Abstract and Keywords

This chapter examines the organizational impact of discrimination. Through its effect on organizational personnel processes, unfair discrimination has far-reaching and long-lasting impact on individuals, groups, and the organization as a whole. The chapter reviews the multiple ways that discrimination can infect human resource practices and policies, which in turn negatively impacts organizational outcomes such as applicant attraction, employee well-being and retention, group and organizational performance, and firm reputation. It then turns to the role of organizational climate for diversity, which has a potentially mitigating effect on the impact of discrimination. It suggests that, through deliberate organizational learning, companies with positive climates for diversity have the capacity to use events of discrimination as a turning point toward sustained organizational change and growth. The chapter closes by exploring how organizations can create the conditions for this redemptive potential and, ultimately, learn from discrimination and prevent its reoccurrence.

Keywords: organizational, outcome, reputation, performance, well-being, retention, attraction, climate, diversity, learning

Introduction

"Workplace discrimination occurs when employees engage in actions—whether deliberate or unintentional—that fundamentally favor one group over another and when unfair treatment harms one or more employees protected by Civil Rights legislation" (James & Wooten, 2006, p. 1104). Previous chapters have noted that discrimination may take a variety of forms: interpersonal and episodic events of discrimination and systemic adverse impact. Further, each type of discrimination may have multiple sources (e.g., individual prejudice and/or unfair organizational practices) and multiple targets (e.g., racial, religious, or sexual minorities; women; parents; etc.). What is clear from previous chapters in this volume is that discrimination can be pervasive and have significant outcomes for targets as well as perpetrators.

Here we focus on the impact of discrimination on organizations: How does discrimination manifest in organizational procedures? What outcomes emerge after the specter of discrimination has appeared? What is the lingering impact even after discriminatory events have been resolved? We propose that discriminatory acts, whether intentional or unintentional, have a "ripple effect" such that they influence not only the individual target(s) and perpetrator(s), but also organizational procedures such as recruitment, advancement, and performance management. Through these processes, discrimination reverberates through the organization, ultimately affecting its climate, performance, and reputation.

In addition to the many deleterious outcomes, we also highlight the potential redemptive effects of organizational learning after discriminatory practices are brought to light. That is, large-scale discrimination crises may result in organizations taking proactive steps toward diversity-management improvements. How organizations may turn (p. 340) discrimination crises into opportunities for growth will be discussed as well as why some organizations fail to learn and ultimately perpetuate future discrimination. Taken together, we propose that discrimination, embedded in interpersonal interactions or organizational procedures, negatively affects individual and organizational outcomes as well as the diversity climate and may ultimately foster future discrimination. We close by examining when positive diversity climate and organizational learning mitigate these relationships.

Impact of Discrimination on Organizational Processes

Organizations, as collectives of interdependent individuals with a common goal coordinating effort with internal and external partners, are sensitive to events both within and outside their boundaries. The open systems perspective on organizations suggests that rather than operating in a bubble, organizations cyclically take in resources from the external environment to feed internal processes, which produce outputs that are, in turn, released back into the external environment to be reabsorbed as inputs. This feedback loop creates a gentle equilibrium between the organization and the environment in which it is embedded. To the extent that episodes of discrimination produce negative outcomes for the organization, the outputs produced (and ultimately reabsorbed) by that organization will be colored by those negative outcomes. As such, when discrimination occurs within organizations, it has the potential to muddy the feedback loop for some time after the discriminatory event has passed. Using this perspective, we explore the impact discrimination has on organizations.

Previous chapters have discussed the motivations, attitudes, and beliefs that foster discrimination between individuals. In the current chapter, we focus on discrimination at an organizational level. Since the Civil Rights Acts of 1964, numerous antidiscrimination and equal employment opportunity laws, judicial decisions, and executive orders have identified groups that qualify as protected classes. Discrimination is illegal when it unfairly targets individuals on the basis of race/ethnicity, gender, age, sexual orientation, gender identity, national origin, religion, and disability status. Legislation protecting these

groups has made it possible for targets of discrimination to seek relief, remediation, and in some cases, punitive damages through civil and criminal court. These laws also give organizations guidance on developing bias-free personnel procedures, policies, and practices and on managing discrimination when it does occur (King, Avery, & Sackett, 2013). However, as we discuss in the sections below, organizations are complex, which often makes the sources of discrimination difficult to pin down.

Discrimination may be inherent in certain practices, regardless of the actor's intent. In her book, *The American Non-Dilemma: Racial Inequality Without Racism* (2012), Nancy diTomaso notes that individuals do not have to actively discriminate against others for inequality to exist. They must merely work to include their own in-group members for the inequality to persist. DiTomaso further notes that, while discrimination is illegal, favoritism is not. For example, over the course of a lifetime, approximately 70% of one's jobs come from interpersonal network connections that are not accessible to the general population (diTomaso, 2012). To the extent that identity groups are unequally arranged in terms of status, privilege, and access, there is an unequal distribution of network opportunities. While one group's relative advantage may preserve inequities of access, other groups' relative disadvantage can have a compounding negative effect on their opportunities even when no act of discrimination occurs. For example, Leftkowitz found that, in an effort to combat inequality in the organization, minority employees were assigned to minority supervisors as a means to enhance their socialization into the organization. However, these supervisors were not socially positioned to offer the sponsorship necessary to aid in the employees' advancement in the organization. Thus, although well intentioned, this act only further reinforced racial inequality, as there were structural impediments inherent in the organization preventing fair practices from taking place (Leftkowitz, 1994).

We are not suggesting that organizations are absent individuals who actively discriminate against protected groups. Rather, the prevalence of unintentionally discriminatory practices explains, in part, why reported attitudes about diversity have improved while there has been a simultaneous surge in discrimination lawsuits (King et al., 2013). We argue that discrimination, whether it is manifest between individuals or in processes within the internal environment (particularly recruitment, advancement, and performance management), ultimately affects the outcomes of individuals and organizations as well as the climate for diversity. We argue that this climate, which reflects the extent to which an organization values diversity (Leslie (p. 341) & Gefland, 2008; Kossek & Zonia, 1993), may contribute to organizational learning that reduces adverse organizational responses to discrimination. Below, we discuss how discrimination can infect various organizational processes and ultimately impact organizational outcomes such as performance, reputation, and climate.

Human Resource Processes

Each of the internal personnel processes reviewed below are vital organizational functions that are (1) subjective in nature and may be affected by the biases of the decision-

maker(s) and (2) determined by multiple individuals, which often makes identifying a responsible party difficult. Given that such personnel procedures and practices are sensitive to managerial, employee, and observer biases, discrimination may have an opportunity to affect these internal processes. In the event that discrimination does occur in these procedures, it may affect both the outcomes of such procedures and also the organization's climate for diversity. Thus, individual and systemic discrimination are rather relevant to organizational functioning and sustainability. Below, we discuss human resource processes before turning to a discussion of discrimination's impact on climate for diversity.

Attraction and Recruitment

Recruitment procedures are defined as the bundle of "organizational activities that (1) influence the number and/or types of applicants who apply for a position and/or (2) affect whether a job offer is accepted" (Breaugh, 1992, p. 4). These activities include but are not limited to print, visual, and multimedia advertisements; websites; recruiter presence at job fairs and universities; and interviews. Further, researchers have identified three temporal stages of the recruitment process: generating applicants, maintaining applicant status, and influencing job choice (Barber, 1998). The common thread among these specific recruiting practices is that each is geared toward initially generating applicant interest in and attraction to the organization in the early stages of recruitment, with increasing focus on maintaining attraction, encouraging job pursuit intentions, and influencing job choice at later stages.

Employee recruitment is a complex process, calling on a series of subjective decisions before reaching the selection decision, including the timing and location and recruitment activities. The literature has highlighted a number of discriminatory practices that manifest throughout the stages of recruitment. When generating applicants, for example, firms must discriminate among applicants to select the best candidates on the basis of perceived potential or merit. However, decision-maker biases can interfere such that applicants may be screened on bases other than merit. In audit studies using identical resumes with different names, candidates with Anglo-Saxon names were selected 33% more often than were candidates with either African American or foreign-sounding names (Jacquement & Yannelis, 2012). Candidates with identifiably Arab names and clear Arab affiliations were found to be less suitable for a job than were their White counterparts, particularly if that job was considered cognitively challenging or if it required significant contact with clients (Derous, Nguyen, & Ryan, 2009). Similarly, experienced interviewers exhibited more negative nonverbal cues and fewer positive cues when a female candidate was applying for a gender-incongruent (male-typed) job as opposed to when the candidate was interviewing for a gender-congruent (female-typed) position (Hess, 2013). Additionally, when asked to recollect interviews, respondents reported that African American candidates' responses were far less intelligent than the White applicants' responses, even though the responses were identical (Frazer & Wiersma, 2001).

Furthermore, discrimination can impact how potential applicants view the recruiting organization. The recruiting literature often relies on signaling theory to suggest that recruitment actions act as signals about the nature of the internal functioning and culture of the recruiting organization (Rynes, Bretz, & Gerhart, 1991). At the initial encounter stage of recruitment, applicants have little information about the recruiting organization, and therefore, rely on cues such as recruiter characteristics and advertisement content and placement to develop attributions about the organization's internal qualities (Highhouse, Thornbury, & Little, 2007). Organizations, therefore, have a fair degree of latitude in crafting a favorable image of themselves to applicants and, further, attempt to craft images that would appeal to specific groups via targeted recruitment practices. Targeted recruitment occurs when organizations direct their recruitment efforts toward the demographic group(s) that the organization deems as valuable applicants for particular positions or generally as new entrants into the organization. For example, recruiting advertisements targeted toward racial minorities may display pictures of racially diverse incumbents, or recruiting (p. 342) materials targeting older employees may be placed in a senior living magazine (Society for Human Resource Management [SHRM], 2009).

Given that increasing the diversity within the workforce at many mid- and large-sized companies is a priority, targeted recruitment has become a focus of practical and academic importance (SHRM, 2009). The goal of such targeting is to craft and direct an image of the recruiting organization that particular (typically underrepresented) demographic groups will find favorable and attractive (Avery & McKay, 2006; Elsbach, Sutton, & Principe, 1998). The implicit message in targeted recruitment is that the recruiting organization has a positive climate for diversity that is hospitable and inclusive (Avery & McKay, 2006; McKay & Avery, 2005). Research largely supports the notion that targeted recruitment helps to craft a positive image of the company and ultimately enhances attraction among those being targeted (Avery, Hernandez, & Hebl, 2004; Avery & McKay, 2006). To the extent that applicant attraction wanes in these early initial encounter stages, applicants will be dissuaded from going further through the recruitment stages to ultimate job choice (Allen, Mahto, & Otondo, 2007; Uggerslev, Fassina, & Kraichy, 2012).

When little is known about a given company (as in the case of prospective or early-stage job applicants), discrimination operates like a signal that can be interpreted as negative information about the company's values and commitment to, and climate for, diversity (Smith et al., 2012). Indeed previous research shows that when provided minimal newspaper-reported information about alleged discrimination at an organization, observers are more likely to perceive the organization as lacking in commitment to diversity and inauthentic in their approach to diversity management (Smith et al., 2012). Additionally, research generally supports the notion that minorities and women (to a greater extent than Whites and men, respectively) are likely to have experienced bias and discrimination and, as such, are more sensitive to signals that convey injustice, bias, or unfairness in organizational procedures (Branscombe, Schmitt, & Harvey, 1999; Ryan, 2001). Thus, the very audiences that many organizations attempt to reach via targeted recruitment may be most repelled by real or rumored discrimination within the recruiting organization. This research suggests that applicants derive their opinions about organizations' true values

and climate for diversity via signaling cues observed as an outsider even at early stages of the recruitment process. Thus, the impact of past discrimination may linger to hinder attracting new talent.

Advancement and Retention

Having recruited and selected new talent to join the organization, the goal of effective management is to identify and move high-performing employees through the ranks of the workforce. Discrimination can affect the workforce pipeline in two ways: (1) Ongoing discrimination may prevent unbiased placement and promotion procedures, and (2) past discrimination may affect incumbents through the lingering effect on individual attitudes and interactions. Each mechanism is discussed below.

First, discrimination may be ongoing under a number of conditions—as noted in earlier chapters, some instances of discrimination are diffuse and part of the larger climate or culture (e.g., a negative diversity climate or hostile work environment where harassment and discrimination are commonplace; Leslie & Gelfand, 2008). This type of pervasive subtle discrimination is arguably more common than are large-scale, crisis-level events of discrimination. While this type of discrimination is often subtle, research has demonstrated that even subtle discrimination and microaggressions can have far-reaching individual, group, and organizational impact (e.g., Deitch, Barsky, Butz, Chan, & Brief, 2003). From an organizational perspective, ongoing discrimination has the potential to create faultlines between individuals, teams, or entire units.

Organizations have institutional memories wherein members of the organization make decisions that are consistent with past decisions. Theory from management, strategy, marketing, and other fields demonstrates that organizational decision-makers often look to past successes and failures to guide future behavior (Hough, 1984; Wernimont & Campbell, 1968). In a human resources capacity, decision-makers' ability to select and promote individuals on the basis of demonstrated merit or skill may be impeded if they make decisions on the basis of demographic group "matching." Matching is the process of basing selection decisions on the assumption that customers, coworkers, or others are more comfortable or productive around others that are demographically similar (cf. Byrne, 1971). Research demonstrates that this is an effective practice in terms of sales productivity (Avery, McKay, Tonidandel, Volpone, & Morris, 2012), absenteeism reductions (Avery, McKay, Wilson & Tonidandel, 2007), and product and service marketing (e.g., (p. 343) Chen, Grube, & Bersamin, 2006; Schooler, Basil, & Altman, 2009). However, in the context of selection and advancement, the effect is the creation of biased promotion tracks and minority ghettos (e.g., Collins, 1997). That is, when individuals are promoted on the basis of their demographic characteristics rather than merit or skill, the effect is that employees are chosen because of the knowledge assumed to follow from their demographic group membership. This has the effect not only of funneling talent into segregated units but also of creating perceptions of exploitation among minority employees (Thomas & Ely,

1996) and/or a stigma of incompetence if observers believe that employment decisions were based solely on demographic characteristics (cf., Heilman & Alcott, 2001).

Interestingly, this matching hypothesis is actually a fundamental component of the business case for diversity in that matching talent to business needs is reasoned to give the organization an advantage over competitors (Robinson & Dechant, 1997). This sentiment essentially says that employees are resources with unique information—and demographic group membership can serve as a proxy for the types of information expected of employees. For example, many companies employ racial minorities and women as chief diversity officer or as diversity officers in affirmative action/equal employment opportunity departments; similarly, a company may hire an employee with a physical disability, with the expectation that this employee would (and should) work with customers and clients with disabilities, contribute to projects that serve a community of people with disabilities, and/or critique business models and product designs that affect people with disabilities. While initially this may seem a viable way of entering and advancing in a company, the downside to the matching approach is twofold: (1) Demographic group membership is only a proxy for specialized assets and in many circumstances does not align perfectly with actual skill, knowledge, or ability, and (2) the relative importance of any demographic group to the business model of a company is likely to change (i.e., fade) over time. Ultimately, matching is in itself a discriminatory process, because selection and advancement decisions are made on some basis other than merit, knowledge, skill, or ability.

From a retention standpoint, both ongoing and past discrimination may impact organizations' ability to advance and retain talent. Past or present discrimination is likely to affect employee retention through two related mechanisms: reduced morale and withdrawal. As discussed in previous chapters, employee reactions to discrimination can include reduced job satisfaction and commitment (e.g., Mays & Cochran, 2001; Sanchez & Brock, 1996), stress and strain (e.g., Corning & Krengal, 2002; Deitch et al., 2003; Shaffer, Joplin, Bell, Lau, & Oguz, 2000), anger and guilt (e.g., Richman & Leary, 2009), and withdrawal and turnover (McKay & Avery, 2005). Each of these negative responses, when aggregated to the organizational level, is likely to affect higher order group phenomena such as workgroup cohesion, morale, and climate for diversity. To the extent that discrimination produces losses in these otherwise positive individual and group phenomena and such losses are associated with higher turnover, organizations will need to revisit the costly and tedious recruiting and selection process more often as turnover rates increase.

Performance Management

One way organizations identify and promote high performers is by means of effective performance management systems. This fundamental human resource management procedure allows managers at each level to evaluate and attempt to improve the performance and retention of their employees. Such procedures allow organizations to enhance employee strengths and improve on their weaknesses. However, research shows that racial minorities and women continue to be underrepresented in senior leadership in most industries and the advancement rates are not commensurate with those of Whites and men

Impact on Organizations

Discrimination poses challenges to performance management if evaluators' subjectivity, stereotypes, and prejudice prevent unbiased evaluation. Specifically, as noted in earlier chapters, prejudice can color supervisor recall or evaluation of performance. Heilman's research on gender stereotyping demonstrates not only that evaluators expect gender-role-appropriate behaviors from men and (p. 344) women but also that men and women are evaluated on the basis of how well they fulfill gender-role expectations—not simply how well or poorly they perform the task (cf. Heilman, 2012). This means that if a woman is a top performer in a male-typed, agentic position (e.g., chief of police), she may not be evaluated as highly as a man in the same position simply because her behaviors in that role are misaligned with her gender-role prescriptions. This sort of "backlash" bias in evaluation has been demonstrated numerous times with regard to men and women who behave out of their respective gender roles (e.g., Rudman, 1998; Rudman & Phelan, 2008). Further, this type of bias may have an especially powerful impact on performance evaluations especially when objective measures are not used. However, even when objective measures are used stereotype-related biases can impact performance evaluations via biased recall of past performance information. That is, employees may perform well (or poorly) during the evaluation period, but supervisors' recollection of such performance episodes might be colored by biases related to the employee's demographic group (Heilman, 2012). Finally, feedback-givers may be ineffective during performance management procedures if their concerns about appearing biased block them from giving honest negative feedback. Research demonstrates that if majority-member (e.g., White male) managers are concerned about appearing racist toward minorities (e.g., Blacks), then they are less likely to provide unmitigated feedback (Ruscher, Wallace, Walker, & Bell, 2010). If the purpose of feedback is to both encourage good performance and also identify areas for improvement, then feedback-givers' fears of appearing biased may actually prevent employees from developing needed competencies for advancement.

Moreover, the evaluated employees must perceive that the feedback they are receiving is trustworthy. Ongoing or past discrimination may make employees both reluctant to seek out feedback and also unwilling to accept feedback (Britt & Crandall, 2000; Cohen & Steele, 2002). Given that the majority of administrative career-related decisions are based on performance evaluations, employees are understandably quite anxious about performance management procedures. Research demonstrates that minorities and women are less likely than Whites and men to seek out performance feedback (Roberson et al., 2003). This makes some sense when we consider the assertion that underrepresented minorities (including women) are particularly sensitive to bias and unfairness in evaluation contexts—this sensitivity is often attributed to greater exposure to past dis-

crimination (Branscombe et al., 1999; Constantine & Sue, 2007). Similarly, employees may be unwilling to accept as unbiased the performance feedback of majority-member supervisors—particularly if there is a known history of discrimination or adverse impact at the organization (Britt & Crandall, 2000). As a result, the employees who probably need the sponsorship and mentorship most (i.e., those marginalized by their numerical scarcity) may be most likely to discount feedback that might prove instrumental to their development and promotion—further clogging the pipeline toward advancement.

Additionally, feedback-givers may recognize this reluctance among minority and female subordinates and respond by withholding genuine, constructive (if negative) feedback (Cohen, Steele, & Ross, 1999). This has the potential to result in slower rates of advancement and higher rates of voluntary and involuntary turnover among those who do not receive the benefit of balanced feedback. Indeed, feedback-seeking, -giving and -receiving in employee development procedures are mechanisms by which advancement of underrepresented minorities is stymied (Cohen et al., 1999; Roberson et al., 2003; Ruscher et al., 2010). As such, past discrimination creates the conditions that stifle the free exchange of key information about strengths and weaknesses that could influence advancement decisions. Below, we examine how such systemic discrimination affects organizational outputs such as performance and reputation as well as climate.

Performance

In addition to disturbing procedural phenomena, discrimination may have direct and indirect effects on performance at group and organizational levels. Given a variety of challenges associated with examining the direct linkage between discrimination and organizational performance (e.g., intervening and/or unmeasured variables, contextual differences, etc.), causal research on the relationship is quite rare. Further, much of the extant research on performance outcomes has been concerned with the veracity of the "business case for diversity" (i.e., the notion that diverse workforces enable competitive advantage via increased creativity and innovation as well as recruitment, marketing, and market share opportunities; Robinson (p. 345) & Dechant, 1997). Thus, this research largely examines the impact of diversity (i.e., demography) on individual, group, and (less frequently) organizational performance outcomes. However, there is evidence suggestive of the impact of discrimination on group and organizational performance processes.

Generally, diversity within a team or group does relate to conflict (Jehn, Northcraft, & Neale, 1999; Williams & O'Reilly, 1998) and increased perceptions of discrimination (Kunze, Boehm, & Bruch, 2010). Research on group and team performance processes, however, paints a somewhat more complex story. Diversity can be classified as surface-level, which refers to demographic or identity-group-based difference, or deep-level, which generally describes diversity in functional or educational backgrounds (Harrison, Price, & Bell, 1998; Jehn & Bendersky, 2003). Research in this area finds that surface-level diversity more often relates to destructive personal conflict rather than the productive, debate-style task conflict that is more often an outcome of deep-level diversity (Pelled, Eisenhardt, & Xin, 1999). Importantly, it is the latter type of conflict, task conflict, which re-

lates to improved performance at group and organizational levels (Pelled et al., 1999). Personal conflict, however, strains the relationship between diversity and group task performance. Therefore, to the extent that demographically diverse groups are more likely to experience personal conflict and greater discrimination perceptions, one should expect that performance in these groups should suffer.

This phenomenon is evidenced in more recent research on age discrimination. As a result of healthcare advances and longer workplace tenures, workgroups are increasingly age diverse. For the first time, the American labor force includes up to four distinct generational cohorts, which brings to light a new set of organizational issues (Arsenault, 2004; Dittman, 2005). Workplace behaviors and expectations for members of particular generations may cause conflict within the workgroup (Patterson, 2007). For example, there may be expectations that seniority and expertise come with age, such that older employees are expected to be in higher level positions than are younger workers and vice versa. However, these expectations are increasingly being violated as older workers take "moonlighting" and postretirement part-time or entry-level positions while younger workers with advanced degrees or technical skills fill higher ranked, managerial positions. These age expectations may lead to negative evaluations of the employees themselves (e.g., older workers in low-ranked positions may be seen as "past their prime," and younger workers in high ranked positions may be seen as not having "paid their dues"; Patterson, 2007).

This conflict may be further exacerbated by the fact that higher levels of age diversity make it possible for homogeneous subgroups based on age to form (Kunze, Boehm, & Bruch, 2013). As a result, challenges arise that can have a negative impact on both group and organizational performance. At the group level, age-diversity within workgroups had a negative impact on performance (Kunze, et. al., 2013), except when the workgroup was engaged in a complex, decision-making task (Wegge, Roth, Neubach, & Kanfer, 2008). At the organizational level, for example, higher levels of age diversity were related to increased perceptions of a climate for age discrimination, which had a negative impact on firm performance measures (Kunze et al., 2010).

Reputation

Perhaps the stage on which discrimination makes its biggest statement is the public one. With few exceptions, discrimination has a reliably negative net impact on organizational reputation as well as the coffers for corporate litigation. Given the increasingly egalitarian, progressive direction that public discourse and values have taken with regard to issues of diversity, it is no surprise that discrimination levies its heaviest toll in the public eye. Most Americans today report favoring equality, merit-based decisions and inclusiveness in organizational decision-making (diTomaso, 2012). Thus, when discrimination rises to the occasion of litigation, the outcomes are costly for the organization even if they receive court decisions in their favor (Gelfand, Nishii, Raver, & Schneider, 2005; James & Wooten, 2006). Indeed, even when the court finds no cause to proceed with litigation, each claim of discrimination can cost corporations tens of thousands just in the costs as-

sociated with internal investigations, mediation, and legal fees (Gelfand et al., 2005; James & Wooten, 2006). Further, when the court finds in favor of the claimant, organizational fines average over $40 million, and the total impact on shareholder value (accounting for losses in the value of stocks) can exponentially increase the total cost to organizations (James & Wooten, 2006; see also Hersch, 1991). Nonetheless, charges of discrimination have been consistently on the rise since the (p. 346) Civil Rights Act of 1964, and moreover, we saw further increases after the amendments of 1991 gave teeth to claimants' rights to litigate as individuals or in a group (i.e., class action suit).

While litigation poses a costly threat to organizations, it is not the only damage that discrimination can do to an organization's external face. Corporate reputation is "the set of aspects or characteristics that individuals outside of an organization believe are central, enduring and distinct to the organization. . . the reputation represents outsiders' perceptions of the organization's true internal characteristics" (Smith et al., 2012). Reputation is important because it is what outsiders (including shareholders, prospective applicants, customers, the media, etc.) use to derive their attitudes about the company and behaviors toward the company—including stock purchasing, job pursuit intentions, buying behavior, and news reporting. Thus it is in the organization's interest to build and maintain a positive reputation, especially in the context of an increasingly inclusive sociopolitical system like that of the United States.

According to James and Wooten, "an organization's reputation is threatened when corporate wrongdoing generates national media attention," as in the case of discrimination lawsuits (2006, p. 1105). When outsiders evaluate a company (e.g., to make employment or purchase decisions), they must do so with limited information. In such cases, the reputation performs a signaling function in that it serves as a proxy for insider information on the climate and functioning of the organization. Discrimination, whether actual or only alleged, can impose real costs on the reputation because it signals a negative climate for diversity (James & Wooten, 2006; Smith et al., 2012; Wentling & Palma-Rivas, 1997). Indeed, damage to organizational reputation (as in the case of widespread discrimination or public litigation) costs the organization in terms of public confidence (James & Wooten, 2006), employee commitment (Kunze et al., 2010), applicant job pursuit intentions (Robinson & Dechant, 1997), and consumer loyalty and buying behavior (Pruitt & Nethercutt, 2002). While these kinds of outcomes are particularly meaningful for consumer-facing and/or publicly traded companies, reputational effects can be felt even for small- and midsized companies. In fact, one could argue that smaller companies that rely more heavily on consumer and employee loyalty should be more vigilant about protecting the value derived from a positive reputation for diversity management.

The Mitigating Role of Organizational Climate for Diversity

Organizational climate is defined as shared perceptions of the organization's policies, practices, and procedures, as well as the relative value of various individual behaviors and characteristics (Kozlowski & Klein, 2000; Reichers & Schneider, 1990). Researchers have largely supported the notion that climate is the mechanism through which the norms and values in a given environment drive behavior. In addition to global evaluations of climate (which generally include overall assessments of the work environment), there have been a variety of specific climate referents (i.e., a climate *for* . . .) advanced in previous research such as a climate for safety (Neal, Griffin, & Hart, 2000), a climate for gender inequity (King, Hebl, George, & Matusik, 2010), and a climate for creativity (Amabile, Conti, Coon, Lazenby, & Herron, 1996). These more specific climate types are proposed to drive behavior within that specific area of interest. Climate is powerful because, in addition to shaping expectations of normative and prescriptive behavior, it guides employee, applicant, and observer reactions to behaviors within organizations.

Most relevant to this chapter is the organizations' climate for diversity. The climate for diversity is defined as a shared understanding or perception that an organization is fair (or unfair) in its administrative and personnel practices toward different identity groups and encourages inclusion among all employees (Avery, 2011; Nishii & Raver, 2003; Kossek & Zonia, 1993). Specifically, Cox (1994) perceived organizational climate for diversity as varying on the basis of individual (e.g., individual prejudice and interpersonal behavior) and organizational factors (e.g., diversity management policy and practice). To the extent that organizations use fair and unbiased diversity management policies and procedures, and that individuals practice inclusive, nonprejudiced behaviors, the organizational climate for diversity can be said to positive. Research has demonstrated that a positive organizational climate for diversity is associated with positive employee attitudes including job satisfaction and organizational commitment (Hicks-Clarke & Iles, 2000) and improved performance (McKay, Avery, & Morris, 2008), as well as reductions in negative outcomes such as strain (Deitch et al., 2003), discrimination litigation (Sanchez & Brock, 1996), and turnover (McKay et al., 2007).

(p. 347) When discrimination occurs, whether at the individual or organizational level, it has the potential to negatively affect the organization's climate for diversity. This makes sense when one considers that climate is the shared perception of an environment, which arises out of previous experiences (actual, perceived, or vicarious) in that environment. Further, research demonstrates that racial minority group members and women are more likely to perceive both systematic biases and discriminatory behaviors at work and are thus more likely to perceive negative climates for diversity (Kossek & Zonia, 1993; Mor-Barak, Cherin, & Berkman, 1988; Ryan, Sacco, McFarland, & Kriska, 2000). For example, Gelfand and colleagues (2005) write, "if diverse employees believe that the organization is discriminatory and report experiences that reflect bias, this is the 'reality' about which the organization should be concerned, for employees behave according to their percep-

tions and attributions" (p. 105; see also Kunze et al., 2010). This suggests that perceived discrimination (whether or not one is explicitly the target and regardless of the veracity of the claim) signals that the organizational values do not always include fair or inclusive practices, and to the extent that those perceptions are shared, the organization's climate for diversity will be negative.

Moreover, if unchecked discrimination produces a negative climate for diversity, a distal result of that negative climate may be future discriminatory acts as an ongoing, pervasive part of the organizational environment (Leslie & Gelfand, 2008). That is, a vicious cycle exists wherein discrimination feeds back into the organization's climate through negative employee attitudes and behaviors, and thus, creates the conditions for future discrimination (Gelfand et al., 2005). Indeed, Avery writes, "climates that support diversity probably signal to organizational members that discrimination is inappropriate, thereby reducing the likelihood of its occurrence. Conversely, climates that do not support diversity may communicate the opposite—namely that unequal treatment is permissible" (p. 247). Since climate perceptions begin with individual employee perceptions, which generally worsen when discrimination comes to light, discrimination is likely to foster a more negative climate for diversity (see also Kunze et al., 2010).

However, a positive climate for diversity may reverse some or all of the negative effects of discrimination. According to Avery (2013, p. 247), "diversity climates could serve as constraints or facilitators of employees' inclinations to act on their intrinsic endorsement of or opposition to diversity." That is, to the extent that climate signals that the organization values diversity as a resource, there may be an opportunity to stop the cycle of discrimination. In the section that follows, we describe the redemptive effects of a positive climate for the diversity and the potential for organizational learning under such conditions.

Redemptive Potential: Discrimination as a Learning Opportunity

There is some evidence that successful litigation leads to increases in the representation of minorities and women immediately following the ruling (Skaggs, 2008, 2009). Class action suits can be an even stronger impetus for improved diversity management policies (Deitch & Hegewisch, 2013; Wooten & James, 2004). This may be due to the fact that having multiple complainants increases the media profile of class action suits and the regulations that result, as well as the financial impact of these cases (Hersch, 1991; Pruitt & Nethercutt, 2002; Selmi, 2000). In addition, organizations that are closely monitored, such as government agencies, also show an increase in representation immediately following regulations being instituted (Kalev & Dobbin, 2006).

However, these examples describe instances where organizations are functioning under a great deal of oversight and do not necessarily imply any sustained change effort. Even those cases that result in successful complainant outcomes do not necessarily lead to a change in organizational routine, policy, or culture (Hirsch, 2009). While litigation can be

a source of protection for individuals experiencing discrimination in the workplace, the resulting judicial decisions may only prompt perfunctory changes that directly comply with court mandates. Societal changes, including political and normative pressures in the external environment, may be an essential ingredient in encouraging organizations to engage in adaptive learning process and effect long-term changes (Stainback, Robinson, & Tomaskovic-Devey, 2005). This may explain why lawsuits involving racial discrimination were found to be the only types of cases that resulted in changes in organizational routines (James & Wooten, 2005).

Further, there may be a greater consensus regarding the rightful treatment of racial minorities in the workplace, as compared with the collective understanding of what constitutes discriminatory acts (p. 348) against other protected groups, such as women and the physically challenged, or federally unprotected groups such as LGBT or overweight workers. As such, constituents from the external environment (i.e. the press, political leaders, etc.) may exert additional pressure on organizations found to be in violation of unequivocally protected classes. This additional pressure may result in a more thorough examination of the causes of the discriminatory acts and more implementation of sustainable changes to policy and procedure. Such external pressure and swift restitution may not be applied when a group that lacks legal protection or political capital is targeted for discrimination.

In addition to judicial and societal pressure, organizations may have internal motivations to learn from discrimination. We assert that a positive climate for diversity may make discrimination a call-to-arms rather than a cry for help. Evidence has emerged that performance deficits resulting from discrimination can be influenced by the organization's climate for diversity. For example, differences between African American and White sales associates' performance were partially explained by climate for diversity (McKay, Avery, & Morris, 2008). That is, sales performance was higher when group members perceived a positive diversity climate. However, sales performance dropped when the climate was found to tolerate discriminatory acts (McKay, Avery, & Morris, 2008). In another study, when companies instituted human resources practices that encouraged employee involvement and fair treatment, perceptions of the climate for diversity improved, which had a positive impact on firm performance (Kunze et al., 2013). Thus, it appears that organizations may have an opportunity to take charge of the impact of discrimination on performance outcomes, but this depends on having a positive climate for diversity.

Discrimination + Positive Climate for Diversity = Organizational Learning

While evidence has demonstrated that the reputational effects resulting from a discrimination crisis can be both far-reaching and long-standing, they are not an inherent outcome of discrimination lawsuits. Charges of discrimination can prompt concrete actions from organizations that may actually help these firms develop positive reputational effects (James & Wooten, 2006). For example, Georgia Power's handling of the discrimination suit brought on in 2000 resulted in relatively few negative consequences to the firm

and was highlighted as a model for how to deal with discrimination issues (Wooten & James, 2004). The quick and decisive actions taken by the senior members of the organization may have had a positive influence on the climate for diversity by demonstrating their conscientious efforts to manage discrimination and limit the likelihood of future discriminatory. James and Wooten (2006) write:

> Although the potential damage that a discrimination lawsuit can cause is great, as with other types of crises, it is not necessarily the lawsuit itself that is most harmful to an organization. Rather, it is the firm's response to the lawsuit that can cause the most damage. When a firm's handling of a crisis is perceived as fair for the organization, its members, and those harmed in the crisis, the consequences of the crisis should be less severe than when a firm is believed to have been dishonest, self-serving, or incompetent in resolving a problem. (p. 1105)

Organizational learning is defined as a change in routines and beliefs usually prompted by an experience of some type of organizational failure (Levitt & March, 1988). However, these changes may only be surface-level changes that simply address the immediate issue and do not always result in sustainable, positive changes to the organization. Organizations that learn and adapt are more likely to respond quickly and constructively to develop favorable employee and organizational outcomes (Glynn, Lant, & Milliken, 1994; Wooten & James, 2004). While organizations that attempt to deflect responsibility in discrimination lawsuits appear to suffer negative reputational effects, learning organizations recover from these crises relatively quickly by using the event as an opportunity to grow. Through reflective learning, organizational learning wherein managers actively outline lessons learned from past behaviors, individual managers can retrospectively examine reported incidents for causality and alter their policies and practices accordingly to focus on preventing future discrimination. They may even completely restructure their policies if the apparent cause is internal (Wooten & James, 2004). In addition, organizations that use a discrimination crisis as a lesson for future practices will actively create an institutional memory, decreasing the likelihood of repeated acts of discrimination.

Promoting Organizational Learning

Organizational learning, then, is an essential part of generating a positive ripple throughout the organization and industry. Organizational (p. 349) learning can take two forms: experiential or vicarious. Experiential learning is defined as the process by which experience changes one's behavior (Levitt & March, 1988), while vicarious learning builds on the experience of others (Argote, Gruenfeld, & Naquin, 2001) When both types of learning are in play, the redemptive effects of discrimination have the farthest reach. However, discussion of discriminatory events is often limited, as court orders or concerns about privacy restrict the flow of information about ongoing and past litigation. Thus, the benefits of organizational learning are limited, as experiential learning is constrained to the actors and organization immediately involved, and vicarious learning may never happen due to privacy concerns. Such "closed-door" discussion effectively limits the span of positive im-

pact to those in that inner circle, further reinforcing the barriers to organizational learning (Wooten & James, 2004). Without open, widespread discussion, organizations may only be motivated to alter routines simply as a means to present a favorable image and prevent further embarrassment rather than to thoroughly reevaluate extant policies and procedures to avoid future discriminatory actions.

Thus, it is important to note that, whether experiential or vicarious, organizations may reap the greatest benefits when they take a deliberate approach to learning. Deliberate learning is distinguished from other types of learning (autonomous learning, Dutton & Thomas, 1984; learn-by-doing, Zollo & Winter, 2002) in that this approach specifically focuses on acquiring, codifying, and transferring knowledge between and within organizations (Arthur & Huntley, 2005; Lapre, Amit, & Van Wassenhove, 2000). This type of learning reflects management's active participation in affecting consequential change that may lead to positive performance outcomes. In addition, deliberate learning works to create an environment that affects the motivation and opportunity for learning to occur (Argote, McEvily, & Reagans, 2003). To effectively engage in a deliberate organizational learning process, it is important that managers understand the essential conditions that allow for necessary learning to take place.

First, managers should distinguish between efforts that affect changes in behavior and changes in employee cognition (Fiol & Lyles, 1985), and which is necessary to have long-term effects on discrimination practices within the organization. Learning that leads primarily to changes in behavior may result in the type of perfunctory, "face-saving" activities that have little impact on discrimination practices. However, changes in employee cognition may result in the development of new cognitive frameworks that may affect the way in which decisions are made (Shrivastava & Mitroff, 1987), particularly as it relates to discrimination.

Second, managers should recognize the conditions necessary to facilitate learning at the organizational level. Fiol and Lyles' (1985) seminal piece on organizational learning outlines the factors that affect the likelihood of learning taking place in a particular context. Specifically, they note that an organization's culture, structure, strategy, and environment all play an important role in helping to determine whether an organization is designed to learn from previous behavior. A growing literature of research supports this claim (Thomas & Ely, 1996; Schilling & Kluge, 2009). For example, an examination of Japanese firms found that when members of the top management team received feedback on their managerial performance, a community culture developed, which had a trickle-down effect on the organization (Jung & Takeuchi, 2010). This type of culture prompted management to engage in more supportive leadership and encouraged the development and use of more objectively based performance outcomes for appraisal purposes. In addition, an organization's structure has been found to be a conduit or an impediment to learning, depending on the design (Schilling & Kluge, 2009; Thomas & Ely, 1996). More bureaucratic structures tend to reinforce past behaviors and discourage learning, while more decen-

tralized structures allow for the kind of communication and experience that can alter one's beliefs and actions (Fiol & Lyles, 1985).

As was previously noted, organizational learning, particularly experiential learning is generally triggered by a crisis event, such as a discrimination lawsuit. However, the closed nature of these proceedings may impede deep-level, positive changes to discrimination policies from taking place. We suggest that managers engaging in deliberate learning processes will be able to benefit from vicarious learning opportunities that may elude less vigilant organizations. These firms may better position themselves to reap the rewards of their active approach to learning by (1) working to create a culture that facilitates learning, (2) recognizing that their organizational design may serve as an impediment to engaging in higher-level learning, (3) aligning their strategy with their learning goals with regard to developing discrimination policies, and (4) understanding the effect the organization's environment can have on (p. 350) the ability for learning to take place. This approach to learning allows firms to develop discrimination prevention policies and, if they have the added benefit of vicarious learning, to manage this process without being prompted by costly lawsuits, which can erode their competitive advantage.

Conclusions and Directions for Future Research

This chapter focused on the literature regarding the organizational impact of discrimination. We have reviewed research demonstrating how discrimination permeates organizational personnel practices and the negative impact of unfair discrimination on organizational outcomes including the climate for diversity. We argued that discrimination in processes such as recruitment, advancement, and performance management affects organizational outcomes such as employee placement, promotion, retention, feedback behavior, performance, corporate reputation, and climate. We further argue that the organization's climate for diversity may prompt organizational learning in response to discrimination. Ultimately, we assert that discrimination has many negative consequences, however, a positive climate for diversity can turn discrimination from a liability to an opportunity.

Future research should further explore these proposed relationships. As noted throughout the chapter, it is unfortunate that there are not more investigations into the impact of discrimination at the organizational level (aside from the cost of litigation). While there are a plethora of studies focused on the case for diversity, arguing that organizations benefit from the presence of diverse groups within the organization, the findings have been equivocal at best. We continue to see evidence that, while diversity can result in positive organizational outcomes, if not handled well, the pursuit of diversity in name only can lead to both intergroup and intragroup conflicts and discrimination that can actually harm organizational performance. Deeper examinations into the direct role discrimination plays in organizational processes and sustainability are warranted.

Impact on Organizations

Additionally, we proposed that organizational learning would mediate the relationship between discrimination and organizational climate on organizational outcomes such that organizations with positive diversity climates are able to adapt and improve in response to discrimination cases. We advocate research that examines how organizational responses to discrimination litigation can promote reflective learning as well as effective development and management of diverse organizations.

In this vein, future research should also examine managerial perceptions of discrimination cases and their impact on changes made within the organization. Past research has used lawsuits as a measure of an organizational crisis. However, a deeper examination into perceptions of legal events may demonstrate that these events are not viewed as grave enough to serve as a warning to other organizations in a given industry. Managers may view these cases simply as a "cost of doing business," and use this moment of weakness as an opportunity to gain a strategic advantage. Understanding these perceptions may help organizations to identify opportunities for learning, change, and growth. In addition, future research should also examine the procedures that promote experiential and vicarious learning. Can such learning responses be codified and taught to future generations of leaders such that managers are encouraged to learn from the mistakes of others? We hope that this chapter prompts future research in the practice and management of discrimination, diversity, and inclusion.

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