



1819 NEWS

Allen Mendenhall: DEI's days in the corporate world are numbered

[Allen Mendenhall](#) | 04.20.26



The arc of progressive corporate governance, it turns out, bends toward conservative accountability – when sufficiently prodded.

For four decades, federal contracting imposed race and sex preferences on corporations, burdening taxpayers with real costs while substituting demographic arithmetic for merit. Corporations didn't push back; instead, they embraced the DEI framework with gusto.

The apparatus has lately encountered what Edmund Burke might have recognized as the correction that attends excess: a cascade of legal, regulatory and market reversals that have left corporate diversity bureaucracies in various states of disarray. The Heritage Foundation has been, with some satisfaction, among the catalysts for this change.

This year, Heritage filed 26 shareholder proposals with companies whose practices reeked of shareholder-value-destroying wokeism. Twelve have since been withdrawn, not because the effort faltered, but because it succeeded as the companies voluntarily remedied the concerns. For those keeping track, this is how shareholder engagement is supposed to work.

Four of those proposals targeted something particularly consequential: federal contractors still embedding DEI metrics into executive compensation. The companies in question – General Dynamics, Dell, RTX, and GE Aerospace – operate in industries where the relationship between merit and national security is not an abstraction. Defense contractors who prioritize pigmentation over performance are making a strategic, not merely a philosophical, error.

The legal environment has shifted rapidly. A federal appeals court in December 2024 invalidated Nasdaq's requirement that boards meet racial and gender targets. California's statutes mandating minimum representation of women, minorities and LGBT directors were struck down separately. Institutional Shareholder Services [announced](https://insights.issgovernance.com/posts/statement-regarding-consideration-of-diversity-factors-in-u-s-director-election-assessments/) (https://insights.issgovernance.com/posts/statement-regarding-consideration-of-diversity-factors-in-u-s-director-election-assessments/), it would no longer weigh directors' race, gender or ethnicity. BlackRock, Fidelity, Goldman, JPMorgan, and Morgan Stanley have all retreated from diversity mandates with varying degrees of public acknowledgment that something had changed.

Goldman attributed its reversal to “[shifts in the legal environment.](https://www.wsj.com/business/dei-rules-that-changed-corporate-boards-are-vanishing-cab9ec12?st=gL3cma)” (https://www.wsj.com/business/dei-rules-that-changed-corporate-boards-are-vanishing-cab9ec12?st=gL3cma). This is corporate for “*the ground has shifted.*”

The Justice Department has moved rather more explicitly; it has enforced the False Claims Act under the theory that federal contractors who engage in diversity-based hiring while certifying compliance with anti-discrimination requirements may be committing fraud.

[Google and Verizon](https://www.wsj.com/politics/policy/trump-doj-dei-fraud-investigations-93213d52?gaa_at=eafs&gaa_n=AWFetsqeCq_54Q0Uq966QkrvI0kIjskzKmqav8B7ruJIs2F1ziviVb3xbCfSZeyLORw%3D&gaa_ts=69baeba5&gaa_sig=vEKwsyYpP6_e4pku1L_IZhJqyz8rONy73qK0RuBHU5B0LSEjqLwqfhXwMpxi676iaQ%3D%3D) (https://www.wsj.com/politics/policy/trump-doj-dei-fraud-investigations-93213d52?gaa_at=eafs&gaa_n=AWFetsqeCq_54Q0Uq966QkrvI0kIjskzKmqav8B7ruJIs2F1ziviVb3xbCfSZeyLORw%3D&gaa_ts=69baeba5&gaa_sig=vEKwsyYpP6_e4pku1L_IZhJqyz8rONy73qK0RuBHU5B0LSEjqLwqfhXwMpxi676iaQ%3D%3D). are among those receiving DOJ document demands. The theory is this: holding a federal contract that prohibits sex and racial preferences while considering race or sex in hiring constitutes, in effect, a fraudulent claim against the government. This application of the statute has concentrated minds with remarkable efficiency.

Heritage’s engagements with the four federal contractors proceeded from a related premise that proves persuasive in practice: this is risk management, not politics or ideology. Our argument to companies is that open and proactive discarding of DEI policies takes a federal target off their backs, preserves contract eligibility, and provides investors with information they are currently being denied. There’s no clear evidence that demographic diversity improves performance; in fact, quota-based approaches may reduce performance and increase the risk of costly discrimination lawsuits.

When companies quietly sunset their DEI commitments without explanation, investors know only that commitments once existed and then silence followed.

Silence is not compliance documentation. It is, however, excellent raw material for a False Claims Act investigation and extensive discovery.

The Bowyer Research team, a Heritage partner, illustrated the argument’s practical force. It engaged company representatives from RTX who acknowledged to Bowyer Research and Heritage that maintaining federal standing is “mission critical” and described concrete steps taken after the 2025 executive orders to assess compliance and close gaps.

RTX confirmed that, prior to the shareholder proposal, it had already ended support for the ultra-liberal Human Rights Campaign (HRC) and Catalyst, and it no longer appears as a supporter of either organization. It issued a [public statement](https://www.rtx.com/news/2025/01/24/company-statement) (https://www.rtx.com/news/2025/01/24/company-statement) on Jan. 24 affirming that it would comply with the relevant Executive Orders, modified its public disclosures by not publishing a 2024 ESG report, limited related disclosures, removed potentially conflicting DEI-related language from its website, and announced plans to produce a shorter Sustainability Report going forward.

We subsequently withdrew our Heritage shareholder proposal with RTX, which was the *preferred* outcome because it avoided a prolonged confrontation and resulted in quiet regularization and compliance with the law. Sometimes corporations quietly fix their issues, sometimes they are dragged kicking and screaming, but either way, DEI’s days in the corporate sun are numbered.

The deeper principle at work here is that competence is not incidental to mission accomplishment but constitutive of it. An industrial base that introduces non-merit criteria into its talent and compensation decisions, particularly under federal contracts, risks legal exposure and the subtler corrosion of organizational excellence whenever advancement is untethered from performance.

Heritage's shareholder engagement with federal contractors does not proceed from animus toward corporations. Quite the contrary: It proceeds from the conviction that investors who hold these companies in trust for millions of American beneficiaries deserve accurate information about regulatory risks their management may have accumulated while appeasing the activism of a passing moment.

That moment has passed. The accounting is underway.

Allen Mendenhall is a Senior Advisor for the Free Enterprise Initiative and a Research Fellow in the Thomas A. Roe Institute for Economic Policy Studies at the Heritage Foundation. A lawyer with a Ph.D. in English from Auburn University, he has taught at multiple colleges and universities across Alabama and is the author or editor of nine books. Learn more at AllenMendenhall.com (<http://AllenMendenhall.com>).

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