Businesses failed DEI

Companies didn't have to give in to pressure emanating from the Trump administration

One of the defining features of the authoritarian playbook is not punishment, but the anticipation of punishment. If institutions believe that resistance will be too costly, they may comply before the costs ever arrive. Since the beginning of President Donald Trump's second term, universities, law firms, media organizations and corporations have all been forced to make similar calculations about the price of pushing back. Corporate America's response to attacks on diversity, equity and inclusion programs is a revealing case study on how institutions calculate risk. On Jan. 21, 2025, the Trump administration issued Executive Order14173, directing federal agencies to investigate corporate DEI programs. Every major American company faced an immediate choice: Stand firm or fold.

Jacob M. Grumbach Guest columnist

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Your Turn

Rather than fight Trump, many abandoned DEI

The fear in corporate boardrooms was understandable. The president had expressed a willingness to seek "retribution" against perceived political opponents through public attacks, regulatory pressure and the elimination of federal contracts.

Trump went after Apple personally on social media, demanding the company "GET RID OF DEI RULES." Many of America's most recognizable brands, including IBM, Target and Walmart, rolled back their programs.

Meanwhile, other companies, like Costco and Delta Air Lines, kept their DEI policies in place.

Companies that folded on DEI justified their decisions as a business necessity under an "evolving external landscape." Was folding on DEI really the right financial call, though?

To find out, I tracked the stock performance and revenue of S&P 500 firms that maintained their DEI programs against those that complied with the executive order. If keeping DEI under an anti-DEI White House was genuinely hurting firms financially, we'd expect to see their market performance fall relative to peer firms. It didn't.

Keeping DEI didn't cost companies financially

Firms that kept DEI, whether due to executive decisions or shareholder pressure, performed just as well in the stock market as those that rolled it back. Revenue figures told the same story. Firms that stuck with DEI made just as much.

Consider Dollar Tree and Dollar General, two discount retailers serving the same working class customer base. Dollar Tree kept its DEI program. Dollar General scaled back, triggering calls for consumer boycotts.

By every financial measure I examined, the two companies performed similarly after the executive order.

The same pattern holds for Costco versus Target. If anything, Costco, which publicly and repeatedly reaffirmed its DEI commitment, outperformed Target, its rival that abandoned its DEI program.

Target's decision was recently back in the spotlight, after drawing widespread outrage over a Halloween costume that critics say underscores the consequences of the company's retreat from DEI.

And when Trump called out Apple by name, the company's stock dipped momentarily before climbing right back up. The consumer backlash that executives feared never materialized. If anything, it was the reverse – a consumer backlash against firms that folded on DEI, mostly led by Black organizations.

This shouldn't be especially surprising. Despite a modest decline in support in recent years, 69% of Americans still believe it's important for businesses to support DEI. Other surveys suggest large numbers of workers in major U.S. corporations are willing to quit their jobs if their companies ditch DEI.

DEI programs matter in their own right. Affirmative action in hiring, a tenet in some DEI programs, tends to reduce racial inequality in wages. Some studies also find evidence for a "business case for diversity."

A broader lesson about political pushback

The broader lesson from my research extends well beyond diversity initiatives. It's about how political

leaders consolidate power through institutional intimidation.

It's also about how this intimidation can succeed, even when the consequences people fear never materialize.

Authoritarian consolidation of power doesn't require governments to follow through on every threat. It requires only that businesses and other civil society organizations believe that the threats are credible enough to act on.

Hungary under Viktor Orbán offers a familiar example. In consolidating semi-authoritarian rule, then-Prime Minister Orbán and his Fidesz party used economic retaliation against firms, universities and other organizations. Much of civil society was pressured into acquiescence, and it took 16 years and a historic election to oust the party from power.

The challenge in studying authoritarian intimidation is it's often difficult to assess. There isn't always an accurate measurement of whether the feared consequences would actually occur if institutions made a different choice.

That's the miscalculation we can now put into numbers. Across the S&P 500, the firms that resisted the anti-DEI executive order paid no financial price in the long run. The ones that folded did so unnecessarily, the data suggests. The lesson of the past year-plus is not that the administration's threats are empty. It is that their effectiveness often depends less on whether they are carried out than on whether people believe they will be.

Collective pushback from civil society is one of the few genuine checks on executive overreach. Compliance is a choice, and the evidence suggests it's at least sometimes an unnecessary one.

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Protesters rally on Aug. 28, 2025, in New York City, urging corporate America to resist the Trump administration's campaign to roll back diversity, equity and inclusion initiatives. MICHAEL M. SANTIAGO/GETTY IMAGES

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