Workplace diversity is making headlines more than ever, fueled by events such as the #MeToo and Black Lives Matter movements. All too often, though, the story arc centers on how businesses fail to meet their diversity goals. Although most organizational leaders recognize the business imperative of hiring and retaining a diverse workforce, it’s clear many still struggle to make it a reality.

One of the first steps to making strides on employee diversity goals is for organizations to understand their “organizational equity” — that is, their internal distribution of power and resources — and whether that distribution leads to equitable outcomes and growth opportunities for all employees.

In order to assess organizational equity, we suggest that leaders of U.S. organizations perform regular audits using qualitative and quantitative methods. In what follows, we will further explain the concepts of organizational equity and organizational equity audits, and we will detail the importance of diversity, equity, and inclusion (DEI) for those organizations and their leaders.

Organizational equity and organizational equity audits

Organizational equity is defined as the relative distribution of power and resources among key internal organizational stakeholders, including directors, executives, managers and employees. Importantly, an analysis of organizational equity takes into account the already unequal societal distribution of equity, and it is especially focused on the experiences of individuals from traditionally under-resourced and underrepresented groups. Since most organizational decision-making in the U.S. has been performed by white, straight, cisgender men, organizational equity analyses should prioritize the understanding of other groups’ experiences. An organizational equity audit involves processing and collecting data related to the relative power and workplace experiences of individuals in disadvantaged groups. This data is then used to identify the causes of inequitable influence and resource distribution. Once the audit process is completed, it is imperative that organizational leaders take action to remedy all inequities discovered.

1 The productive possibilities of organizational equity audits were first introduced to us by Dr. J Jackson-Beckham, founder and principal strategist of Crafted For All, LLC, founder and executive director of Craft x EDU, equity and inclusion partner of the Brewers Association. Her 2019 presentation at the Craft Brewers Conference in Denver, Colorado, focused on the concept. In general, Dr. Jackson-Beckham’s interventions into the craft beer industry are exemplary, Jackson-Beckham, J. (2019). Real Talk: Performing Cultural Climate Audits to Benchmark Organizational Inclusion, Equity, and Justice. Craft Brewers Conference, Denver, Colorado.

2 In addition to organizational equity, organizations will want to pay close attention to their reputational equity. Johnson and Bonds (2020) detail the aspects of reputational equity that organizations should track and assess in their white paper, “Does your firm have reputational equity?” In addition to the types of internal data that we suggest here, they encourage organizations to consider external stakeholder experiences and community engagement. Johnson, J. H., & Milliken Bonds, J. (2020). Does your firm have reputational equity? University of North Carolina Kenan-Flagler Business School. https://kenaninstitute.unc.edu/wp-content/uploads/2020/12/Firm-Reputational-Equity-updated.pdf.
We suggest organizational leaders begin their equity audit process by monitoring the experiences of individuals who may be legally protected from workplace discrimination. According to the U.S. federal government, members of U.S. organizations are legally protected from harassment and discrimination based on their:

- Racial and ethnic identity, including personal characteristics associated with race (such as hair texture, skin color or facial features)
- National origin
- Religion
- Sexuality, sex and gender, including pregnancy and gender expression
- Age
- Mental and physical ability
- Veteran status
- Genetic information

These social identities do not account for all forms of experience that might both impact and be impacted by an organization’s internal equity; however, these groups’ legally protected status means that most organizations’ human resources offices will hold at least some related data that can be utilized in an equity audit.

When auditing, leaders should collect data about organizational systems, employee backgrounds and contemporary social systems to interpret information related to:

- Employee recruitment, hiring, retention and advancement
- Employee pay and benefits
- Employee experiences, engagement and satisfaction
- Leadership prioritization and resource commitment

Without regular monitoring in these areas, organizational leaders may miss early indicators of organizational inequity and, as a result, be left clueless as to why they fail to diversify their leadership team, appeal to young workers or receive public backlash when they fail to meet their professed commitments to diversity and inclusion.

**Organizational equity benefits**

With regular audits of protected employee groups within the above areas, organizational leaders can identify early indicators of organizational inequity. By quickly addressing issues related to organizational inequity, companies nurture an environment that meets the needs of all employees and reap external and internal benefits.

**Employee benefits**

The experience of employees of U.S.-based organizations is, in many ways, determined by the employees’ own social identity. Recognizing and attending to common patterns of inequity will help organizations create a working environment that addresses and meets the needs of protected groups. For example, American Indian culture is vastly different from U.S. business culture, so to successfully navigate the U.S. market, American Indians must find ways to connect both cultures; this ultimately requires them to overcome hurdles that their non-Native counterparts never even see. Another example is how Black students must deal with the achievement gap in the U.S. education system. On average, Black students receive lower scores than white students on exams, but this gap has been proven to be a result of racism and racist structures rather than a reflection of the abilities of Black individuals.

It is easy to see how individuals from both groups above would face disadvantages due to common workplace expectations, such as networking assumptions, hiring processes and performance review standards. These are just two small examples. To create an environment that meets the needs of all stakeholders, organizational leaders must recognize the wide variety of employee experiences and proactively work to incorporate these varied backgrounds into organizational systems.

**External benefits**

Attending to organizational equity, and therefore improving

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organizational diversity and inclusion, would financially benefit most organizations. DEI researchers have long known that organizations generally perform better than the industry average when they focus on diversity. For example, companies with active and engaged gender-diverse boards have lower risk and volatility associated with their stocks. Additionally, companies that have higher-than-average demographic diversity in their workforce generate 45 percent of revenue through innovation, which is 19 percent higher than companies that have below-average diversity scores. This difference is attributed to the creativity and diligence produced by cultural heterogeneity; diverse organizations have a larger breadth of ideas and lenses to draw from, creating robust and novel solutions to problems, as well as more substantial decision-making processes. Organizations hoping to obtain the financial benefits that follow a commitment to diversity must pay close attention to equity. If, for example, organizations monitor and balance their internal equity, they will quickly learn which departments are homogeneous, as well as why and how they might encourage more team diversity.

Internal benefits
The financial benefits of organizational DEI are inextricably related to the functional and performance-related benefits of having employees and leaders from various backgrounds. For example, some common consequences related to having a more gender-diverse environment include:

- Higher perceptions of leadership effectiveness
- Increased performance-based reward and retention systems
- More ethical organizational decision-making
- More social welcoming for female employees
- Decreased mental and physical health risks for employees
- More LGBTQ+-friendly policies

These impacts directly affect company culture and improve the workplace environment. Additionally, recognizably equitable organizations that encourage open communication about DEI-related topics are more likely to have happy, engaged employees;


appeal to young workers; and retain diverse talent.11,12,13 Any of these competitive advantages could lead to future success; alternatively, avoiding the internal work necessary to create equity, celebrate diversity and cultivate belonging could mean failure.

In conclusion, we encourage U.S. leaders to keep a keen eye on their organization’s internal equity. With frequent, careful audits, organizations can intelligently and strategically begin making the interventions necessary for true equity.14 As they achieve equity, these organizations will see the numerous rewards associated with diversity, equity and inclusion. They will be more likely to outperform their peers, have more engaged and committed employees, and know they are on a journey toward creating a culture people can believe in.

To learn more about best practices in collecting and analyzing company data to perform an organizational equity audit, please see our white paper, “Organizational Equity: A Key Metric for Successful Organizations.”

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14 As companies begin addressing the inequities discovered through their data collection and processing, they should keep in mind two essential best practices: (1) pay the people who do this work and (2) make sure strategic decision-making centers on the voices of those most affected by inequity.
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OTHER RESOURCES
Economic Growth Initiative Dashboard:
Economic and Social Vulnerability
Current Economic Indicators
Consumer Consternation

Wrangling Herd Immunity for a Return to the Office
Short-term Help for Long-term Prosperity: Staving Off a Second-Wave Downturn
Risky Business: Capital Allocation in the Time of COVID-19
February 10 Webinar: AICPA & UNC Tax Center — Federal Tax Policy: Navigating the New Political Landscape

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