ICHOR

Meeting the Equity Challenge Is an Imperative

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CONTENTS

OVERVIEW

- Rising stakeholder capitalism, enduring inequality exacerbated by inflation, and an anticipated shift in generational power dynamics will continue to disrupt institutions through 2030.
- Stakeholders are demanding that corporate and government dollars work harder to meet the needs of those who have been disproportionately impacted by systemic inequity.
- At the same time, the Biden administration is requiring that its $3.8 trillion investment in infrastructure, energy, and manufacturing make an equitable impact, unlike other large public investments in the 20th century, which deepened inequality.
- This is a turning point – and equitable deployment of capital is the great differentiator.
- Those who reimagine best-in-class strategies to meet the challenge head-on will succeed. Those who do not will lose trust, market value, and public support.
- Growth now requires leaders to create capital plans informed by sophisticated analysis, meaningful stakeholder engagement, and clear alignment of objectives.

ASSESSING THE ENVIRONMENT

American communities are shaped by capital investment. Unfortunately, large institutions often fail to efficiently allocate financial resources to advance meaningful societal improvements. Up until now, this was acceptable practice so long as executives secured market share and politicians secured elections. However, a confluence of macroeconomic and sociopolitical trends requires private and public sector leaders to implement structural changes to thrive over the next several years.

The democratization of economic, human, and social capital, fueled by technology and globalization, has given marginalized communities a greater share of voice via allyship in recent years. Nevertheless, America remains the most inequitable of developed economies, with growing gaps in wealth and income distribution, as well as disparities in education, housing, health, environment, and infrastructure. Research shows that the U.S. economy lost $16 trillion over the past 20 years because of discrimination against Black Americans.

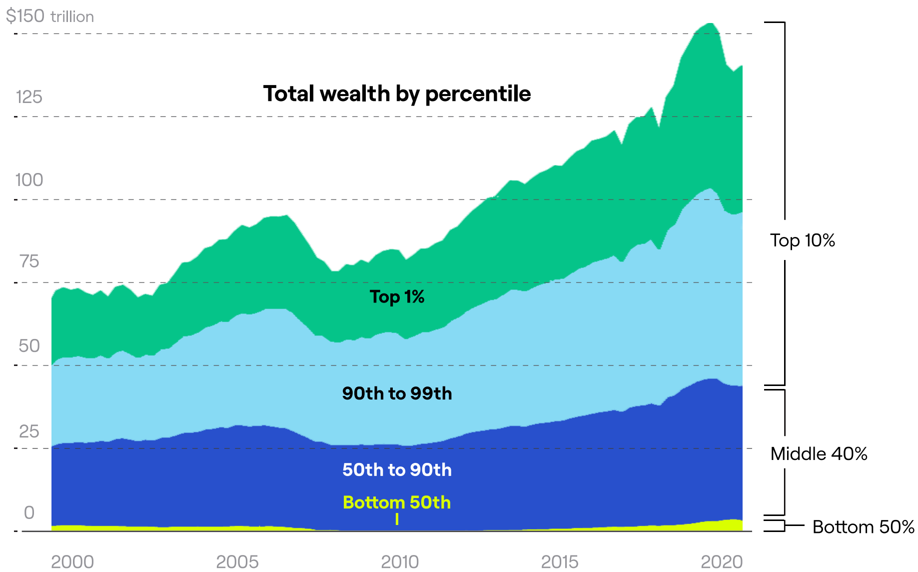
The Biden administration's efforts to advance equity stand to disrupt this paradigm – but only if federal agencies can promptly and judiciously allocate the $3.8 trillion designated for infrastructure, energy, and manufacturing to the neighborhoods most in need. Historically, large public investments, such as the New Deal and Federal-Aid Highway Act, have actually helped fortify systemic inequality. These programs are often credited with saving capitalism, but in reality, they helped preserve racialized structures that perpetuate economic exclusion and discrimination.

The current political climate has diminished faith in government. Even as record inflation, fueled by the pandemic and the war in Ukraine, abates, its impact on low- and middle-income earners is lasting. In contrast, the top 1% of U.S. earners gained $6.5 trillion during the pandemic due to rising stock prices.

These disparities will carry over with the impending transfer of $84 trillion in wealth from the Silent Generation and Baby Boomers to their Generation X and Millennial heirs by 2045. While the bottom 50% of households will receive $6.7 trillion of these funds, the top 1.5% will receive $35.3 trillion.

Figure A

Top 10% of Households Hold Majority of Wealth

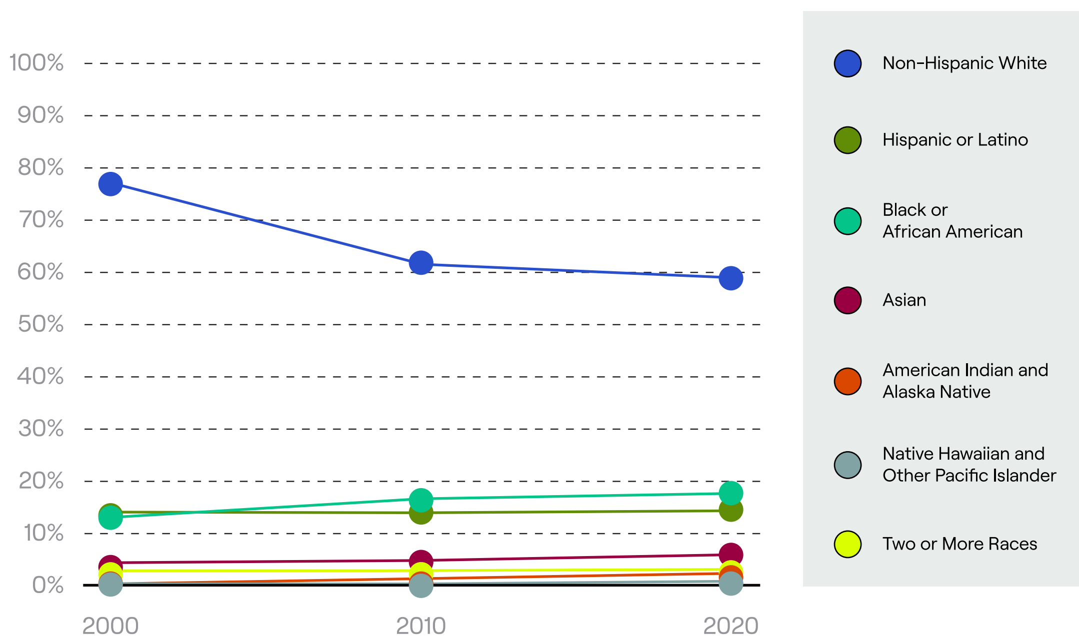


Source: Federal Reserve

But a closer look at who is inheriting these trillions reveals a brighter and more nuanced picture: emergent generations are more racially and ethnically diverse, consistent with other trends that show a diversifying U.S. population. Forty-eight percent of Generation Z and 39% of Millennials are people of color.

Figure B

Racial/Ethnic Composition



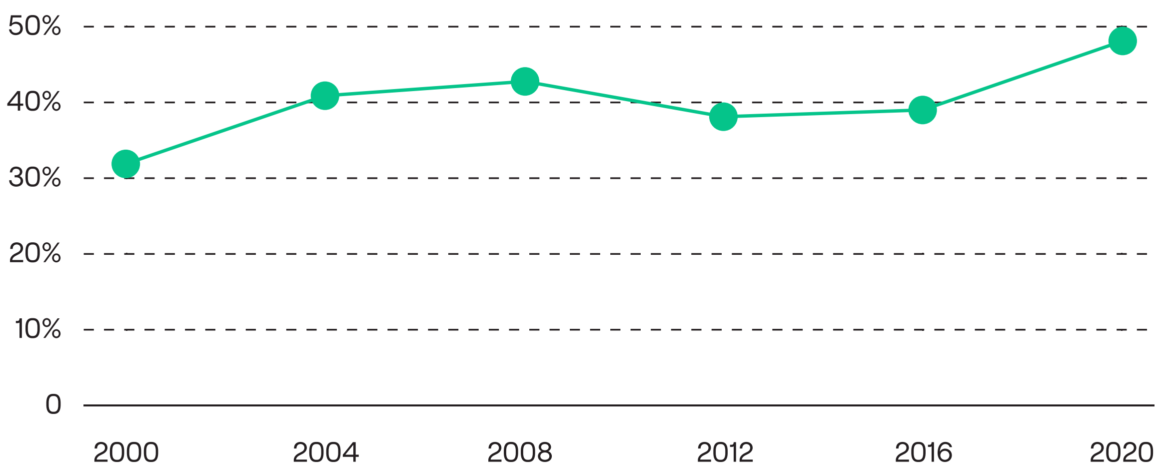
Source: U.S. Census Bureau

Millennials and Gen Z are also more socially conscious consumers and investors: 60% of Millennials believe it is important to buy from companies that align with their social and political beliefs (compared to 50% of Gen Xers and 21% of Baby Boomers). And 75% of Gen Z consumers prioritize sustainability over brand name.

These cohorts are also more progressive and pro-government than previous generations. Exit polls following the 2022 midterm elections showed that Gen Z and younger Millennials, ages 18 to 29, had the second-highest youth voter turnout in nearly three decades. Gen Z voters (46%) are also more likely to participate in political events, compared to 23% of Millennials, 15% of Gen Xers, 14% of the Silent Generation, and 11% of Baby Boomers.

Figure C

Youth Voter Turnout



Source: U.S. Census Bureau

This vanguard of younger, multiracial and ethnic stakeholders span a range of socioeconomic backgrounds and are guided by principles rooted in equity. Understanding these groups presents tremendous growth opportunities for public and private sector institutions, but capturing them requires a shift from business as usual. Leaders that prioritize equitable, sustainable capital deployment, in line with stakeholder values, will successfully attract younger generations.

Another trend that will require institutions to rethink capital deployment strategies is urbanization. By 2050, 89% of the U.S. population is projected to live in urban areas.

This has implications for the concentration of spending power in certain areas and adds to the urgency of addressing infrastructure disparities.

The current political discourse on equity will distract leaders from tapping into these trends to drive sustainable growth. However, the costs of distraction – and, worse, inaction – are myriad: stalled investments, revenue shortfalls, weakened competitive advantage, eroded public confidence, and neglected communities.

Engaging the vanguard of younger, diverse, and values-driven stakeholders requires an immediate shift from business as usual.

$84 trillion wealth transfer to younger generations by 2045

MILLENNIALS

60% prioritize buying from companies that align with their social and political beliefs

39% people of color

62% of new investors

GEN Z

75% prioritize sustainability over brand name

48% people of color

SEIZING THE OPPORTUNITY

Leaders must reimagine capital plans to differentiate themselves in this environment and achieve long-term, sustainable growth. With few models to follow and no universally accepted definition of equity, charting a path forward requires time, resources, and intention.

This three-pronged framework should guide every organization's approach to building a bespoke equity strategy. By focusing on **analytics, stakeholder engagement, and organizational alignment** – capital allocators will be well-prepared to adapt, mitigate risks, and, ultimately, seize the opportunity before them.

Analytics

1 Do we allocate financial resources in alignment with our core values? If so, which ones – and what data do we have to prove and improve our impact? If not, which insights do we need to begin allocating capital in alignment with our values?

Stakeholder Engagement

2 Do we understand what's most important to stakeholders, and are we delivering against their expectations? If not, what's in our way? Do we have diverse talent in place to help us understand the nuances reflected in the data? Do we know which trends stand to impact our stakeholders most significantly?

Organizational Alignment

3 What processes do we have in place to ensure that all functions are unified by a core set of objectives and held accountable for meeting them? Where are there vulnerabilities within the organization, and how can we solve for these challenges?

With this framework as a starting point, leaders can pivot away from feel-good statements and transactional philanthropy toward meaningful action that delivers real return on investment and disruptive advantage.

SEIZING THE OPPORTUNITY

PRIVATE SECTOR

$4 trillion
in annual spending*

As a critical source of economic capital, shareholders are dominant private sector capital decision-makers – although creditors, governments, and management teams also directly influence capital allocation.

Shareholders today are increasingly focused on environmental, social, and governance (ESG) frameworks for evaluating performance. Furthermore, nearly 80% of the world's largest corporations use Global Reporting Initiative (GRI) standards to report on ESG factors. And Bloomberg projects that global ESG assets will exceed $53 trillion by 2025, representing more than a third of the $140.5 trillion in total assets under management.

Investor demographics are also changing as fintech platforms like Robinhood, Acorns, and M1 Finance make investing more accessible. The rate of Black and Hispanic investors is growing, and Gen Z and Millennials comprised nearly two-thirds of new investors in 2021. Younger investors, particularly wealthier ones, are the primary drivers of ESG, according to Stanford research. The study found that "younger investors with large levels of wealth (over $250,000) say they would give up approximately 14% of their wealth to advance ESG issues, while those with modest savings (less than $50,000) would...give up 5 or 6%." The challenge for companies is attracting this growing base of stakeholders by aligning with their values.

Quantifying a real strategy is vital for making informed decisions and moving away from the amorphous do-the-right-thing approach. Landscape analysis at the hyperlocal or broader market level enables leaders to assess opportunities, measure impact, and iterate tactics. While planning for investments, alongside other due diligence measures, companies should collect data on underserved markets and customer segments that stand to benefit most from investment (e.g., service expansion, new facilities, workforce development initiatives). Doing so benefits both companies and communities.

For instance, cosmetics brand Fenty Beauty set out to reach an untapped group of consumers. At its 2017 launch, the company offered twice the number of makeup shades as legacy brands, drawing in customers who previously struggled to find matches for their skin tones. Today, the brand is worth nearly $3 billion and credited with pushing peers to diversify their products, a phenomenon regarded as the Fenty Effect.

Meanwhile, ShopRite operator Brown's Super Stores serve as a lifeline for lower-income Philadelphia residents living in food deserts with limited access to fresh produce. The grocery retailer opened its first Philadelphia location in 2004; by 2017, it had established six additional stores within the city and generated $250 million in revenue as a result.

Companies must also leverage data to inform key performance indicators (KPIs) tied to equity goals, similar to assessing financial performance. For example, tracking the percentage of capital directed towards minority-owned businesses within an organization's supply chain.

**Source: Federal Reserve*

Through continuous engagement, leaders can ensure that resource allocation aligns with stakeholder values. Fostering trust requires actively listening to stakeholders' needs, partnering on solutions, and communicating effectively. By soliciting feedback, companies can identify areas where investments create the most value. These valuable insights, paired with data analytics, lay a stronger foundation for strategic goals. Research shows that companies that excel in managing the needs of principal stakeholders perform better in the long term and reduce costs associated with damaging public scandals or litigation.

Community dialogues are an effective forum for pure engagement. Importantly, to be useful these cannot be treated like photo opportunities or a place for platitudes. They must happen privately in the community – rather than at corporate headquarters – and recurringly to build trust. Limit the number of participants to create an intimate setting and ensure meaningful participation from community representatives, such as advocacy group leaders, local business owners, and faith-based leaders. Creating these conditions will empower local stakeholders to share unfiltered feedback about capital deployment and inform leaders about community priorities. Sustaining these relationships requires regular communication around progress and outcomes.

Strategic alignment is the last piece of the puzzle. Equity cannot just be a priority for human resources, corporate social responsibility, or marketing divisions – it must be part of every business function. This includes finance, legal, and compliance. Setting the roadmap for equity starts at the top of the organization.

Case Study

Challenge:

In 2021, healthcare retailer CVS Health wanted to ensure Black and Hispanic patients had equitable access to COVID-19 vaccines in vulnerable areas disproportionately impacted by the coronavirus pandemic.

Solution:

Conducted research on most vulnerable communities as well as barriers to receiving the vaccine. Engaged in proactive patient outreach, community-based partnerships, and education-focused marketing. Employed mobile vaccination vans and launched clinics in key areas.

Outcome:

More than one-third of vaccines administered were to members of underrepresented communities. CVS Health also developed valuable partnerships with community leaders and organizations, paving the way for future initiatives. The company's year-over-year pharmacy and prescription sales also increased, which the CEO attributed to consumers who came to stores for vaccine administration.

SEIZING THE OPPORTUNITY

PUBLIC SECTOR

$10.4 trillion
in annual spending*

A core function of government is to provide essential services using taxpayer dollars. These stakeholders are the main source of capital in the sector.

One of the most concerning trends affecting voters is rising inequality. This has contributed to growing divisiveness within political institutions and courts, increased civil unrest, and rising populism. Leaders like former President Donald Trump, a self-proclaimed nationalist, and Senator Bernie Sanders, a democratic socialist, tapped into the frustrations of voters who feel increasingly disillusioned with the established political system as urgent needs go unmet. For example, many U.S. neighborhoods lack sufficient access to public transit, which disproportionately impacts working class, late-shift workers whose commute times are doubled.

The billions in infrastructure investment over the past three years show promise, but gaps in the infrastructure lifecycle risk impeding progress. Local leaders must develop pre-project plans that anticipate and solve for issues that can stall projects, like labor shortages and land acquisition. The challenge for governments is retaining the taxpaying base while reaching those most in need and balancing the interests of both.

Government officials can create evidence-based capital plans that take potential setbacks into account by analyzing demographic, economic, and social data. This ensures identification of communities with the greatest need so that resources can be allocated accordingly. Political leaders balancing the pace of political cycles with demonstrating progress to voters should also rely on analytics to measure the effectiveness of capital deployment. Increasing data transparency can promote accountability and accelerate collaboration with other sectors to drive equitable outcomes. New York City, for example, launched EquityNYC to aggregate and report social equity outcomes across 35 city agencies in order to assess the "health" of the city. Similarly, the New York City Comptroller tracks capital allocation to minority- and women-owned businesses on Checkbook NYC to improve transparency.

Data use goes hand-in-hand with community engagement, another critical element of deploying public capital equitably. Taxpayers want to know that their hard-earned money is being utilized responsibly for the betterment of society – and that political leaders are driving policies aligned with salient public needs. The framework for community engagement in the public sector remains largely the same as in the private – listening to stakeholders, empowering them to contribute to solutions, and regularly utilizing clear and open communication channels. This should be a recurring practice to foster greater trust and alignment with constituents. A notable example is the series of listening sessions hosted by the Federal Communications Commission's (FCC) Task Force to Prevent Digital Discrimination. The sessions convened communities impacted by the digital divide, governments, public interest advocates, and internet service providers to discuss barriers to broadband access and inform solutions.

**Source: USASpending.gov and U.S. Census Bureau*

Strategic alignment brings all of this together by ensuring that public capital is deployed in a way that aligns with stakeholder values and broader policy goals. Equity must be a strategic priority across different agencies – from housing and healthcare to transportation and education. Clear goal-setting and interagency collaboration is critical to achieve this. One way to do this is by establishing interagency task forces or committees. The Interagency Council on Homelessness, for example, consists of representatives from 19 federal agencies all working in concert to develop strategies that address homelessness.

Case Study

Challenge:

City of Chicago data revealed gaps in the critical first/last mile connection to public transit in certain neighborhoods, particularly Black and Hispanic communities.

Solution:

In partnership with Divvy, the city's bike-share partner owned and operated by Lyft, the Chicago Department of Transportation (CDOT) engaged with community stakeholders in these areas to identify the best sites to install new e-bike stations.

Outcome:

CDOT and Lyft managed the installation of 107 new e-stations in a 35-square mile area of the neighborhoods previously lacking alternative transit, creating more options for those residents. The same year, CDOT and Divvy reported that ridership surpassed the previous year's record with three months remaining in the year. As of May 2023, Divvy is operational throughout all of Chicago and boasts being the largest bike-share system by area in North America, with ridership up nearly 40% since 2022.

REAPING THE REWARDS

The mandate for corporate and government leaders to prioritize social and economic impact on communities will only grow more urgent.

Those who embrace equitable capital deployment through data utilization, stakeholder engagement, and goal alignment will reap significant benefits. Companies will drive greater innovation, build disruptive advantage, and increase revenues, while fostering positive relationships with governments and communities. And governments will more efficiently advance projects that address urgent public needs and secure constituents' support.

These institutions will also reduce the risk of litigation and reputational damage associated with the failure to address inequities and meet stakeholder needs. As these trends accelerate, leaders must sustain these strategies.

About the Author

Eric Eve is the CEO and founder of Ichor Strategies, a management consulting firm with deep community roots that helps organizations stay out front on ESG issues critical to investors, employees, and the communities they serve.

Eric founded Ichor in 2015, inspired by his father's vision to bridge often opposing interests - institutions that deploy capital and the communities where their consumers, employees, and constituents live. The firm has since grown from a five-person team based in Brooklyn, New York, to a sprawling network of employees and community specialists across more than 70 U.S. cities. Clients include Fortune 100 companies in telecommunications, healthcare, financial services, technology, retail, and infrastructure as well as public sector leaders.

Eric previously served as a Managing Partner at Finsbury, the First Deputy Comptroller in New York City's Chief Fiscal Office, Senior Vice President of Citi Global Community Relations, Vice President of Government Relations at Verizon, and a Special Assistant for Political Affairs to President Bill Clinton.

Over a 30-year career spanning the public and private sectors, Eric has developed capital allocation strategies and policies that demonstrate the connection between meaningful community engagement and long-term business growth. His work has taken him to dozens of communities around the U.S., as well as 17 countries. Today, Eric and the Ichor team use hyperlocal data and intelligence gathered on the ground in communities across the country to ensure business and government decision-makers can confidently set real ESG goals, assess operational or reputational risks, and accurately forecast performance outcomes. This work, and Eric's career accomplishments, are driven by his deeply held belief in the ever-growing need for a more equitable economic system.

Eric is the proud father of three remarkable children who represent the promising future generations that will create a more equitable world.