

# Research finds diversity, equity and inclusion initiatives during certain presidencies can affect bottom line

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Corporate initiatives focused on diversity, equity and inclusion (DEI) for vulnerable social groups can change a company in many ways. According to researchers at the University of New Hampshire, how DEI affects a business' bottom line may depend on the presidential

administration and the general public's perception at the time.

They found that DEI initiatives put in place to support a specific social group during a presidential [administration](#) perceived as unfriendly to a particular issue related to that community resulted in higher [stock prices](#) than during a presidency that had a better relationship with that community.

"What I expected was no stock changes during the supportive administrations, like the Obama administration, but we found that DEI for groups like LGBT resulted in negative reactions to stock prices," said Inchan Kim, assistant professor of business administration at UNH's Peter T. Paul College of Business and Economics.

"It was surprising until we saw that it was really about perception. Some issues are still controversial in the eyes of the general public and that caused stakeholders and shareholders to react accordingly."

Focusing on the idea that social groups in the U.S. can often be supported differently during individual administrations, the researchers took a closer look at two recent presidencies, that of Barack Obama and Donald Trump, who had different experiences with two social groups—LGBT groups and [military veterans](#).

[In a study](#), published in the *Journal of Business Research*, the researchers analyzed the stock prices and public tweets of financial services firms listed in the Fortune 1000 related to DEI initiatives for LGBT groups and military veterans in the last 500 days of each presidency.

They found that liberties, or DEI initiatives, put in place for LGBT groups yielded higher stock returns during the Trump presidency, which rolled back many supportive LGBT rights, as opposed to the Obama presidency, when ground-breaking policies were implemented.

Conversely, liberties aimed at veterans generated higher stock returns during Obama's presidency, when the administration dealt with military budget cuts placed on them as part of a debt ceiling negotiation, as opposed to during the Trump presidency, when a lot of those military budgets restrictions were reversed.

According to the study, during Obama's administration companies with DEI for LGBT saw their stocks decrease by 0.34%, while companies with DEI for veterans saw their stocks increase by 0.65%. During Trump's administration companies with DEI for LGBT saw their stocks increase by 0.24%, while companies with DEI for veterans saw very little change with stocks slightly increasing by 0.09%.

The researchers said they conducted the study to encourage businesses to participate in DEI initiatives while showing when they can be the most effective.

"DEI initiatives are important to companies—they can't thrive without engaging in socially responsible issues—but I think they just have to be smart about it, as well as any perceptions around any controversial topics, because if they don't, they will likely face a competitive disadvantage," said Kim. "The key is that it is a matter of public perception and something they should be aware of, no matter who the is president."

Along with their main findings, the researchers said it's important to note that some of this data could be related to shareholders not believing that DEI initiatives are financially warranted to use firms' limited resources for potential politically controversial issues.

The Obama and Trump administrations were chosen for the study because they represented opposite political ideologies and implemented differing policies concerning veterans and LGBT groups. DEI initiatives

were identified through an analysis of public tweets issued by [financial services](#) and other data from the financial firms listed in the Fortune 1000.

Recognizing the study's limitations, the researchers emphasize that their goal was to generate foundational insights that would encourage future studies. Researchers said the [financial sector](#) provided a fertile ground for observing DEI initiatives when they were not necessarily prevalent across other industries. They encourage more studies looking at both large and small firms in different sectors and focusing on more than one financial performance measure, which in this case was stock prices.

Co-author on the study was Brandon McNeil, currently at Fidelity Investments and formerly a research assistant at UNH.

**More information:** Inchan Kim et al, Stock price implications of DEI initiatives when liberties of vulnerable groups are politically undermined—Evidence from veterans and LGBT groups, *Journal of Business Research* (2023). [DOI: 10.1016/j.jbusres.2023.114146](https://doi.org/10.1016/j.jbusres.2023.114146)

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