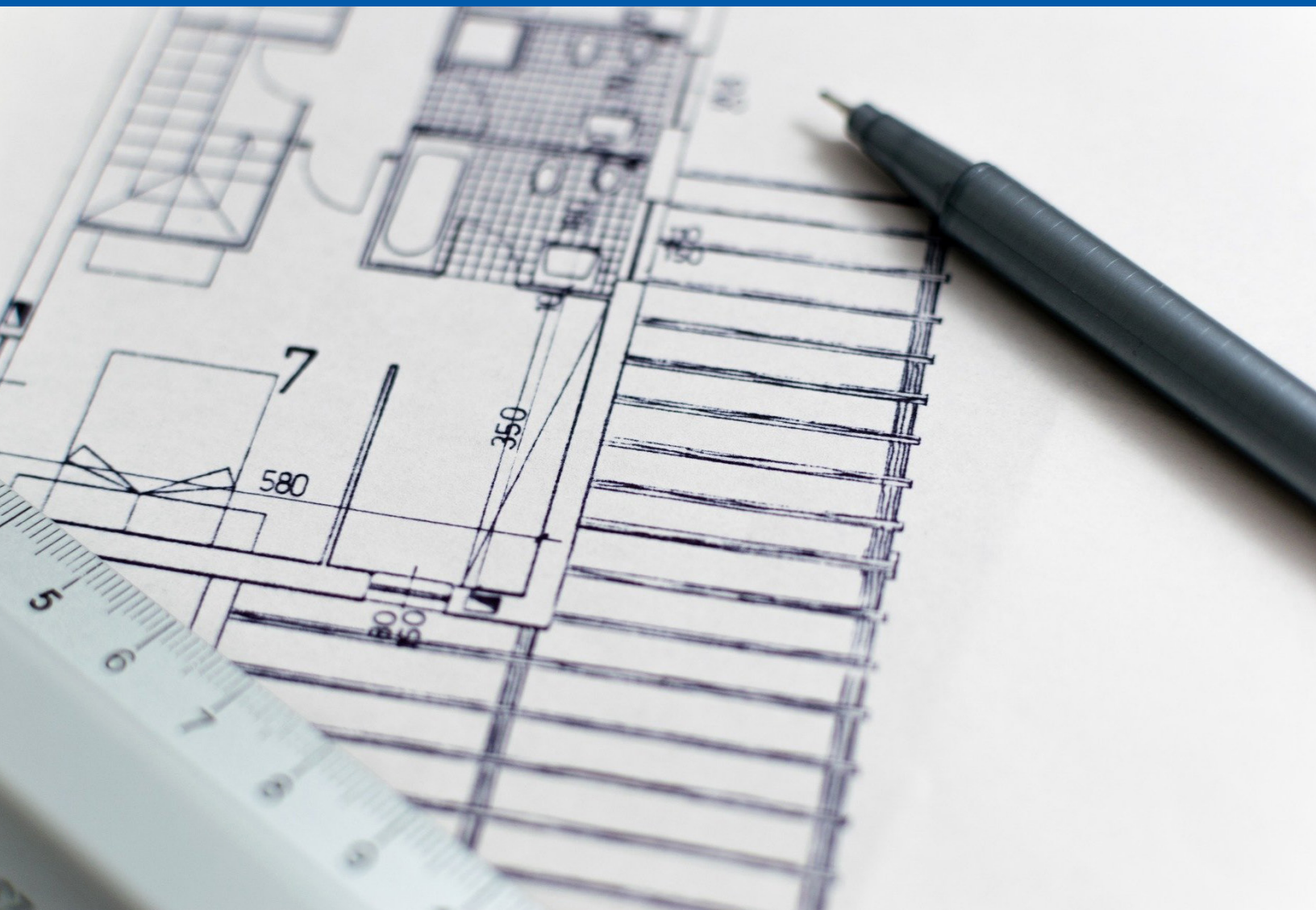


A CEO Blueprint for Racial Equity



Greg Hills (FSG), Lakshmi Iyer (FSG), Michael McAfee (PolicyLink),
Josh Kirschenbaum (PolicyLink), Martin Whittaker (JUST Capital)



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HOW WILL YOUR COMPANY'S LEGACY BE DEFINED?

The courageous antiracist movement sweeping across the world has called into question the *American legacy*. We have a choice now either to continue the legacy of systemic racism, racialized violence, and devastating inequity we were handed by generations before us, or to build a new legacy of a healthy, inclusive democracy that we will leave the next generation.

Corporate leaders have a particularly powerful role to play in replacing racist structures, many of which have benefited those at the top, with policies that bring us closer to *racial equity*—defined as “just and fair inclusion into a society in which all can participate, prosper, and reach their full potential.”

It has been encouraging to see many corporations take early steps toward addressing racial injustice in recent weeks. The cascade of “**statements of support**” for Black lives that have poured forth from Fortune 500 corporations is a necessary—albeit insufficient—step toward progress.

In recent years, similar statements of corporate solidarity had been enough to give corporations breathing room until the anger over Freddie Gray's death or Eric Garner's death or Sandra Bland's death fell off the nation's front pages. Then everything reverted to the way it had always been. Those earlier statements were just a bridge back to the familiar, comfortable, and nonthreatening status quo.

Today, though, the passion of these protests has a staying power and moral force we haven't seen in decades. The COVID-19 pandemic and its **disparate health and economic impact** on Black communities have brutally exposed the full breadth of widespread structural racism, and public opinion has swung heavily in favor of meaningful change. According to **recent polling** conducted by JUST Capital, roughly 75–85 percent of Americans strongly believe that companies should not only be publicly condemning structural racism, racial injustice, and police violence, but that they should be taking concrete steps to create a more equitable future going forward.

Let's be honest: America's current economic structures and institutions are simply incompatible with a commitment to Black lives and racial justice. Inequality is baked deep into our current capitalist society which has “produced extreme wealth for owners and daily insecurity for workers,” **according to Darren Walker**, president of the Ford Foundation, in his book *From Generosity to Justice*. He further states, “These inequalities

reflect the fact that some people have a fuller experience of basic human rights than others do. As a result, these ‘others’ have less access to democracy, social and economic mobility, and their own human dignity.”

The public is demanding moral and economic leadership within the corporate sector that focuses on leaving the next generation of Americans a more equitable legacy than we were given.

That is why we are calling on corporations to be greater than their statements.

**All CEOs need to ask themselves:
*What is the legacy I want to leave?
What is the legacy I want to contribute to?***

In 2017, FSG and PolicyLink conducted research on the [Competitive Advantage of Racial Equity](#) and argued that the demographic shifts in the United States (where already a majority of youth are people of color) require companies to proactively redesign their products, services, and operations to succeed in the future ahead. Three years later, we realize that these recommendations were just the first steps necessary to address the underlying root causes of inequality and injustice that have led to the outrage and uprising on the streets today.

Now, as the nation confronts this racial equity moment, we offer the beginnings of a blueprint to help companies understand and address both the intended and unintended consequences of all their products, policies, and practices on people of color, and by extension, the nation. The blueprint maps to the public’s stated priorities for corporate leadership, as defined by six years of public polling by JUST Capital, covering over 100,000 Americans, as well as the research and insights from PolicyLink and FSG’s work on the Competitive Advantage of Racial Equity.

The blueprint provides actions in three key domains: 1) inside the company, 2) within the communities where the companies are headquartered and conduct business, and 3) at the broader societal level. Across these domains, companies have the potential to significantly influence racial justice by redesigning their “business-as-usual” practices and policies. While some of these actions may open companies up to new, expanded markets of color, others may require companies to reevaluate their priorities and even their core business assumptions.

Based on FSG and PolicyLink research and experience, it is apparent that to drive meaningful change, all businesses must conduct a racial equity audit and share that assessment. This assessment should take a hard look at how a company and its industry have benefited from racist systems, and should include a vision and concrete plans for how the company will repair those systems to support a liberating, antiracist culture. Creating a future that is better than our past means first understanding how we got to the present, and sharing this publicly is a way to begin building authentic relationships with communities and stakeholders.

The set of actions featured below are meant to be a starting place to catalyze conversations and action plans that we will build upon with additional experts in the weeks and months ahead.

INSIDE THE COMPANY

According to JUST Capital, more than 80 percent of Black Americans, and in some cases close to 90 percent, say it is very important for companies to pay a living wage, commit to diverse hiring and apprenticeships, and create a diverse supplier pipeline. As companies consider what racial equity means within their workforce and internal operations, we know that each business is different, but the core point is this: Race and economics are inextricably linked. Corporate leaders must both design antiracist policies that create racial equity through workplace policies, products, and supplier relationships, and simultaneously look at existing practices on wages, benefits, access to capital, and other internal policies that may be disproportionately impacting Black and Brown stakeholders and communities. Companies can:

Design HR policies and practices that are actively antiracist, not merely “not racist”

- Collect and publicly share racial equity data on compensation (e.g. EEO-1 Component 1 and **Component 2** type data) for all personnel, leadership, and board members on an annual basis
 - » Conduct a pay equity audit across all positions and levels by race, ethnicity, and gender; identify and correct any pay gaps; and release the results publicly
 - » Conduct a living wage audit to determine whether employees and on-site contract workers earn enough to cover the cost of local basic monthly expenses, including housing, food, health care, and transportation; increase wages to ensure all workers earn a living wage
- Pay living wages to employees at all levels
- Ensure all employees can vote by providing paid time off on election days
- Extend benefits—paid sick, family, and medical leave; retirement savings vehicles; health insurance; and regular scheduling, among others—to all employees regardless of part-time status
- Set specific targets to hire, retain, and promote a diverse workforce, leadership, and board that mirrors the diversity of the nation; publicly disclose diversity and equity targets
- Provide wealth-building benefits (e.g., 401Ks, ESOPs, access to bank accounts, and other wealth-building platforms so that workers can avoid predatory check-cashing, etc.) to all employees, particularly those on the frontline
- Adopt advancement practices that serve employees of color at all levels of the company, with a particular focus on frontline workers of color, who have been harmed by business as usual
- Provide ongoing racial implicit bias training to board, leadership, and employees
- Create, maintain, and track an antiracist culture of belonging
- Contribute to updating ESG and accounting metrics to ensure that they actively drive racial equity

Expand worker power and voice

- Allow workers to organize and share their concerns and ideas with management in a respectful and meaningful way
- End the use of mandatory arbitration agreements, ensuring workers can fully realize their rights in the workplace
- Create board positions for workers of color
- Create grievance mechanisms for employees to report instances of discrimination
- Provide additional antiracist training to those responsible for handling grievances

Design products and services that center racially equitable outcomes

- Actively analyze and discontinue products, capital, and services that explicitly harm communities of color (e.g. predatory credit card lending)
- Actively analyze the implicit and unintended impact of your products, capital, and services on consumers of color so that you can redesign or discontinue those products (ask questions like: Is your grocery delivery service only accessible to predominantly White zip codes and leaving out lower-income Black zip codes that are often food deserts? Is your AI software running photo recognition software that exhibits racial bias? Is everyone able to equally access what you are creating or providing?)
- Invest in inclusive R&D (dollars, partner organizations, and staff) so that the business can actively address racial inequities (e.g., banks create products that reduce the racial wealth gap; pharmaceutical companies develop innovative solutions to reduce health inequities experienced by people of color)

Design operations and supply chain to center on racial equity

- Collect and publicly share data on suppliers of color as a portion of your overall supply chain
- Assess underlying causes inhibiting the growth of suppliers of color and actively collaborate with peer companies to strengthen the ecosystem of suppliers of color
- Proactively assess and discontinue prison and forced labor in supply chains
- Eliminate internal policies that prevent small businesses of color to be part of the supply chain
- Establish operation standards for all suppliers, helping to ensure equity in the workplaces that support your company (e.g., developing strict standards for equity similar to those common in the apparel industry for child and forced labor)

WITHIN THE COMMUNITY

Structural and institutional racism is deeply embedded in the ways cities, neighborhoods, and communities are organized, forcing many people of color into segregated communities that are isolated from opportunities and access to infrastructure like quality transportation, housing, health care, and education. In fact, one of the **key predictors** of life outcomes and access to opportunity is the ZIP code in which one lives. This comes at a high cost: poorer health and life outcomes for those families coupled with a direct impact on their ability to be productive employees, customers, and local stakeholders.

Business leaders, especially those in HR, philanthropic, and operational roles, need to authentically understand the impacts of this racialized historical context if their actions are to truly drive change. Further, they should align with public sentiment and use their influential voice and resources with local governments and community organizations to improve outcomes for communities of color. They can:

Redesign corporate philanthropy to address structural problems

- Assess and repair the extent to which philanthropic programs and grants are actively addressing root causes of racial inequity and going beyond providing charity for communities of color
- Assess and increase the extent to which philanthropic dollars support organizations led by people of color

Advocate for local policies that address structural inequities

- Advocate for local policy changes that improve outcomes for employees, customers, and communities of color—even when those policies may not be squarely in your industry (e.g., a large health care provider can advocate for a policy that improves the quality of housing, recognizing the link between housing and health; a retail grocery chain can advocate for improved public transportation as they see its impact on employees)
- Support and advance justice and liberation policies for people of color in the company's hometowns, (e.g., policies to advance community safety; the elimination of segregation and public education)

Support environmental justice

- Mitigate the environmental impact of your operations specifically on communities of color by establishing a plan to mitigate these impacts, as there is sufficient evidence that **communities of color are most impacted by environmental harm**

AT THE SOCIETAL LEVEL

One of the biggest disconnects in the social contract for corporations today is how companies lobby with the federal government to advance their needs over society's. Structural racism is dangerously insidious; it dominates our public policies, governance institutions, and societal culture, perpetuating inequities for all people of color. We are seeing the legacy of federally supported policies like redlining and Jim Crow laws even today.

As CEOs increasingly are seen as civic representatives, and as the **public increasingly demands** that they take a stance on critical societal issues, companies need to reconsider their lobbying strategies and capital deployment, addressing and advancing stakeholder capitalism and racial equity. This encompasses:

National-level public policy, lobbying, and advocacy

- Use the corporate lobbying infrastructure to reduce racialized inequality conditions for communities of color (e.g., supporting policies for ensuring voting access, rebuilding infrastructure, protecting consumers, rebuilding the safety net, achieving universal health care coverage, achieving criminal justice reform, preventing use of prison labor, and making the police more accountable)
- End active lobbying for public policies that result in exacerbating racial inequalities (e.g., lobbying against minimum wage increases or lobbying for lower corporate tax rates)
- Ensure and advocate for complete transparency and reporting in all political giving

Investments

- Commit to a more inclusive impact investing and venture capital model that promotes diverse investment teams, supports Black entrepreneurs, and invests in businesses that benefit Black markets
- For companies that provide capital, conduct a diversity assessment of all investments
- Place assets with **Community Development Finance Institutions (CDFIs)** and other minority-led depository institutions and money managers
- Invest directly in low-income communities of color
- Use capital reserves for mission-related investments aligned to the vision of the company to advance equitable outcomes
- Commit to no stock buy-backs until all employees have family-supporting wages and benefits

Communications that advance racial equity

- Assess internal and external communications and advertising to ensure they do not reinforce racial stereotypes
- Elevate the voices of non-White employees in external communications
- Create partnerships with organizations led by people of color
- Use your corporate and leadership voice to serve as an ally, educate consumers, and inspire action (e.g., using advertising dollars to encourage customers to confront racism)

CONCLUSION

The nation and our economy are now constrained by the dual burdens of skyrocketing economic inequality and structural racism, which have left more than [100 million people in America](#) living in or near poverty, with little chance that their children will do better than they have. Corporate leaders are responding to society's demands for racial justice and realizing that their firms cannot thrive if a growing-of-color majority of the nation is sidelined and the nation's governance systems have failed.

Companies today have an outsized influence on democracy and the pace of social change, and that is why their leadership on racial equity cannot be limited to an implicit bias training, or hiring that one Black person on their board, or issuing a public statement in support of Black Lives Matter. For real, sustainable change, companies need to step into their power on the most pressing problems of the day, listen to their stakeholders, and use their vast resources in service of a common national goal: an equitable nation.

We anticipate that companies will need a shared language and approach to learn and hold themselves accountable to making progress toward this common goal. We recognize that many actors in the field have begun this work, but much more needs to be done. **This article is an invitation—to corporations, racial equity experts, funders, investors, and other experts—to support and collaborate with us in developing guidelines that can guide businesses in analyzing their impact on racial equity.** Together, we can drive toward an equitable and thriving nation that better reflects who we are and what we, as a people, really stand for.

Put more simply, this is an opportunity for companies to consider: *How will you lead in this legacy-defining moment?*

Acknowledgment: We would like to thank Lauren Smith (FSG), John Harper (FSG), Alison Omens (JUST Capital), and Yusuf George (JUST Capital) for their contributions to this article. We also thank Living Cities for their thought partnership on the work.

Please visit [fsg.org](#), [policylink.org](#), and [justcapital.com](#) to learn more about our organizations.

For more information about this article, please contact lakshmi.iyer@fsg.org.



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