers:** Actual or perceived obstacles resulting from mindsets, skillsets, and relationships that do not support inclusion and equity.
- **Structural barriers:** Actual or perceived obstacles resulting from structures and practices that do not support inclusion and equity.
- **Inclusive design** is a design methodology applied to processes, practices, products and services that takes into account the unique needs of all users, especially those who are the most disadvantaged. Where practicable, the methodology may involve co-designing with the affected stakeholders to ensure that equity is embedded into the design from the outset. Korn Ferry's Racial Equity 3i Model evaluates the use of inclusive design in the implementation of an organization's strategic intent regarding racial equity.



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