OPINION ARTICLE

Stakeholder Capitalism and Racial Equity

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Tackling systemic racism within organisations has been the 'elephant in the room' for decades. Even with the rise of diversity and inclusion, somehow leadership teams never managed to get round to tackling how colleagues are excluded due to their ethnicity and how that exclusion intersects with their other identities and characteristics.

Then 2020 happened.

Specifically, the murder of George Floyd and it changed our conversations, actions, and approaches to race and within that, gave stakeholder capitalism a renewed relevance.

Stakeholder capitalism has increasingly become a common way to describe the expectation that companies provide long-term value creation. Going beyond a binary focus on shareholder returns, its now encompassing customers, suppliers, colleagues, investors, and communities, generating value for all stakeholders, not just shareholders.

In the same year as protests swept the globe, the World Economic Forum had its annual meeting of 120 of the world's largest companies. In collaboration with the International Business Council, new 'Stakeholder Capitalism Metrics' were announced in 2021 and this was seen as an opportunity to address the Sustainable Development Goals (SDGs).

Regardless of whether you are a fan or a critic, it isn't possible to operate in today's and tomorrow's environment without an awareness of how your company operates against changing standards. Ones that now incorporate prosperity – the responsibility to find ways to ensure everyone can thrive.

In a profit-first organizations, people are resources to maximise returns generating both top and bottom-line growth, by any means necessary. On the other end of the spectrum, a people-first organisation operates in a way that is beneficial to society, positively impacting local communities, consumers, employees, and the planet as well as making money.

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If you had to decide where your organization fits on this spectrum, where would you place it? Based on your operating model, your strategy, your values, and mission?

Introducing Racial Equity

It's easy to claim you are people-centred company and give the illusion of caring about your stakeholders, even if your day-to-day cultures and practices tell a different story.

The reality is that in the minds of some leaders, maximising profit means avoiding anything controversial that may damage public perception, cause internal friction, which in turn hits the bottom line.

What is controversial?

Racism.

When we look at the boards, CEOs, and executive leaders of global companies—they often don't look like the customers, employees, and resource-rich communities their businesses rely upon.

We have gone beyond merely seeking gender and 'minority' representation—organisations must confront the fact that colleagues can have wildly different experiences of your culture depending on their race. Their skin colour.

The truth is that most organisations mirror the inequity and inequalities we see in society. It is not enough to hire more 'global majority' people – a term I use to describe anyone who is Black, Asian, Brown, dual heritage, Indigenous to the global south and/or have been racialised as people of colour, ethnic minorities and the like – you have to actively dismantle racism, if you are to stand a chance to level the playing field for those most impacted (which is what I mean by advancing racial equity).

Focus on positive outcomes for people aligned to your strategy and values

There is no doubt in my mind that solid relationships with employees, stakeholders and suppliers are key to enabling greater corporate resilience, sustainability and yes, profit.

In light of the global conflicts, ongoing pandemic, global economic shifts, and intense inflationary volatility—corporate risk tolerance is reaching dangerous lows. In a fast-moving environment where NGOs and institutional investors are setting their racial equity expectations, not just for better representation of minoritised communities at board level, but more importantly in the in-depth corporate plans driving racial equity practice, a lack of addressing the root causes of this issue means this becomes a matter of corporate risk.

If I leave you with three things to remember and/or mull over:

1. Remember your employees, consumers, and suppliers are people not economic units.
2. When querying employee experiences, centre those most impacted by racism and search for the 'why' behind disparities.
3. Where do you have overrepresentation of ethnicities and genders? What does that tell you and how does this overrepresentation impact on the experiences of employees within your workplace? Are you prepared to do something about it?

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