The Work that Lies Ahead: Data on Racial Equity

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We increasingly hear business leaders, investors and politicians talk about the need for "stakeholder capitalism," but it is often invoked in very general terms. The Test of Corporate Purpose (TCP) project provides a unique and fascinating set of data that seeks to measure the performance of large companies vis-à-vis their stakeholders. TCP is a moment in time snapshot, but it captures company behavior at arguably the most critical moment we've lived through in decades. Among other things, TCP found that BRT signatories were no more likely than other companies to create value for their stakeholders.

It is encouraging, but not surprising, that both the GlobeScan stakeholder opinion poll and the TVL sentiment analysis of corporate performance placed significant weight on issues of racial equity. Indicators of inequality, including racial inequality, were ranked the second most important indicator by poll respondents, after worker health and safety. TVL's analysis similarly treated inequality as a major stress test for companies. If issues of racial equity were not top of mind for companies and investors before the mass protests that followed the murders of George Floyd and Breonna Taylor, they are now.

And indeed, over the past few months we've seen promising examples of companies trying to lead – or at least do better – on issues of race. PayPal committed to invest $530M in Black and minority businesses and communities; State Street Global Advisors issued a strong statement promising to triple its Black and Latinx leadership, among other commitments; AirBnB worked with Color of Change to undertake a civil rights audit and make ensuing improvements – the list of commitments is long and varied. But how can we move past press releases and anecdotes toward a more comprehensive and meaningful assessment of companies' performance on issues of racial equity? How can we benchmark companies against their peers, and understand whether we are making progress?

Unfortunately, data on race is almost entirely absent from most ESG data sets, making holistic or comparative analysis difficult. The best data we have is on public company directors, and it is very sobering – 37% of S&P 500 companies, for example, have no Black directors. Even those data, however, are not available in a comprehensive or accessible database. No other demographic data, which companies are required to report to regulators, are required to be publicly disclosed. As a result, only 4% of Russell 1000 companies share detailed data on their workers' gender and race. One ESG data expert told me they would have to manually examine the LinkedIn profiles of individual company executives in order to guess at and quantify the percentage of Fortune 500 executives who are Black or Latinx. In an era of big data, that is insane. Even the Sustainability Standards Accounting Board (SASB), increasingly the go-to standard for disclosure of sustainability issues, only considers data on race and gender to be financially material in 12 out of 77 industries.

And demographic data is only the tip of the iceberg when it comes to companies' performance on racial equity. We know that Black and Latinx people are disproportionately represented among frontline workers, so a company's wages, benefits, profit-sharing and related policies are important parts of how it performs on racial equity. The ways it manages suppliers, protects customers, engages in campaign finance and lobbying, and makes other sector-specific business decisions are also critical components of its racial equity profile. Unfortunately, none of these data are yet available.

The TCP project brings important new data to bear on the conversation about stakeholder capitalism. It also highlights critical gaps in our understanding and points toward the work that lies ahead if companies are to fulfill their promise to all of their stakeholders.