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Abstract

In an era of growing political polarization, corporate activism, particularly around Diversity, Equity, and Inclusion (DEI), has become both a strategic priority and a reputational risk. This Impact Paper examines how US and European companies can navigate the backlash against DEI initiatives, especially in the United States, where critics often frame such efforts as incompatible with meritocracy. We explore the evolving discourse on merit, the rise of counter-narratives like MEI (Merit, Excellence, Intelligence), and the risks of symbolic or poorly aligned activism. Drawing a contrast with the European context, where stakeholder models and demographic pressures shape a more pragmatic approach to inclusion, we highlight how DEI is shifting from progressive branding to economic necessity. We conclude by offering recommendations for companies to move from symbolic gestures to authentic, system-level inclusion—reframing DEI as a foundation for sustainable merit and performance.

Keywords: corporate activism, DEI, meritocracy, political polarization

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Introduction

In today's increasingly polarized world, businesses are facing growing pressure to speak out and act on social and political issues. Diversity, Equity, and Inclusion (DEI) has become one of the most visible, and divisive, arenas for corporate activism. Both U.S. and European firms are now facing decisions on their commitment to DEI as part of their core business objectives while navigating stakeholder expectations, cultural tensions, and the risk of reputational damage.

For some companies, supporting DEI is seen as (and continues to be) a moral imperative and a strategic advantage, helping to attract talent, connect with diverse customers, and reflect evolving societal values. For others, it has become a reputational risk and a lightning rod for criticism; the latter is more clearly pronounced in the US while companies in Europe are steadily feeling spillover effects of this backlash. To varying degrees, firms face not only criticism of specific policies but also broader cultural resistance, with political efforts in the U.S. aiming to roll back or completely dismantle DEI programs and curtail public subsidies to private companies continue to maintain DEI work. For transatlantic businesses, these differences matter: U.S. polarization can influence public sentiment, regulatory risks, and even operations for European firms with significant American presence.

Against the backdrop of these developments, we want to raise a crucial question: *can businesses strike a balance between meaningful activism and commercial pragmatism?* While some companies double down on their commitments, others are recalibrating or retreating altogether. Notably, the conversation around meritocracy, who deserves access, opportunity, and reward, has resurfaced prominently in debates that question the goals of DEI as antithetical to merit. While the debates European firms navigate are not nearly as polemic as in the US, they are similar debates within different institutional and cultural contexts, where demographic and labor market shifts add another layer of complexity.

This paper addresses these dual issues from the start: exploring how corporate activism around DEI can balance meaningful change with commercial pragmatism in both the US and European contexts. We locate the debate against the backlash raised against so-called "woke capitalism" in the U.S., the meritocracy paradox, and the more stakeholder-oriented but still challenging European environment. Finally, we argue for moving from symbolic or reactive gestures to system-level inclusion that can reconcile the promise of merit with the need for equitable opportunity.

Corporate activism

It is common for corporations to take political action on issues aligned with their strategy, such as issues related to regulation and taxation. However, activism has evolved over time, as companies become more and more involved with socio-political issues. Corporate activism generally refers to companies that proactively leverage their influence, resources and platforms to advocate for social justice or systemic change. This often visible as companies taking public stances on contested sociopolitical issues (Chung et al., 2025, Bhagwat et al 2020).

As a more recent phenomenon, companies that engage in corporate activism seemingly attempt to align social and company values. However, this may result in companies pursuing strategies that bear little or no relation to their core function. For example, in 2016, PayPal, one of the largest money transfer companies in the world, cancelled plans for a new campus in North Carolina due to a discriminatory bill passed by the state.

Nonetheless, activism can offer strategic benefits, such as enhancing organizational legitimacy through normative approval, attracting and retaining talent, and aligning with stakeholder values. However, this may also carry risks, particularly in misalignment of values among stakeholders (Hou & Poliquin 2024). In April 2023, Bud Light sent a personalized beer can to an LGBTIQ+ influencer to celebrate a significant milestone in her life, only to face backlash from their conservative and southern U.S. customers, who claimed the company was too politically charged, and this led to calls to boycott the beer. Sales of Bud Light dropped, the brand then distanced itself from the campaign, angering both conservatives and those supporting LGBTQ+, who were critical of the company for abandoning its stance on the issue. This example illustrates not only the risks of corporate activism, but also the challenges of navigating social issues in an increasingly politically polarized society.

As a result, companies often "thread the needle" by adopting cautious, individualized action frames, such as emphasizing the business case for diversity or implementing internal policies, during periods of public controversy. They typically shift to collective action frames, advocating broader societal change, only once public opinion has stabilized (Chung et al., 2025). This pattern also holds when public sentiment turns against progressive initiatives.

Meritocracy

One of the most visible fault lines in the backlash against corporate activism centers on DEI. Critics of DEI interventions argue that these are at odds with the concept of a merit-based system, in which advancement and rewards are based exclusively on individual capabilities and performance, independent of considerations of identity, connections, or background (Amis et al., 2020). This sentiment, particularly prevalent among conservative actors, positions DEI as a distortion of free competition, what Chamorro-Premuzic (2025) terms "a sort of affirmative action" that disrupts natural selection based on ability, effort, and creativity. The latter point was picked up early in 2024 by Alexandr Wang who proposed a new acronym, MEI, with the intention of shifting the conversation away from demographics to what he deemed the guiding principles for hiring: merit, excellence and intelligence.

The belief in meritocracy has assumed a fact-like status and is itself both powerful and paradoxical. Originally coined by sociologist Michael Young in the 1950s, the term was intended to critique a society that rigidly sorts individuals by "merit," often masking persistent inequalities. Empirical research has shown that companies that claim to reward talent and effort often reproduce existing social biases in their systems for hiring, promotion and rewarding. This is achieved under the guise of neutrality (Castilla and Benard, 2010; Amis et al., 2020). This "meritocracy paradox" becomes especially visible within companies that champion performance-based cultures. The meritocratic critique of DEI overlooks how deeply social and organizational structures shape access to equal opportunity long before individuals enter the workplace. The newly coined MEI is a case in point, as it promises access to opportunity by merit; any disparities in equity outcomes are framed as personal failings rather than the result of systemic inequities.

Nevertheless, the backlash exposes important challenges for corporations continuing to commit to DEI. In a polarized environment, DEI initiatives risk being perceived as antithetical to fairness if poorly framed or implemented. Programs that appear to guarantee outcomes (e.g., quotas) rather than equal opportunities often alienate broader constituencies and fuel resistance. Conceptually, then, the future of DEI may depend on the ability of its promoters to navigate away from normative policies to building high-performance environments where people can thrive and reclaim meritocracy, not reject it. By emphasizing fair access to opportunities, through behavioral design in hiring, promotion, and development processes, companies can show that principles of DEI are about expanding, rather than narrowing, the space for genuine merit. Reasonable accommodations, transparent criteria, and inclusive design benefit not only underrepresented groups but all employees, reinforcing the idea that true merit emerges when barriers to success are removed. In navigating the political and cultural headwinds, companies must engage with the evolving discourse around merit with nuance and rigor—balancing activism with authentic commitments to equity and excellence.

European context

While the current backlash against DEI initiatives in the U.S. appears geographically bounded, its effects are increasingly global in scope. European companies are not immune to the cultural and political impacts of U.S. discourse. This is particularly true for those with substantial operations or supply chain dependencies in North America. As transatlantic corporations increasingly navigate politically sensitive terrain, polarization in the U.S. presents reputational, legal, and operational risks for European businesses. This is especially relevant for companies with U.S.-based facilities benefitting from public incentives, such as tax breaks or infrastructure investment (e.g., German automotive manufacturers expanding in southern U.S. states, French luxury brands opening their first bag studios in America). Yet, European companies must manage these dynamics within institutional and stakeholder contexts that are vastly different from their home contexts.

Unlike the U.S., European economies operate within stakeholder-oriented models of capitalism, including more robust labor protection, strong union involvement, and less shareholder-centric governance (Aguilera et al., 2007). These institutional differences, along with divergent histories in race, class, and gender discourse, mean that DEI in Europe is often framed less around identity politics and more by a regulatory framework of anti-discrimination and workplace equality aimed at social cohesion, economic inclusion, and workforce resilience. However, Europe is not without its own tensions. Subtle but impactful exclusionary practices such as linguistic gatekeeping, credentialism, or biases against migrant workers persist under the radar of official DEI discourse.

Paradoxically, demographic pressures are forcing many European companies to confront these exclusions more directly. Chronic labor shortages across sectors such as care work or manufacturing are prompting companies to tap into previously marginalized labor pools, including workers from non-traditional educational backgrounds and refugees. The German bakery sector, for instance, has seen increasing integration of refugee workers to offset staffing shortages. Similarly, the European semiconductor industry, in efforts to stay globally competitive, is beginning to reimagine labor by relaxing traditional talent filters and embracing more inclusive hiring and training practices (Wiseman et al., 2024). These shifts illustrate how DEI in Europe may become less about progressive diversity ideals and more about economic necessity to ensure long-term workforce sustainability. While the anti-DEI backlash in the U.S. may not transplant wholly to Europe, it raises important questions about how European companies can remain committed to inclusive values while also responding pragmatically to labor market challenges and institutional differences. In this context, DEI may seem like a culture war but can also be read as a site of quiet transformation.

One example of this evolving landscape is the European Chips Diversity Alliance (ECDA), a new EU-funded initiative bringing together academia, industry, and policy actors to address diversity challenges in the semiconductor industry. Coordinated in part by ESCP Business School, ECDA aims to close persistent inclusion gaps by lowering barriers to entry for underrepresented groups, with a particular focus on workforce development, inclusive hiring, and cross-sector collaboration. In contrast to the U.S. backlash, this initiative frames DEI not as a political issue but as an enabler of innovation, resilience, and economic competitiveness. As European companies seek to balance demographic realities with industrial ambitions, ECDA illustrates how inclusion can be embedded as a forward-looking, system-level response—anchored not in ideology but in strategic necessity.

Recommendations and conclusion

So, in the end, DEI is not dead, it is evolving. The backlash against corporate activism triggered by politically and socially polarizing events has made one thing clear: companies can't afford to act on impulse, initiatives, optics or opinion alone. Instead, it requires a shift from performative gestures to authentic, sustained change that is strategically aligned with business outcomes and stakeholder expectations.

While corporate activism around inclusion faces more scrutiny than ever, the goal remains the same: building workplaces where people from all backgrounds can thrive. That means shifting from symbolic gestures to substantial systemic change. The most effective DEI initiatives are those rooted in a company's core values and purpose. Activism should not be about joining a trend, but about reinforcing a culture where everyone, regardless of background, has the tools and opportunities to succeed to the benefit of all. This includes shifting from symbolic gestures to practical, inclusive solutions: flexible work policies that benefit all, quiet spaces that support neurodiverse staff but are open to anyone, or mentoring programs for underrepresented groups that welcome anyone who wants to learn. Inclusivity, done right, doesn't exclude, it expands.

To translate these principles into practice, companies need more than values—they need tools, structures, and sustained commitment. The following recommendations offer practical steps that all companies can take to move from symbolic gestures to systemic inclusion:

- *Embed DEI into business strategy*. Review and link DEI strategies that work to operational priorities such as innovation, talent retention, and market competitiveness—not just ethics or reputation. This ensures DEI is seen as integral to success, not as an external add-on.
- *Communicate consistently, transparently, and with humility*. Explain not just what you're doing, but *why*—and how it aligns with your purpose. Acknowledge tensions or setbacks honestly to build trust and avoid perceptions of performative activism.
- *Design for inclusion, not exception*. Implement changes that benefit everyone while addressing specific barriers (e.g., flexible scheduling, inclusive leadership pipelines, accessible digital platforms). Avoid framing DEI as zero-sum or group-specific.
- *Engage across the spectrum of all stakeholders*. Include those who may feel skeptical or excluded from DEI efforts—such as majority-group employees or frontline workers—early in the process. Frame DEI as a collective effort to improve workplace quality and opportunity for all.
- *Invest in ongoing workforce development.* Move beyond one-off training interventions and integrate inclusion insights across your workforce development. Democratize access

to resources like **ECDA's cross-learner platforms** to build inclusive leadership skills, cross-cultural awareness, and management capabilities over time.

So, do we need to strike a balance? Actually, no. Companies do not need to choose between courage and caution. They need to act with authenticity, and their activism should reflect a company's mission, values, and stakeholder expectations, not just be based on current trends. In the absence of authenticity, there is a risk of slipping into performative activism that can entail harmful consequences. Take for instance Bud Light's short-lived LGBTQ+ marketing partnership, followed by a swift retreat under backlash for one, but also Walmart's $100 million racial equity pledge made in the wake of George Floyd's murder, later scaled back amid political shifts: both illustrate the risks of performative activism. Such approaches can erode trust among stakeholders and leave companies vulnerable to criticism from all sides.

Companies do not need to choose between courage and caution; they need to act with authenticity. The backlash against "woke capitalism" in the U.S. offers valuable lessons in that speaking up without substance or alignment can damage credibility and trust. For European companies, this is both a risk and an opportunity. While the political landscape may differ, the pressure to respond to global social shifts is real. By learning from the U.S. experience, European businesses can lead in building inclusive, resilient workplaces on their terms. Training platforms like ECDA play a critical role here, equipping leaders and teams with the tools to embed inclusion meaningfully and sustainably.

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