SO!APBOX
EDITORIAL ESSAYS

Race and strategic organization

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What has the field of strategic organization to say about race? As evidenced by the literature, our field can speak to this issue as long as we restrict our notion of race to that of an individual-level property that moderates career outcomes and the relationship between a firm and its employees. I wonder what would happen if we had to demonstrate our field's ability to conceive of race as a construct that has effects beyond the individual. To what citations would we point? In this essay, I aim to push our field toward a greater understanding of the multifaceted nature of race. I begin with an overview of research on race that primarily draws from the organizational behavior and theory traditions, as scholars in these areas have given considerably more thought to understanding race than strategy scholars have to date. While paying respect to such racially focused research from the past, I use these works to form the basis of a general critique of our field: we conceptualize race far too narrowly. To our field's detriment, we continue to think of race as though it represents a system that has meaning and consequences only for the individual situated in an organization. We have yet to conduct research that seeks to understand race as a complete social structural system that leaves its mark on various levels of analyses. I use the remainder of this essay to suggest that race has broad ranging importance for strategic organization research. In particular, I concentrate on race's ability to seep into organizational society through political and ideological imperatives that ultimately alter the demography of organizations as well as the strategy formulation and implementation processes in organizations.

Current treatments of race in organization theory and strategy

In 1990, Cox and Nkomo reviewed the organizational behavior and human resource literature to determine how much attention scholars had dedicated to understanding race and the fate of racial minorities in organizations. The authors reported that very few journal articles published in the 25-year period following the passing of the 1964 Civil Rights Act focused on race or racial minorities. Two years later, Nkomo (1992) wrote an article entitled 'The Emperor Has No Clothes: Rewriting Race in Organizations' for the *Academy of*

Management Review. In this article Nkomo used the children's story to build a metaphor for the treatment of race in the organizational behavior literature. She compared the current discussions, or the lack thereof, about race to the towns-people's treatment of the naked emperor. Clearly, the emperor had no clothes on, but no one said anything to him about this fact. Likewise, race mattered in orga-nizations, but as yet researchers had remained relatively silent on the way in which race mattered.

Since this time, research on racial diversity in organizations has flourished. From the organizational behavior perspective, researchers have approached understanding race as an individual-level characteristic that influences the orga-nizational life chances of employees. As a result, we now have a better under-standing of the disparity in career satisfaction and attainment between racial minority and majority group members (Greenhaus et al., 1990; James, 2000); the influence of cross-race relationships on psychosocial support (Thomas, 1990) and compensation (Dreher and Cox, 1996) for racial minority group members; and the differential implications of network configurations for racial-minority and majority-group managers (Ibarra, 1993, 1995).

Researchers in the organization theory tradition have mainly considered race as it relates to employment practices in firms. For instance, Baron and Newman (1990) investigated the relationship between job age and pay equity in job classification systems and found that minority-group members concen-trated in older job categories received less pay than minority-group members concentrated in more recently created job categories. Other research has investi-gated organizational attempts to mediate legislative policies regarding the employment of racial minorities. Edelman's (1992) study, for example, showed how changes in the legal environment associated with the employment of racial minority group members led organizations to incorporate Affirmative Action and Equal Employment Opportunity offices in an effort to show compliance with the new legislation. In similar work, Dobbin et al. (1993) illuminate the connection between legislation on the employment of minority-group members and the implementation of personnel practices associated with internal labor markets, such as employment and promotion tests, performance evaluations, salary classifications, job descriptions and ladders.

The strategy literature suffers from the same myopic view that most of the organizational literature suffers from when it comes to understanding the effect of race. In strategy research, a firm should attempt to capitalize on the racial diversity present in its workforce. From this perspective, race not only represents an individual-level characteristic that has implications for an employee's success, but it also has implications for the success of the firm. A firm that properly manages the racial and cultural diversity of its workforce should experience performance increases (Cox and Blake, 1991; Cox, 1993; Richard, 2000; Richard et al., 2004).

Because we as researchers have focused primarily on race as it relates to career outcomes, employment practices and human resources management

initiatives, we have not done enough to understand race from a macro perspective. We have missed the opportunity to move beyond conceptualizing race as an attribute of persons in organizations and also beyond understanding race as it relates to the employment of individuals. This leads me to believe that when it comes to organization theory and strategy, the emperor stands half-dressed at best and as such we have missed a theoretically and empirically rich area of investigation. While previous research provides us with some indication of how race influences the inner workings of an organization, because these works do not theorize about the effect of race on strategic organization more broadly we still have much to learn.

We have unnecessarily conceptualized race as a construct that operates only on the individual, that is, individuals have race and this influences their careers, or firms must employ individuals of a certain race. We should also seek to understand race as diffuse property that operates at many levels. From this perspective, organizations can have an identity tied to race (Dutton and Dukerich, 1991), organizations can participate in the process of developing shared meanings about race (Zucker, 1977) and the meanings associated with race can provide organizations with a repertoire of suitable strategies (Swidler, 1986).

Bringing race into strategic organization

I suggest we begin by moving toward understanding race as a social fact (Durkheim, 1938) that has implications not only for people in organizations but for organizations themselves. Stinchcombe (1965) represents one of the clearest attempts to understand how broader social facts influence organizational development. He asserts that organizational arrangements reflect the historical circumstances prevalent during their formation and that societal characteristics have an effect on the internal workings of an organization. Race undoubtedly represents a 'characteristic of society outside the organization' (p. 142) that he suggested would affect organizations and by not accounting for race we implicitly suggest that race has had no consequences for the development of organizations. I find this extremely difficult to believe. Below, I suggest research on racial policy and racial ideology might help us to turn the tide.

Racial policy

One fruitful avenue of research would focus on race and its effect on organizations through its policy implications. Racial ideology becomes institutionalized in organizational life through the development of local, state and national-level policies that structure an organization's operating environment. Public policy has both organizational and strategic consequences. Such policies have direct implications for all the constructs (e.g. competition, transaction costs, resource dependence, agency costs) that we as scholars hold out as important for

understanding various organizational outcomes, such as birth, death, growth, mergers, acquisitions and alliances.

I find it interesting that so far no one in organization theory or strategy has articulated a theoretical explanation in which racial policy has acted as a catalyst in producing particular organizations, strategies or organizational forms. Currently, our theoretical explanations for why organizations exist center on understanding how organizational arrangements allow us to monitor or curb malfeasance (Coase, 1937; Williamson, 1975; Fama and Jensen, 1983; Granovetter, 1985), and our theoretical explanations for why organizations take the strategic and organizational forms that they do include intendedly rational explanations (Lawrence and Lorsch, 1967; Miles and Snow, 1978), competitive explanations (Barney, 1991; Peteraf, 1993; Hannan and Freeman, 1977), and decidedly irrational explanations for the adoption of organizational structures (Meyer and Rowan, 1977; Pfeffer and Salancik, 1978; DiMaggio and Powell, 1983). Understanding how racial policy influences the demography of organizations can provide answers to the most central questions in organization theory: why do organizations exist and why do organizations have the structure that they do? To further our theoretical terrain, we must develop specific arguments relating racial policy to strategic organization, as this will add to our ability to tell the natural history of organizational, strategic and institutional change (Davis and Marquis, 2005).

The US provides us with clear examples of how the policies that stem from particular racial ideologies influence the development of organizations, strategies and organizational forms. The US adopted the practice of separating the races very early in its history and the policies associated with these practices led to the proliferation of what I call 'racialized' organizations, organizations created to sustain the racial separation ideologies that so permeated American economic, cultural, and political systems throughout much of the country's history. For example, my dissertation covers the evolution of Historically Black Colleges and Universities (HBCUs). These schools started in antebellum America with the purpose of educating blacks both born free and who had obtained freedom from slavery.

At the conclusion of the US civil war these schools expanded in number and began to provide education to the newly freed slaves. Racial policy and etiquette in the former slave-holding states prohibited blacks and whites from attending schools together. This led northern missionary organizations, black religious groups and philanthropic donors to organize private schools in the south for blacks (Anderson, 1988). Later, the federal government established land-grant colleges for blacks and following the Second Movvill Act of 1890, the southern states' educational authorities established a set of public schools for blacks as well. Under such circumstances, state and national racial policies led to the emergence of an entire sector of organizations dedicated solely to the education of blacks.

Similar racial policies led to the emergence of other racialized organizations. Thus the US has the Methodist Episcopal Church and the African Methodist Episcopal Church, the *Chicago Sun Times* and the *Chicago Defender*, and Major League Baseball and Negro League Baseball. This situation would remain largely unchanged until the latter half of the 20th century when in the wake of the civil rights legislation of the 1950s and 1960s, something interesting happened in organizational life: entire fields vanished. The organizations in these fields had primarily serviced a black clientele and as mainstream organizations opened their doors to blacks, the former suffered mightily and many failed.

Yet, some organizations and fields, such as HBCUs, did not fail and remain viable to this day. What separates those organizations and fields that failed from those that did not? Our current organizational theories would point us down the path of competition, transactions and dependence to explain why certain organizations survive and others do not, without a proper understanding of the way in which race can set the terms of competition, influence the efficiency of transactions and mitigate dependence among organizations. It seems plausible to posit that the survival of racialized organizations will depend largely on their ability to adapt to the competitive dynamics fostered by the prevailing racial ideology and embodied in current policy. To discuss the creation, proliferation and continued existence of these organizations and the fields that contain them without accounting for race would lead to an inadequate theoretical explanation.

Racial Ideology

A second potentially productive direction for research would examine how racial ideology shapes firms' perceptions of appropriate strategies. Racial ideology and the policies that flow from it socially regulate firms and shape the context in which a firm conducts its business operations. Just as the regulation of the airline, telecommunications, utilities and banking industries influenced the strategic decision-making of firms in these industries (Mahon and Murray, 1981), we should also expect social regulation stemming from racial ideology to influence the strategic decision-making of firms.

An example from the advertising industry provides an exemplar of the ways in which changes in racial ideology can affect the classic dilemma of whether or not a firm should make or buy. While learning about the advertising industry for an ongoing project with G. F. Davis (Wooten and Davis, 2005), we found that the ideology of racial separation still prevalent in the US during the mid-20th century led to the emergence of target market advertising agencies which focused on marketing products to racial minorities. Mainstream advertising agencies and consumer product firms largely contracted out the development of advertisements aimed at racial-minority audiences to target market agencies.

Subsequently, during a period of racial ideology that encouraged inclusion and multiculturalism, the consumer product industry approached advertising to racial minorities very differently. Large advertising and consumer product firms

pursued two strategies to enhance their capability to reach minority audiences: they acquired the target market firms that had once made a product for them or they developed in-house ethnic marketing divisions. As racial ideology and policy changed, it appears that the costs associated with buying advertisements for minority audiences changed in the consumer product and advertising industries as well.

Another direction for potential research would focus on the influence of racial ideology on the policy-making bodies of the state. This would add to the literature that investigates the institutional fit between the host and home countries of multinational corporations. Omi and Winant (1986) posited that states design their social and economic institutions to produce policies inherently biased toward the racial group in power. Throughout US history this led to the construction of policies that supported the rights of people from the Anglo-Saxon diaspora to the detriment of people from other groups (Omi and Winant, 1986).

While current research typically focuses on the relationship between the host country's economic institutions and multinational's chances for success (Makino et al., 2004), the notion of a 'raced' state suggests that this work should also concentrate on understanding how the host country's racial policies may affect multinationals' success. Given the demographic dynamics of the home countries (e.g. the US, European countries, Japan, South Korea) of today's prominent multinationals, it seems fair to assume that the institutions of these states produce policies that support racial groups other than those which dominate most emerging markets. As these multinationals enter host countries where the state institutions have a different racial bias from their own country, what effect will this have on operations and success?

Moving strategic organization ahead

Recently, Davis and Marquis (2005) critiqued organization theory's ability to explain phenomena that occurs outside the US context; we might direct a similar criticism towards the field of strategy. Davis and Marquis suggested that the majority of theories in use today resulted from attempts to explain the behavior of large, American firms of the 1970s. The fact that the typical American firm of the 1970s confronted an onslaught of legislation that required it to incorporate people from diverse backgrounds into the corporate hierarchy helps to explain why scholars to date have mainly focused on race as it relates to the employment of individuals. Unfortunately, theories so temporally and contextually bound do little to help us understand race in general and even less to help us see the connections between race and strategic and organizational processes under way in other parts of the world.

The transcontinental slave trade and colonialism linked seemingly disparate countries from the shores of Africa through Europe, the Americas and onward to Asia. These two paramount events provided for the movement of people and

ideas along routes built upon deeply embedded racial imperatives of domination and subordination, thus ensuring that race would become a thread in the social fabric that holds the modern world together more than any of the other structural systems that have received the theoretical and empirical attention of organization theory to date. While scholars have devoted much attention to understanding how political and economic structures such as democracy, capitalism, socialism and communism have affected the strategic and organizational development of society, we have devoted less attention to understanding how the social structures of race have influenced the strategies and structures of organizations. And yet the use of race as a system to allocate wealth, power and property predates many of the more often studied political and economic systems.

I have great difficulty imagining a country that has not dealt with the issue of race. For those of you who have less difficulty, I ask you to consider how much longer the said country has before it deals with race, given the globalization of capital and the immigration waves that follow. I have provided several examples of how the racial policies of the US have influenced the organizational development of that society, and the US does not stand alone as the sole country to grapple with race. Though the racial categories may differ, countries such as Canada, Australia, Brazil, South Africa and France have constructed their own solutions to dealing with race.

Interesting dynamics confront us; non Anglo-Saxon societies such as China and India have emerged as the likely economic powerhouses of the next generation, former European colonies such as the US continue to struggle with race and Europe itself confronts tensions resulting from an ever-expanding racially heterogeneous population. While we may not yet know what impact these factors will have on organizational society, it seems implausible to suggest that racial ideology and policy will not factor into the equation. Let us not leave the understanding of race to the political scientist, historian and sociologist as we have done in the past. As seekers of some truth about strategic organization, we should find the current treatment of race in our field thoroughly unsatisfying and jump into the fray head on to discover what the strategic, organizational and racial past might tell us about the future.

Acknowledgements

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