

U.S. companies vow to fight racism but face critics on diversity

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11 MIN READ

(Reuters) - In the past, U.S. corporations have largely remained silent as protests erupted over killings of African-Americans by police officers. That changed with the May 25 death of George Floyd in Minneapolis, which has set off a flurry of corporate statements of solidarity with the black community – along with pledges of more than \$1.7 billion to advance racial justice and equity.



FILE PHOTO: Demonstrators march across Brooklyn Bridge in protest against the death in Minneapolis police custody of George Floyd in the Brooklyn borough of New York City, New York, U.S., June 4, 2020. REUTERS/Andrew Kelly/File Photo

The unprecedented outpouring of support, however, has stirred up criticism along with praise. Many social justice advocates, corporate diversity experts and investors say companies also need to focus on equity in their own ranks, especially by hiring and promoting minority workers.

The tensions show the difficulty executives face in aligning their firms with popular social causes at a time of soaring wealth and inequality – and growing pressure from some investors to show leadership on societal problems. Activists, along with some business leaders, also see an opportunity amid global protests to push reform on social justice issues well beyond police brutality.

The rush of corporate concern belies the reality of workforce inequity, said Natasha Lamb, managing partner of Arjuna Capital. Arjuna is a Boston-based investment adviser and frequent filer of

shareholder resolutions pressing companies - with mixed success - to disclose more data on pay equity.

"If you take an honest look at corporate America, outside their glossy diversity reports, structural bias for women and people of color remains as entrenched as ever," she said.

Floyd's death has sparked a movement with wide-ranging goals, said Fiona Ma, California state treasurer and a director for systems managing about \$650 billion in state retirement assets. "It's not just law enforcement" at issue, she said, calling the protests "a greater statement of today's values and holding people and companies accountable."

Leaders of major companies including Comcast Corp ([CMCSA.O](#)), Nike Inc ([NKE.N](#)) and Warner Music Group Corp WMG.O have announced major gifts to advance racial justice amid the protests over Floyd's death. Bank of America pledged \$1 billion over four years to address economic and racial inequality. At least a dozen other big companies announced gifts between \$1 million and \$100 million for similar efforts. FACTBOX:

"Our Black community is hurting, and many of us are searching for ways to stand up for what we believe," said Sundar Pichai, CEO of Google parent Alphabet Inc ([GOOGL.O](#)).

Companies' willingness to take strong stands could signal a substantive shift in the attitudes of corporate leaders, said Jim Paulsen, chief investment strategist for Leuthold Group, a research and asset management firm. "Some is probably lip service, but I think it goes beyond that, and there's a realization that something needs to change," Paulsen said.

DIFFERENT THIS TIME

Companies were mostly silent during protests in 2014 following the death of Michael Brown, who was shot by a Ferguson, Missouri policeman, and Eric Garner, who died after being put in a chokehold by a New York City officer.

Today the demonstrations are bigger and more racially diverse. Companies also face increasing pressure from investors, consumers and workers to lead on issues from climate change to gun control to immigration policy and racial inequity.

"It's good for their own employees to hear this, because especially their younger employees are part of a generational group that cares more about these issues," said Francis Byrd, a corporate governance consultant in New York.

The growing corporate involvement may also reflect a shift in public attitudes on race, said R. Paul Herman, chief executive of sustainable ratings agency HIP Investor. In the past, he said, companies avoided weighing in on racial controversies for fear of alienating customers. A Monmouth University poll released on June 2 showed the proportion of Americans who consider racial discrimination to be a big problem has increased from about half in 2015 to about 3 in 4 now.

On June 1, Facebook Inc FB.N Chief Executive Officer Mark Zuckerberg wrote on his personal Facebook page: “To help in this fight, I know Facebook needs to do more to support equality and safety.”

Facebook committed \$10 million to groups working on racial justice, and Zuckerberg’s private philanthropy has donated far more to the cause.

But the firm still faces pressure on workplace diversity. At its May 27 annual meeting, investors cast about 28% of votes, excluding shares held by insiders, in favor of a resolution sponsored by Arjuna that called for a breakdown of its median pay gaps by gender and race.

Facebook opposed the measure, saying it already discloses data showing that women and men are equally paid for similar work. A spokesman did not comment on whether it might add more pay disclosures but said the company is committed to workplace equity.

African-Americans make up less than 4% of Facebook’s workforce and about 3% of its senior leadership, compared to 13% of the U.S. populace, according to company disclosures. Other major technology firms, including Google, Twitter Inc ([TWTR.N](#)), Intel Corp ([INTC.O](#)) and Microsoft Corp ([MSFT.O](#)), have disclosed similarly low proportions of African-American workers and senior managers, relative to the population.

Twitter, Intel and Microsoft representatives said the firms have set ambitious goals to increase the proportion of underrepresented minorities in their ranks.

Google spokeswoman Jennifer Rodstrom said the company would need to “work to expand the talent pool externally, and improve our culture internally, if we want to create equitable outcomes and inclusion for everyone.”

Monica Hawkins, a Washington, D.C.-based management consultant, said many executives struggle to raise diversity in senior management because they know too few minorities. Leaders need to expand their social and business circles, she said, because referrals are a key source of important hires.

“They need to open their network,” she said. “That’s the work. You can’t cut a check for that.”

Proportions of African-American workers are much higher at firms with large numbers of relatively low-paid workers, such as retailers Walmart Inc ([WMT.N](#)) and Amazon.com Inc ([AMZN.O](#)), according to company disclosures. But the higher percentages don’t extend to the senior management ranks of either retailer and remain well below the level of the U.S. population, the disclosures show.

A Walmart spokeswoman cited recent comments from its CEO Doug McMillon that its recruiting and development of African-American employees and other people of color will be “even more of a priority” going forward. Amazon says in a workforce report that it strives “for better representation across our various businesses.”

When Amazon expressed its concern in a May 31 tweet over what it described as the “brutal” treatment of black Americans, it faced immediate blowback over facial-recognition technologies it sells to police agencies.

The American Civil Liberties Union (ACLU) responded to Amazon’s tweet by asking if it would stop selling technology it says “supercharges police abuse.” In a 2018 study of Amazon’s Rekognition technology, the ACLU found people of color were falsely matched at a high rate. Matt Cagle, an attorney for the ACLU of Northern California, called Amazon’s support for racial justice “utterly hypocritical.”

Amazon pledged \$10 million for social justice causes, some of which will go to the ACLU Foundation. The ACLU welcomed the donation, said Ben Wizner, director of its Speech, Privacy, and Technology Project.

“Since it is an unrestricted gift, the irony is that some of this money will undoubtedly be used to hold Amazon accountable for its role in perpetuating police abuses,” he said.

Amazon has defended Rekognition and said all users must follow laws limiting its use. But late Wednesday, hours after this Reuters report was published, Amazon announced it would put a one-year moratorium on police use of Rekognition.

“We’ve advocated that governments should put in place stronger regulations to govern the ethical use of facial recognition technology,” the company said on its website. “We hope this one-year moratorium might give Congress enough time to implement appropriate rules.”

FEW AFRICAN-AMERICANS IN MANAGEMENT

Reuters reviewed available data on workplace diversity from 27 large corporations that made statements about race in the wake of Floyd’s death. The data is spotty, however, because companies are not legally required to release it and their disclosures can be selective.

The percentage of black board members often mirrors or surpasses that of the broader U.S. population, the company disclosures showed. But the percentage of black employees in senior management is typically much lower. More than half of the 27 companies disclosed percentages of African-Americans in their top ranks that were less than half the percentage in the broader population, and many companies disclosed no racial breakdown for managers at all.

At the Walt Disney Co ([DIS.N](#)), none of the 15 senior executives listed on the company’s website are black; Disney’s recently-named treasurer is Hispanic. A Disney spokesman cited company diversity efforts including two programs announced last year that aim to attract and develop talent from underrepresented backgrounds.

The company on June 3 announced a \$5 million pledge to support nonprofit organizations that advance social justice, including a \$2 million donation to the National Association for the Advancement of Colored People (NAACP).

Jade Magnus Ogunnaike, Deputy Senior Campaign Director at social justice organization Color of Change – which promotes racial equity through online campaigns - said the donation was a start but that Disney and other firms need to reassess their approach. Ogunnaike said companies should conduct civil rights audits that examine workforce demographics, hiring practices and company culture.

"They're going to have to look intensely and deeply at how racism is showing up," she said.

James Page, Vice President of Diversity and Inclusion at General Assembly, a technology training firm, said companies looking to show leadership on issues of race need to do more than donate to social justice organizations.

"This crisis did not occur because the NAACP didn't have enough money," Page said, referring to one of oldest and best-known U.S. civil rights groups. "Corporations now need a clear plan on how they're going to change the makeup of their organizations."

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