

University of Michigan – Ross School of Business

# Diversity, Equity, & Inclusion in the Workplace

An examination of institutionalized racism in the United States and its ongoing impact on diversity, equity, and inclusion the workplace

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Winter Semester 2023

Systemic racism is at the core of American society and the laws that govern it. Racism, as defined by Delgado and Stefancic, is “any program or practice of discrimination, segregation, persecution, or mistreatment based on membership in a race or ethnic group” (Delgado, 2017). Racism alone, however, does not permeate the American experience. Systemic racism means that all elements of society and reward have some element of allocation along racial lines (Bonilla-Silva, 2021). Understanding systemic racism requires assessment of “the practices, mechanisms, and behaviors that reproduce racial dominance. The totality of these practices comprises the racial structure of society and, as they are emblematic of a particular way of maintaining racial domination, they can be labeled as the specific racial regime of a racial period” (Bonilla-Silva, 2021). Systemic racism hinges on the fact that it exists in everyday society on both a conscious and a subconscious level. As Bonilla-Silva describes:

[T]he “systemic” in “systemic racism” means that we all participate in the reproduction of the racialized order. Furthermore, this reproduction depends fundamentally on behavior and actions that are normative, habituated, and often unconscious. Hence, systemic racism is the product of the behavior and practices of regular White folks rather than the “racists.”

The current racial order of this country was conceived long before the birth of the idea of America as a “free” nation. The systemic nature of this racism is apparent in every action involving Black people since they first set foot on these shores against their will.

Prior to the landing of the Mayflower in colonial America, individuals brought over from Africa were exploited, put to work, and eventually legally made lifelong slaves for generations to come. The moral conundrum of slavery vexed Americans for decades, dividing the country, and ultimately creating a call for change. While change did come, it was always achieved through careful measurement of what could be afforded for the Black population without hampering or disadvantaging the white. As a result of the precedents established by early laws legalizing discrimination based on skin color, the lack of specificity in legislation attempting to establish equality consistently allowed for ongoing racist policies and practices. When laws and legislation created the opportunity for lasting change, the white population responded by allowing the perception of change while silently minimizing the overall impact and reach. This is apparent in all facets of American life, including the distribution of high earning jobs. Due to the complex and deeply rooted origins of systemic racism, the only means to begin to undo its permeance through society and the workforce is with equally structured and enforced systematic change.

#### **A BRIEF OVERVIEW OF INSTITUTIONALIZED RACISM**

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Racism in America predates the establishment of the country as a separate and independent nation and is as much a founding principle of its existence as is life, liberty, and the pursuit of happiness. The first slaves arrived in colonial America in 1619, around the same time that America’s first cash crop, tobacco, required manual labor for production (Kendi, 2016). In 1676, after some years of Black and indentured white servants working together on the Virginian tobacco farms, the class of Black slaves as less than that of whites was solidified. At that time, tumultuous relations between colonists and Native Americans spawned a revolt. Nathaniel Bacon led a coalition of colonists, including white and Black indentured servants, in a rebellion against the government for their inability to protect colonists against Native American attacks. Though the rebellion ultimately failed, the ability of Black and white individuals of lower status to work together frightened authorities. Their response was to create slave laws that made slavery lifelong and inherited, thus establishing the system of slavery that would exist in America through the 19<sup>th</sup> century (King, 2009).

While Bacon's Rebellion led to the establishment of the laws that shaped the meaning of slavery for decades to come, it was not until the formation of the United States of America that its place in this new world was solidified. In 1776 when the Founding Fathers, many of whom owned slaves themselves, declared that the American colonies should be a free and independent nation, there was no mention of race in the expression of this sentiment. This omission highlights how slaves were seen as property, not people, and that there was an expectation that this would continue to be the status quo. Thomas Jefferson's views on the matter were made explicit in his 1832 Notes on the State of Virginia:

It will probably be asked, why not retain and incorporate the Blacks into the state, and thus save the expense of supplying by importation of white settlers, the vacancies they will leave. Deep rooted prejudices entertained by the whites; ten thousand recollections, by the Blacks, of the injuries they have sustained; new provocations; the real distinctions which nature has made; and many other circumstances will divide convulsions, which will probably never end but in the extermination of the one or other race.

This aptly summarizes the undertones of the Constitution and expectations around race and relations between whites and Blacks in the United States of America: allowing slaves to be freed would create such an utter disadvantage to the white population, largely as a result of the decades of cruelty suffered by Black people at the hands of whites, that it was best not to attempt any form of justice or reconciliation. This reinforced a view of white superiority in the country.

It was not until almost 100 years after the penning of the Constitution that the passage of the 13<sup>th</sup> Amendment in 1865 declared slavery, except as a punishment for crime, would no longer exist within the United States (U.S. Const. amend. XIII), though the execution or enforcement of this order was not detailed. While this was clearly a significant step forward in perceived equality, the amendment in no way addressed the racism that permeated through every corner of the country. Concurrently to the passage of this amendment ran the creation of Black codes, barring Blacks from voting, forcing them into labor contracts, and dictating how they could live and move throughout the South. The racist sentiment emerged that if there was any form of equal opportunity, whites would ultimately suffer, an idea that still persists today (Kendi, 2009). Again, even in the face of new legislation, a clear expression of white superiority continued to exist, reinforced by the lack of specificity in the 13<sup>th</sup> Amendment about what was required to achieve its stated result, or even what its stated objective truly meant. In 1866, the passage of the 14<sup>th</sup> amendment afforded equal protection and forbade any state from depriving a man of life, liberty, or property without due process of law (U.S. Const. amend. XIV) but stopped short of allowing Black Americans the right to vote, another means to maintain White power in the country. In 1869, however, politicians accepted the potential benefit of the Black vote in swing states, ratifying the 15<sup>th</sup> Amendment, forbidding states from denying men the right to vote on the basis of race (Kendi, 2009). The systematically managed fate of Black lives and rights again hinged on the benefits or disadvantages of White political figures and the ability to maintain dominance by the white race.

Despite the passage and ratification of the 15<sup>th</sup> Amendment, White Americans refused to accept the validity and necessity to recognize and hear Black voices. Any progress among Black Americans was seen as a threat to whiteness as property, the idea that whiteness itself has value and equates to privileges and benefits to the possessor (Delgado, 2017), yielding an unending attack on Black lives and rights. The onslaught against Black rights culminated in the US Supreme Court case of *Plessy v. Ferguson* (1896), which decided that segregation laws were constitutional as long as 'separate but equal' facilities were required, ushering in the era of Jim Crow (Anderson, 1996). Jim Crow laws, like Black codes, restricted the rights and

mobility of Black Americans and persisted through the 1970s. In a 1996 statistical analysis on the impact of Jim Crow, Anderson, G.M. and Halcoussis concluded:

Jim Crow laws seem difficult to explain in economic terms given that the historical literature fails to show how whites, who possessed major advantages over Blacks in electoral clout (especially in states with Jim Crow statutes), benefited economically. If whites did not benefit, then white voters must have supported Jim Crow for essentially irrational, racist reasons. If, on the other hand, whites benefited by access to expanded labor market opportunities, then Jim Crow begins to more closely resemble other, albeit non-racial, government regulations. Jim Crow, in short, appears to have been - at least in part - an effective strategy by which politically more influential whites secured a redistribution of opportunities to themselves.

In the early 20<sup>th</sup> century, two major forms of legislation aided the widening gap between white and Black economic opportunity and supported ongoing legal discrimination based on race in the United States. In 1933, following the economic hardships suffered as a result of the Great Depression, President Roosevelt implemented sweeping economic reform in an attempt to benefit the working class in the country. Facing political pressure, Roosevelt left control of the programs up to the states, which allowed for discrimination against Black residents and furthered weaved anti-Black undertones into government policies that elevated white Americans while excluding Black citizens. Redlining, the practice of refusing loans to individuals seeking to purchase homes in 'red' neighborhoods, which were traditionally areas of mixed race, emerged from these reforms (de Jong, 2010). Additionally, the exclusion of agricultural and domestic workers from the newly implemented Social Security Act provided a legal ground for the exclusion of 60% of the nation's Black labor force, eliminating their access to the economic improvements afforded to white families (de Jong, 2010). This discrimination was again emphasized in 1944 by the GI Bill, legislation that was intended to offer benefits and opportunities to WWII veterans, however, Black veterans were often denied benefits. "The GI bill gave birth to the White middle class and widened the economic gap between the races," (Kendi, 2016). Without explicit calls for equal access, every attempt to provide economic opportunity was interpreted and implemented as means to help the White American population while leaving the Black population "confined to low-wage jobs, deteriorating housing, and inferior schools that did not prepare them well to participate in the postwar economy," (de Jong, 2010).

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#### -----LEGAL FOUNDATION FOR DIVERSITY INITIATIVES

In a post-WWII era, "The United States [was] trying to prove to the people of the world, of every nationality, race, and color, that a free democracy is the most civilized and most secure form of government yet devised by man" (Kirk, 2020). The race relations in the United States directly contradicted this messaging, gaining disdain from the United Nations and creating a source of propaganda for enemies of democracy (Kirk, 2020). This culminated with the 1954 decision in *Brown v Board of Education*. "The decision, a revolutionary act, gave tremendous legitimacy to the civil rights movement and, consequently, forever changed US race relations in and outside of schools...this legislation declared segregation in public schools inherently unconstitutional" (Ford, 2023). The *Brown* decision, however, called many white Americans to "organized 'massive resistance' through violence and racist ideas. Apparently, they cared more about defending their separate but equal brand before America than defending the American-freedom brand before the world...But the civil rights movement kept coming" (Kendi, 2016).

With the eyes of the world watching, and many Americans recognizing the worldwide implications of its continued contradictory practices on the basis of race, equality, and democracy, President Kennedy

turned to Congress to pass civil rights legislation (Kendi, 2016). Over the course of the 1960s, several significant executive orders and legislation were passed aimed at creating equal opportunities and focused on affirmative action. Kennedy's Executive Order No. 10925 required equal opportunity "during employment, without regard to race, creed, color, or national origin," while also creating the President's committee on Equal Employment Opportunity (Exec. Order No. 10925, 1961). "The order was followed by Congressional passage of the landmark Civil Rights Act of 1964, which outlawed discrimination based on race, color, religion, sex, and national origin (Civil Rights Act, 1964). These initiatives had one shared, common goal: equitable treatment for marginalized groups in the workplace" (Portocarrero, 2022).

Under external pressure, the United States government heeded the call to create change, but did so without implementing any specificity. While the legislation of the 1960s emphasized the need for affirmative action, it did nothing to define what affirmative action was or how equal opportunity could be implemented in the workplace (Portocarrero, 2022). This left a gap that came to be filled by each organization and personnel managers, who were responsible for devising equal opportunity programs. "This network of personnel specialists, some of whom now styled themselves as equal opportunity consultants, created wave after wave of equal opportunity innovations, linking each to ideas about discrimination put forth by activists and academics" (Dobbins, 2009). As with all laws and legislation with room for interpretation, affirmative action and equity in the workplace evolved with the times.

#### **EVOLUTION OF DIVERSITY, EQUITY, & INCLUSION IN THE WORKPLACE-----**

Throughout the 1960s and 1970s, many organizations embraced the need for change. Lockheed-Georgia, an aerospace, technology, and defense company, spearheaded an effort to create a corporate "plan for progress" aimed at recruiting, training, and retaining minority employees. Several other corporations followed suit, including Kodak, Western Electric, Mobil Oil, Pacific Telephone, and Polaroid. With an understanding of racial discrimination and its impact on the criminal records of minorities, some organizations even moved to overlook criminal records of potential candidates. Recruitment from Historically Black Colleges skyrocketed as well as skill and management training for African Americans. With the lack of clear direction, personnel managers took it upon themselves to expand the role that they played in corporate policy and affirmative action. In doing so, they implemented corporate nondiscrimination policies, created special recruitment programs for minorities and women, and created training programs to bring these groups into skilled and management positions. Personnel managers formalized equal opportunity departments, grievance procedures, and evaluations that could serve as a basis for the promotion of minority employees. While the actual impact of these changes is not so easily identified, these initiatives were invigorating to the minority workforce (Dobbins, 2009).

The progress of this time period was brought to a halt in the late 1970s into the 1980s with a shift to a more conservative business, social, and political landscape. This shift manifested in a variety of ways. Business leaders rallied around the idea of free markets and individual freedom, opposing the government regulation and worker protection implemented in previous decades (Sloan, 1997). White Americans had begun to associate the progressive initiatives of the previous decades with preferential treatment for Black Americans, causing the general retreat from the support of civil rights objectives (Sloan, 1997). Conservatism led American politics, and as Sloan described, represented the retreat from social progress:

American conservatives value individual freedom far more than equality. Whereas liberals believe that equality and liberty can be reconciled, conservatives do not. While liberals tend to think of equality as promoting social justice, conservatives believe that equality brings about stifling uniformity, leveling, and bureaucratic oppression... While for liberals equality is

a moral incentive leading to a more socially just society, for conservatives it is economically counterproductive, politically dangerous, and a demagogic appeal to envy. Whereas liberals believe that freedom will be threatened by growing inequalities, conservatives have no doubt that freedom will be sacrificed if government attempts to reduce disparities.

This ideological shift culminated in the election of Ronald Reagan as President in 1981. Ronald Reagan was at the head of the conservatism movement and gave it legitimacy, running on platforms of social conservatism, economic deregulation, anti-affirmative action, and pro-individualism (Busch, 2015). These objectives were communicated to the American people as the rejuvenation of the American dream, lower taxes, more controlled inflation, budget cuts, and the expansion of individual entrepreneurship. He did so by playing off of the fears many Americans had of what the government could do to them if too powerful or how white male workers might lose jobs to Black Americans if affirmative action went unchecked (Sloan, 1997). As Reagan took office, and in an attempt to meet his campaign promises, he implemented an economic plan and tax cuts for the wealthy that ultimately increased unemployment and exacerbated the economic downturn. To combat these results, the federal government reduced funding for social welfare, shifting the cost and responsibility to the states, which yielded state tax increases and cuts to public services with disproportionate impacts on economically vulnerable Americans (Busch, 2015).

The societal shift to conservatism and the associated changes in the business and political landscape of the 1980s sent a clear message around the importance of equity in the workplace: profit, free enterprise, and individual freedom took precedence over all else. These changes not only caused a lasting economic impact on Black Americans, but also spawned a controversy around affirmative action that permeated all aspects of American life. “White Americans became less concerned with the problem of Black poverty and more focused on White resentment” (Pierce, 2014). Affirmative action and hiring quotas became seen as privileged group rights of racial minorities at the expense of the individual rights of white males (Sloan, 1997). This movement against affirmative action, coupled with government deregulation, caused the relaxing of department and policies surrounding equal opportunity (Portocarrero, 2022). As a result, personnel experts and executives shifted their efforts from equitable opportunity and the recognition of the racist practices that created a need for such initiatives to a focus on the business case for diversity and how it can increase the bottom-line (Dobbins, 2009).

“In the 6 decades that have passed since Kennedy passed Executive Order 10925, hundreds if not thousands of US organizations have implemented diversity initiatives. However, many of these initiatives have been decoupled from the original call to take affirmative action to end discrimination” (Portocarrero, 2022). The diversity initiatives that exist in modern organizational structures are “often developed by human resource managers and self-professed diversity experts who have neither the training in theoretical and empirical issues from science on diversity nor the necessary background to evaluate the effects of these programs” (Kaiser, 2013). While these programs are often cornerstones of organizational structure, Kaiser and her fellow researchers went on to prove that the existence of these policies actually creates the illusion of fairness while complicating any efforts to detect actual discrimination. Their research found that the presence of these policies often absolves organizations of any wrongdoing in cases of individual discrimination. While the workplace had undeniably become more diverse since the 1960s, it is unclear if this has been impacted by employer diversity programs that are based on best practices rather than substantiated evidence. It is clear, however, that these practices provide organizations protection in court (Dobbins, 2009). While it is undeniable that there has been change in the workplace from a diversity, equity, & inclusion (DEI) perspective, the intent behind such changes seems to have had a direct impact on the degree to which such measures create equitable opportunities for consistently underrepresented

communities of color. The result has often been seemingly well-intentioned policies that ultimately protect the company more than they advance the employees or labor force as a whole.

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## -----2020 AND THE IMPACT ON DEI IN THE WORKPLACE

There have been many ebbs and flows in terms of the progress around DEI in the workplace over the last few decades, but none have brought as much attention to the issue in recent years as the events of 2020. The year 2020 had a profound impact on the awareness of the systemic racism and injustice that exists in the United States and around the world. In March of 2020, Covid-19 changed what life and work looked like across the globe and disproportionately impacted communities of color, where the likelihood of infection and death was higher and the impact of changes in economic circumstances more dire. Grills describes the driving force behind this:

Chronic and pervasive social, economic, and health inequities place CoC [communities of color] at increased risk of getting sick and dying from COVID-19. These include pervasive inequities in access to: quality and culturally safe medical care (i.e., inaccessible, inadequate, and discriminatory care); appropriate housing (substandard and overcrowded); access to healthy food (food desert environments); clean and accessible water; quality education (under-resourced public education); and exposure to damaging environmental hazards, pollutants, and toxins—all of which produce cumulative and chronic adverse health outcomes that were well entrenched before COVID-19.

Despite the devastating and undeniable impacts of Covid-19, it was the murder of George Floyd in May of 2020 that forced the country to bear witness to the racial inequities that exist and called corporate America to action to create change.

In the weeks following the brutal murder of George Floyd, many major corporations across the country issued statements condemning the violence, supporting the Black Lives Matter movement, calling for the need to increase workforce diversity, and committing resources to addressing systemic racism (Tracy, 2021). CEO roles for diversity, equity, and inclusion became the norm and corporate policies focused on equitable opportunity, equitable pay, supporting diverse communities, and hearing diverse voices. In addition to calling for change, some companies took the initiative to change their product practices to address the systemic racism they perpetuated. Amazon paused the use of its facial recognition technology that was reported to racially profile Black Americans, IBM ceased offering facial recognition software in fear of human rights violations, Estée Lauder committed to increasing reliance on Black-owned businesses for their supplies and materials, and Netflix pledged to uplift the Black community and bring awareness to Black justice through content creation and promotion (Segal, 2021). There was an air of change in the country and corporate America, once again, seemed devoted to the cause.

Over the following year, America's 50 biggest public companies donated almost \$50 billion to addressing racial inequity. In examining these contributions, just over \$45 billion was allocated to loans or investments that the donating company stood to profit from. About \$4.2 billion went to causes focused on economic equality, education, and health (Tracy, 2021). In addition to monetary contributions, many companies, such as Proctor & Gamble, PayPal, Target, & LinkedIn, developed comprehensive plans focused on creating equitable recruitment and hiring practices; embedding support and mentoring systems in the workplace; hitting specific targets for workforce diversity, supplier diversity, and diversity of product testing; and creating improved customer experiences for diverse audiences (Volkman, 2021). Employees were

seeking these policies when assessing employers and corporate America responded both financially and from a policy perspective, continuing to display a commitment to address systemic racism.

With the focus on distributing funds and establishing policies to help create more equitable workspaces, it is important to examine the true impact of these stated objectives on communities of color. According to the US Census Bureau, in 2020, the median income for households by race are as follows: White (not Hispanic) \$71,419; Black \$45,870; Asian \$94,903; and Hispanic \$55,321. 5% of companies had African American CEOs (Crist, 2023) and 8.7% of Fortune 500 companies had Black members on their boards, a slight decrease from previous years (Missing Pieces Report). In 2021, according to Statista, median income for households by race are: White (not Hispanic) \$71,033; Black \$45,208; Asian \$101,418; and Hispanic \$57,981. 6% of companies had African American CEOs (Crist, 2023). There was an increased presence of nonwhite members for new board seats, though these seats remain to be over 80% white (Eavis, 2022). These numbers illustrate a marginal increase in opportunity for Black individuals already existing in the upper financial range of the Black community, such as those in positions to become CEOs or Board Members, while having no impact on the overall median income level. Change does take time, which could be a possible explanation for this stagnation year over year.

Despite Corporate America’s efforts in 2020 and 2021, 2022 came with an economic downturn and financial stress across many sectors that directly impacted the DEI efforts and progress of the previous years. Revelio Labs reported that over 2022, the percentage of diverse new hires decreased while DEI professionals were disproportionately impacted by sweeping layoffs. In December 2022, the 12-month attrition rate for DEI professionals was 33%, with non-DEI positions at 21%. In an NBC News article, Bunn highlighted the opinions of several DEI experts on the cause of this change. Reyana Ayas of Revelio Labs suggested that when companies make commitments to achieve something several years in the future, it opens the door for those companies to walk back those policies without any form of accountability. Chris Metzler of the National Urban League believed the appointment of DEI professionals was disingenuous and the roles have already been weakened to strictly performative positions. As the movements of 2020 faded into the background and profit once again emerged as the main priority, DEI efforts were the first to be cut in order to continue operations and maintain adequate profitability for shareholders.

When George Floyd was murdered, the American people issued loud calls for systemic change and corporate America responded swiftly and strongly, publicly stating corporate commitments to reform, and in some cases, enacting internal reforms. While there was a marginal impact from these actions in the year following, the path does not appear to have yielded sustainable and continuous change. The actual results of these changes point to little or backwards facing economic impact and performative temporary gestures at best. Similar to the policies and movements of the 60s, the intended result somehow got lost along the way, or perhaps, the intention was more to placate the masses than to create systemic changes. Regardless of the intention, it is undeniable that corporate America again finds itself at an inflection point where the steps taken next can determine if the diversity, equity, and inclusion efforts of the past few years turn out to be performative or impactful.

**A POSSIBLE PATH FORWARD FOR DEI IN THE WORKPLACE-----**

Over the last few decades, there have been many concerted efforts to address DEI in the workplace. These efforts originated as a call to create equitable opportunities and spaces that would elevate the Black community in an attempt to right the wrongs of hundreds of years of systemic oppression. In the 80s and subsequent decades this shifted to creating spaces where all employees felt welcome and eliminating discriminatory practices through laws and training. In 2020, the focus shifted back to addressing systemic



racism and changing the system that continued to disproportionality elevate white professionals. Despite the source of the call to action or the level to which organizations and DEI focused professionals were involved, the resulting change has yet to be systemic or sustainable. While the true cause of this failure is unknown, there appear to be a range of contributing factors: the lack of specificity in the laws and regulations, the lack of accountability in company policies, the lack of understanding of systemic racism and what it might take to truly address it, and/or the capitalist structure of business and the emphasis of company profit above all else.

The Sustainability Institute's report on Corporate Progress and Action on Diversity, Equity, and Inclusion highlights several factors that must be considered when corporations devise their approach to addressing systemic racism and supporting societal change. First, DEI cannot be addressed with a one-size fits all approach. There may be different needs across regions and cultures that require individualized attention and coordination to address. Second, systemic change is a long-term goal that requires long-term strategies. This factor can become problematic in terms of continued effort and accountability. Therefore, it is imperative that organizations create "Transparent, authentic, and aligned corporate communications across multiple channels [that] can help ensure that stakeholders have sufficient access to the latest information about your company's DEI commitments, actions, and progress" (Volkman, 2021). The effort must be built into the fabric of the company so that it remains continuous. Finally, the report indicates that understanding of diversity is constantly expanding and it is important that DEI policies have a basis that is inclusive and fair to all, addressing the needs and circumstances of all marginalized identities. These policies must be embedded in strategic objectives and guidelines to add another layer of accountability. Taking these suggestions a step further, in her discussion of DEI in academia and the shift in language required to create lasting change, D-L Stewart describes DEI as:

Diversity celebrates increases in numbers that still reflect minoritized status on campus and incremental growth. Equity celebrates reductions in harm, revisions to abusive systems and increases in supports for people's life chances as reported by those who have been targeted. Inclusion celebrates awards for initiatives and credits itself for having a diverse candidate pool. Justice celebrates getting rid of practices and policies that were having disparate impacts on minoritized groups.

These considerations, while straight-forward, may be difficult to define, implement, and maintain, especially within the capitalist structure of the current business landscape. This, however, is not unique in corporate America. A similar call to structure and adherence to principles occurs in accounting and financial compliance that all publicly traded companies must abide by.

In the 1930s, following the stock market crash of 1929 and the subsequent financial crisis, the United States Government needed to restore the faith and confidence of the American people in the business sector. It was decided that regulation was necessary to achieve this outcome and stabilize industry. The result was the implementation of a private sector organization to identify and set appropriate standards for all public companies (Borad, 2022). The organizations in charge of regulation and the established standards have evolved since the 1930s, but there has always been an emphasis on continuous research and working at the intersection of accounting firms, accounting academics, financial executives, and other accounting practitioners (Zeff, 2007). In the early 1970s, The Wheat Study Group, an independent group charged with identifying ways to improve the process of determining standards for financial reporting, called for the establishment of a non-governmental body to be made up of both practicing and non-practicing CPAs, as well as individuals from colleges, universities, and financial institutions, located away from both government and industry (Zeff, 2012). This led to the creation of the Financial Accounting Standards Board (FASB), which still

exists today (Zeff, 2007). Funding for this organization would be through donations and the sale of publications (Zeff, 2007). While the FASB sets the standards, it is the SEC the enforces them. The effects of not following the standards set range from impacts on credibility with lenders and investors to significant fines (Ross, 2022). It is important to note that despite the success of the FASB and the Generally Accepted Account Principles (GAAP) in the United States, there have been periods of significant struggle and disagreement between scholars, government, business leaders, and even the courts. Despite these struggles, the regulations have persisted and companies have abided by them. Today, publicly traded companies are audited on a yearly basis by independent auditors to ensure accuracy of financial statements and compliance with regulations, with findings reported to the monitoring bodies as well as publicly recorded (Investor Publications).

The progress and position of financial standards in the United States is the perfect representation of what is possible when business, academia, and the government work together to create systemic and lasting change in a capitalist society. While the objectives of these standards are strictly capitalist in nature, their continued existence suggests that there is a means to achieve uniform adherence to thoroughly researched and vetted principles determined by entirely independent bodies. It is here that the door of possibility is opened to the adaptation of this structure to diversity, equity, and inclusions principles in an attempt to alter the state of systemic oppression that exists today.

The first step in this adaptation would be to establish what defines diversity, equity, and inclusion expertise and to establish a coalition of those who fall within that space to devise the standards required for true and lasting change. This may appear to be an impossible task with endless points of view, but as seen with financial standards, anything is possible when distinct groups are able to work together towards a common objective. Similarly to the establishment of financial standards, such a task would take years, an abundance of research and publications, and independent funding to complete. These standards should focus on addressing the experience of systemic oppression as detailed by D-L Stewart. They must be objective and measurable, which does create a degree of complexity in this space specifically. While you can review a financial posting and the support behind it somewhat effortlessly, the same cannot be said for creating equitable and inclusive spaces and experiences. Thus, not only must the standards be established, but a means of appropriate and representative measurement must also be determined. The number of ERGs, an assessment of pay parity, and the ethnic make-up of each level at a company could be illustrative of an effort to address DEI, but it may come down to standardized employee opinion surveys and environment assessments to get an understanding of the true impact of those efforts on the individual experience, at least to start.

Simultaneous to the creation of these standards, there should be an increased focus on educating individuals who could be ready to begin audit and enforcement upon completion. In today's financial audit landscape, many individuals enter the field with an undergraduate degree in accounting and pursue a CPA as they accumulate work experience. The same approach would be applied to DEI. Public companies undergo financial audits and receive formal audit reports around compliance on a yearly basis. There are firms whose main purpose is to execute these audits and these organizations are perfectly situated to add DEI audits to their yearly inspection, given the appropriate staff and guidelines. Audit firms collect data from financial or IT systems and run analyses against it to identify adherence to principles, patterns, and substantial areas of risk that require further inspection. With the appropriate data, the same approach can be taken to assess and analyze a company's progress on diversity, equity, and inclusion in the workplace. These findings can be added to public reporting and made available for employees, shareholders, and investors to review.

While the structure exists to create and adhere to established standards, the main divergence between financial accounting and DEI revolves around why it is a business necessity in a capitalist economy. Financial standards are needed to allow individual investors to gain some level of comfort around the validity of the numbers being reported. The objective is to validate reported profit, inspiring, or deterring, others to spend money on these companies. The same executives who rely on financial standards may feel that diversity, equity, and inclusion has no place in capitalism. A simple solution to that viewpoint could be to implement a tax or fine for failure to comply with the newly established DEI standards. This would force the process into the existing capitalist structure but would be very unlikely to be widely accepted or enforceable by government or industry. The rationale then must shift to the financial implications of such efforts, which can present themselves in a variety of forms. First, by way of the establishment of this coalition that will define standards and best practices, companies can minimize their financial commitments towards individual work in this area. While DEI professionals would still be required to execute suggestions and facilitate audits, their focus can be on how to efficiently achieve the established standards instead of determining what should be done. As with financial audits, DEI auditors can provide suggestions and guidance at every step of the process. Similarly, employees devoted to tracking and reporting this data can also shift their focus. With all changes, implementation takes time, but once the systems are in place to track and maintain the necessary procedures and data, these resources will be free to focus on other efforts. Next, according to McKinsey in their report *Diversity wins*, the most diverse companies outperform those lacking diversity on profitability metrics. “In the case of ethnic and cultural diversity...We found that companies in the top quartile outperformed those in the fourth by 36 percent in terms of profitability in 2019, slightly up from 33 percent in 2017 and 35 percent in 2014” (Dixon-Fyle, 2020). Change might be slow, but the financial impact is visible and real, with a widening gap between organizations embracing ethnic diversity and those refusing to create change (Dixon-Fyle, 2020). Through the implementation of DEI audits, there will be even more data available supporting these findings and further contributing to the capitalist incentives to embrace DEI. Additionally, a more equitable distribution of wealth afforded by higher paying jobs for communities of color creates a larger consumer pool for products and services. With increased demand, companies cannot only sell more, but in some cases, can increase prices and ultimately profit. Finally, as the data begins to emerge supporting the variances in profitability associated with DEI, investors and shareholders will gain direct insight into forgone profits associated with lack of DEI initiatives. This, in essence, redefines what profitability can be and since investors follow profit potential, companies maximizing their profit through adherence to the DEI standards set may see more capital investments. This approach removes the distortions due to individual organization implementation, or lack thereof, or economic changes, revealing the true profit potential. If there is a clear, direct relationship between racial diversity and profit, there may be additional support behind efforts to identify and implement optimal practices.

Creating a more diverse, equitable, and inclusive workforce has the potential to change the lives of all individuals living within the capitalist economy of the United States and help to unravel the unjust practices that have defined systematic oppression for centuries. Formalizing the standards needed to actually allow for businesses to implement systemic changes is no easy task and not one that individual companies do not seem to be structured to execute. Through the creation of an independent coalition, the likelihood of success is increased, and corporate America is relieved of the responsibility to solve a problem it has exacerbated. While it is not the objective of the DEI coalition and the standards established to generate more profit for publicly traded companies, it is a necessary byproduct that could fuel the acceptance and adherence to these standards. A drastic change is needed to take a permanent and unrelenting step forward on the journey of untangling the system of oppression that exists today and tying finance to DEI could be the key.

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## CONCLUSION

The workforce of the United States has been established and defined by centuries of racism and the systemic oppression of communities of color. Since the first slaves were forced to step foot on these lands, the white man has seen himself superior to the Black man and has formalized and institutionalized these opinions through laws and legislation. Though there have been periods of time in which society has been willing to reckon with the impact of such devastating oppression, these periods have been stalled by economic woes or political skullduggery. The efforts to address and right the devastation inflicted upon communities of color have been replaced by performative policies that attempt to change the face of the workforce without addressing the heart of the business landscape. The lack of success or even sustained commitment to diversity, equity, and inclusion thus far is disheartening, but only serves as an indicator that continued effort and a new approach is required. The suggested approach here is to formalize the standards and requirements around diversity, equity, and inclusion through the same uniquely effective process that has been applied to financial standards in the United States. This may seem far-fetched or unrealistic at a glance, but the truth of the matter is that what has been done so far has not yielded the necessary results, therefore the continued fight to end systemic racism requires innovative and unconventional ideas. Regardless of the approach taken, the fight must continue to eradicate systemic oppression and create more equitable opportunities and inclusive spaces for all individuals in the workplace and beyond.

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