Taking inequality seriously

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TAKING INEQUALITY SERIOUSLY *

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TAKING INEQUALITY SERIOUSLY

Inequality has become recognized as one of the most pernicious threats to our society. Increased levels of inequality have been associated with higher crime rates, increased levels of obesity and mental illnesses, higher levels of violence, and greater incarceration rates (Wilkinson & Pickett, 2010). Notably, scholars have demonstrated that the relationship between inequality and these social ills is causal rather than correlational (e.g., Dorling, 2015; Pickett & Wilkinson, 2015). Perhaps most graphic is Marmot’s (2015) uncovering of a “health gradient” that demonstrates the link between inequality and life expectancy. Citing examples from around the world, including highly developed economies in Europe and North America, Marmot shows how a wide range of health outcomes, and the length of time that a person can expect to live, vary dramatically between communities that can be geographically very close together but are widely differentiated socio-economically (see also Walsh et al., 2020).

We define inequality as the ways in which access to resources and opportunities are differentially distributed across a particular population. A mountain of evidence demonstrates how income and wealth is increasingly concentrated among a small group of individuals (see, for example, Global Inequality Data, 2020; Oxfam, 2021; OECD, 2016). Also apparent is how opportunities for advancement, particularly within organizations, accrue on the basis of having – or rather not having – certain identifiable identity characteristics (e.g., Amis, Mair & Munir, 2020; Markus, 2017). Such systemic inequality has been described as a threat to social stability and democracy (Piketty, 2014), and has also been attributed as a reason for the recent rise of populist leaders around the world (e.g., Anderson, Collins, Hoxie & Pizzigati, 2016; O’Connor, 2017) and pivotal geo-political decisions such as the Brexit vote in the UK (Inglehart & Norris, 2017).

Although economic measures are often used to determine inequality, it is also necessary to consider the ways in which social structures, including organizations, are
designed and/or evolve to advantage some groups over others. Writing this FTE one year after George Floyd was murdered by Minneapolis police officer Derek Chauvin sparking mass protests worldwide, it is apparent that systemic disadvantage occurs in many forms. While inequality on the basis of race and gender are perhaps well known, class discrimination, rarely a topic for management theorists (though see Gray & Kish-Gephart, 2013, for a notable exception) or practitioners, remains entrenched in many organizations including the UK civil service (e.g., Friedman, 2021).

Our purpose in this editorial is to call for us—a community of engaged management scholars—to take inequality seriously because organizations are centrally implicated in the reification of societal inequalities. Building on the excellent work of those individuals who have worked on problems of inequality for many years, we feel that the point is upon us for a collective commitment to this issue in its myriad forms. Indeed, recent Special Issues of journals (e.g., Amis, Munir, Lawrence, Hirsch & McGahan, 2018; Journal of Applied Psychology, forthcoming; Suddaby, Bruton & Walsh, 2018; Roberson, 2021; Tolbert & Castilla, 2017), reviews (e.g., Amis et al., 2020; Bapuji, Ertug & Shaw, 2020), dedicated papers and conference subthemes underscore the gravity of inequality’s pernicious impact at all levels of analysis— from individuals to organizations to society. But they also provide reasons for hope. They attest to an upsurge in shared concern about inequality within our professional communities while also demonstrating the central role that management theorists can—and must continue to—play in furthering our capacity to understand and address entrenched systems of inequality.

We suggest two ways in which our community of scholars can further advance these objectives. First, we call for a re-imagining of existing management theories in ways that accord inequality a central role. For example, what would our dominant theories in organization and management theory, strategy, organizational behavior or international
management look like if inequality were accorded primacy? Second, how can we develop new theory to explain and even address inequality? In the following sections, we briefly explore each question, providing examples that are largely idiosyncratic to the author team’s perspectives and expertise. Our discussion, therefore, should be considered highly illustrative in nature. Far more possibilities await to both extend established theoretical perspectives and develop new theory to address the problem of inequality.

RETOOLING EXISTING THEORY TO ADDRESS INEQUALITY

Tackling a topic as vast and multifaceted as inequality will require an equally vast and multifaceted toolbox. We believe it is helpful to recognize that existing theoretical implements already exist that we can potentially retool or repurpose for this task. One way to think about this is to reconceive existing theory with inequality accorded a primary consideration. For example, agency theory is concerned with aligning management’s interests with those of shareholders, often through links to stock option plans or other bonus measures. Widespread acceptance of the principles underlying this approach has helped drive up senior management compensation in ways that have exacerbated inequality. How might we theorize corporate governance and incentivization schemes in ways that would reduce rather than increase inequality? A second approach, and one that we explore in more detail here, is to contemplate some of the roles that organizations play and how the theories that we have developed to help explain these roles might be reconsidered to also account for, and even reduce, inequality.

Organizations as Political Actors

The idea of organizations as political actors has a long history in organization studies. From an internal perspective, theorists such as Selznick (1949, 1957) identified the importance of understanding the ways in which internal power structures, competing interests, and political processes influenced particular outcomes. This line of thinking that
positions organizations as polities (see Weber & Waeger, 2017, for a review) has generally been quiet about inequality. However, theorizing how the political structures of organizations creates systems of advantage and disadvantage that reinforce inequalities has great potential.

There is also scope for thinking about organizations as political actors in the sense that they influence government and other stakeholders at local and national levels (e.g., Barley, 2010). This has become particularly relevant as employees have increasingly sought to influence firm policy, such as in response to the #MeToo and Black Lives Matter movements. As a consequence, firms are taking more activist stances in a variety of ways. A case in point is the 2021 public opposition of some of America’s most recognizable companies, including Delta and Coca-Cola, against voting restrictions in Georgia which have rendered it more difficult for racial and ethnic minorities to elect their representatives.

To examine this phenomenon, we might consider extending theory via political perspectives of corporate social responsibility (CSR). Political CSR differs from stakeholder theory and instrumental understandings of CSR in that it can be used to describe and explain the transition of responsibilities and tasks from governments to companies (Matten & Crane, 2005; Scherer & Palazzo, 2007). Political CSR thus construes firms as political, as opposed to purely economic, actors who can potentially influence legislation and policy-making. Yet, the political engagement of firms is Janus-faced. Consider that, in addition to the political pressure referred to above, there has been an explosion of diversity, equity and inclusion (DEI) policies designed to ensure greater equality among people irrespective of their gender, race, ethnicity, age, religion, physical ability, sexual orientation and so on. Closing the gender pay gap and fighting discrimination has become an important strategic objective for many organizations, with companies willing to invest significant resources. For example, in 2020, Apple announced the launch of the Apple Racial Equity and Justice Initiative, with an investment of $100 million (Bursztynsky, 2021), and Bank of America (2020) pledged $1
billion over four years “to help local communities address economic and racial inequality accelerated by a global pandemic.” In 2019, the Business for Inclusive Growth (B4IG) coalition, an alliance of the OECD and 34 multinational companies, committed to reduce inequalities by advancing human rights throughout value chains and promoting more inclusive workplaces and ecosystems.

In contrast to the positive examples above, firms have also leveraged shifts to our external landscape in ways that perpetuate or even increase inequality. At a macro-level, firms take advantage of tax avoidance practices which deprive public budgets of much-needed resources to fund education, health care, and social services. This, inevitably, strikes hardest those who are most disadvantaged in our society. Further, at a micro level, we know that white, upper/middle-class males are advantaged over all other groups when it comes to the ways in which organizations engage in hiring, promotion, role allocation, compensation and structuring practices (Amis et al., 2020). Hernandez, Khattab, and Hoopes (2021) have shown that one outcome of this is that women suffer more severe disruptions to their career progression than men, with many of the most highly educated professional women leaving the workforce altogether.

The COVID-19 pandemic has further exposed organization-based inequalities with the requirement that those in lower paid jobs such as bus drivers, nurses, grocery clerks and many other essential workers, having to continue to work in very risky public facing roles while senior executives have worked from home or in isolated office spaces. Indeed, while the pandemic has disproportionately affected disadvantaged members of societies around the world (Bapuji, Patel, Ertug & Allen, 2020; Munir, 2021), CEO pay has continued its inexorable rise, even as firm profits in most industries have been negatively affected (Gelles, 2021). More broadly, Mishel and Kandra (2020) reported that there has been an increase of 1,167% in CEO compensation over the last 40 years as compared to 14% for average
workers. If we were determined to develop governance mechanisms that could reduce rather than increase inequality, scholars would question if CEO compensation packages that are 320 times greater than the average employee can be justified (Mishel & Kandra, 2020). Of relevance here are the creation of structures and systems that are used in many organizations to prevent employee unionization. In this context, extending political CSR to examine inequality as a central issue might allow scholars to examine how new ways of organizing have reified inequalities based not just on compensation but also in areas such as physical safety and indeed the meaning of work.

Organizations as Identity-Based Social Actors

As the above discussion illustrates, organizations are not merely social contexts, but are also social actors engaged in highly consequential interactions with internal and external stakeholders. In this respect, organizations are like individuals whose identities locate and guide them in social space (Albert & Whetten, 1985; Whetten & Mackey, 2002). Organizational identity (OI), referring to members’ shared understandings of an organization’s central, distinctive, and enduring or continuous character (Albert & Whetten, 1985; Corley et al., 2006), “confers purpose and direction” by endowing the organization itself with meaning and a *raison d’être*, a mission, seminal values, and “ultimate whys” (Ashforth & Mael, 1996: 45; Albert & Whetten, 1985; Whetten & Mackey, 2002: 397). Thus, OI guides organizational action via behavioral standards for how the organization can and should appropriately engage with others.

Given its broad ability to speak to organizational agency and action, OI is another theoretical domain that could be fruitfully leveraged to consider the role of organizations in increasing or decreasing inequality. To date, OI research has focused more on OI as a construct (Foreman & Whetten, 2016), dynamics related to identity change (see Gioia, Patvardhan, Hamilton & Corley, 2013, for a review), and the interplay between OI and
related concepts such as culture (see Ravasi, 2016, for a review) and identification (e.g., Foreman & Whetten, 2002; Petriglieri, 2015). As the domain emerges out of “adolescence,” there have been calls for greater focus on why OI matters (e.g., Gioia et al., 2013; Foreman & Whetten, 2016). This opens up considerations of how distinct understandings of OI can shape organizations’ external and internal behavioral patterns to produce greater or lesser inequality within the organization itself as well as in broader society. The OI lens is apt to be quite versatile in this regard. For example, building on the discussion above, OI may inform how, why and to what effect organizations might engage as political actors; it also has implications for organizations’ creation and dissemination of value (Brickson, 2007; 2021), to which we now turn.

**Organizations as Value Creators and Distributors**

The final illustrative organizational role that we address here moves to considering theory about the organization in perhaps its most fundamental role, that of creating and distributing value. Milton Friedman’s (1970) admonition that a firm’s purpose and sole responsibility is to create and maximize shareholder wealth, while highly influential, has also been widely criticized (e.g., Ghoshal, Bartlett & Moran, 1999; McGahan, 2020). Friedman’s conception defines organizations’ role vis-à-vis value as narrowly focused on one single recipient – shareholders – and on one type of content – money. Broadening our theorization of organizational purpose in both respects can shift our understanding of organizations’ roles in fostering inequality. Most obviously, the singular focus on shareholders as recipients precludes from the outset questions about relative distribution of value across stakeholders (e.g., McGahan, 2020). Less obviously, narrowly conceiving of value created and distributed by organizations as purely economic may render invisible many other forms of inequality in which organizations are directly implicated, such as using economic justifications for meritocratic or efficient practices without considering how such practices work to exclude
particular groups from opportunities for advancement. Conceiving of value in unidimensional economic terms also makes value distribution unnecessarily zero-sum by precluding the ability to make trade-offs between dimensions across stakeholders according to their preferences, almost inevitably favoring those in already advantaged positions.

While we take serious issue with the neoclassical theory of the firm, there may be a kernel within it that, if retooled, could be profoundly useful to understanding organizations’ role in furthering or reducing inequality. Perhaps we could maintain the idea that the purpose of all organizations is to create and distribute value, broadly conceived, among stakeholders, and take this in new directions? Some scholars, drawing from stakeholder theory, have begun to make related arguments (e.g., Freeman, 2010; Donaldson & Walsh, 2015). At their core, organizations are tremendous value creation instruments, enabled by their ability to bring together and coordinate actions of internal and external parties (Bridoux & Stoelhorst, 2016; Kogut & Zander, 1996; Nahapiet & Ghoshal, 1998). This, then, also requires them to be responsible stewards of value distribution.

We encourage scholars to broadly and deeply explore organizations’ fundamental role as value creators and disseminators. We illustratively note three of many possible paths. First, scholars might tackle the thorny question of value content so as to include but go beyond money (see Harrison & Wicks, 2013). To be sure, conceptualizing value is notoriously challenging, with debates dating at least back to Aristotle (see, e.g., Donaldson & Walsh, 2015; Jones et al., 2016). These debates are beginning to emerge in management, with some advocating for unidimensional conceptions, such as replacing shareholder wealth with stakeholder happiness (Jones & Felps, 2013) and others for multiple dimensions (e.g., Donaldson & Walsh, 2015; Mitchell, Weaver, Agle, Bailey & Carlson, 2016). Empirical inquiry might usefully inform these theoretical debates. For example, while scholars worry about incommensurability of value due to organizational and stakeholder idiosyncrasies, data
may reveal considerable convergence in the kinds of value stakeholders derive from organizations such that the concept may be more tractable than we have feared; one study at least suggests that this may indeed be the case (Brickson, 2021).

Two other paths for furthering our understanding of organizations’ roles with respect to inequality involve delving into questions of value distribution and value creation versus extraction. Investigations related to distributive value might take a descriptive or normative stakeholder theory approach (Donaldson & Preston, 1995). The former could identify existing patterns of greater or lesser inequality and their origins. The latter might detail more idealized patterns distributive principles to reduce inequality. Emerging efforts have begun to incorporate principles derived from theories of justice (Marti & Scherer, 2016) and negotiations (e.g., Jones et al., 2016). Meanwhile, we also need work that enables us to decouple organizational value creation from value extraction. Mazzucato (2019), for example, demonstrates that money earned is often not created by the earner as believed, but rather is extracted from others who have done the creating. We encourage scholars to consider how to assess the extent to which all types of value that organizations ultimately control and distribute arise from organizational activities as opposed to others’ resources and activities. This understanding, too, can inform inequality by exposing the often invisible costly inputs of value extracted from sources like workers, the public, and the environment.

DEVELOPING NEW THEORIES TO ADDRESS INEQUALITY

Our second main consideration is how we go about developing theories of inequality. While past work has considered the ways in which inequality becomes manifest in society in general and organizations in particular, we see a need for more research that explicitly theorizes inequality. Though multiple directions can be taken, as a starting point, we identify three basic questions to spotlight research domains that we believe are especially important.

Our first question is almost definitional in nature, we ask: How do we understand the
problem of inequality? Early management research carried out by Industrial Organizational psychologists examined inequality through the lens of demographic differences. This research on “diversity” tended to focus on how demographic differences such as race or gender influenced organizational processes, practices, and outcomes. For example, researchers have explored how such differences influence employee recruitment and retention (e.g., Avery, Hernandez, & Hebl, 2001; McKay et al., 2007), leader appraisals (e.g., Hernandez et al., 2016), work group dynamics (e.g., van Knippenberg, De Dreu, & Homan, 2004), and firm performance (e.g., Nishii, Khattab, Shemla, & Paluch, 2018; Roberson, Holmes, & Perry, 2017). As our understanding of differences has evolved, single category classifications based on race, gender, social class, sexual orientation, and other singular distinctions have become insufficient to explain or resolve inequality. Rather, we need to consider how such identity characteristics intersect and to what effect.

The concept of “intersectionality”, originating in the work of Kimberlé Crenshaw (1989), a legal scholar focused on race and civil rights, was subsequently picked up by theorists in a number of disciplines, notably psychology and sociology. These ideas have begun to infiltrate management scholarship, providing a more nuanced and therefore, targeted pathway to resolving how and why individuals are marginalized in organizations. Intersectionality challenges the notion that structural inequities apply uniformly across underrepresented groups; the lived experiences of white women in organizations, for instance, are not equivalent to the lived experiences of black women. Black women’s endurance of both racism and sexism creates a substantively different set of workplace challenges as compared to their white counterparts. While we have seen studies that have identified the importance of intersectionality (see, for example, Berry & Bell, 2012; Castro & Holvino, 2016; Rivera & Tilcsik, 2016; Wingfield, 2009), “this theme does not feature consistently” in our theorizing (Nkomo et al., 2019: 502). Despite this, recent work continues
to demonstrate the importance of intersectionality for our understanding of inequality in organizations (Hall, Hall, Galinsky & Phillips, 2019; Martin & Côté, 2019) while Clair, Humberd, Rouse and Jones (2019) have called for us to consider identities that vary within a category or are acategorical. We thus need theory that moves beyond singular understandings of difference but rather more fully captures the complexities of our identities.

Our second question is: How do we talk about the problem of inequality? In line with scholars of performativity (e.g., Gond, Cabantous, Harding & Learmouth, 2016), communicative institutionalism (e.g., Cornelissen, Durand, Fiss, Lammers, & Vaara, 2015), and the notion of “communication as constitutive of organization” (Ashcraft, Kuhn, & Cooren, 2009), we encourage scholars to consider that the way how we talk about inequality can shape reality, including organizational reality. For instance, while criticizing discrimination has been found to crowd out motivation and increase biases towards minorities (Dobbin & Kalev, 2016), communication construing a narrative around achieving greater equality (rather than reducing inequality) can help position equality as plausible, natural and eventually inevitable. Such narratives make it more likely that individuals consider change as desirable, valid, and worthy of support (Bitektine & Haack, 2015). Moreover, identifying an issue (“we see growing levels of inequality”) may have the counter-intuitive effect of legitimizing that issue (“we cannot challenge the system that reifies inequality inequality”). Most people adapt to the status quo because perceptions of “what is” shape perceptions of “what ought to be” (Haack & Sieweke, 2018). In this view, we may observe a growing acceptance of inequality as a social fact perceived to be largely exterior to subjective experience. Similarly, using a rhetoric that extols the positive nature of other concepts such as meritocracy, efficiency, and globalization allows the justification of a variety of practices that advantage some groups and disadvantage others (Amis et al., 2020).

The system justification literature in psychology (e.g., Jost, Banaji, & Nosek, 2004)
finds that individuals are motivated to hold favorable beliefs not only about themselves and the group they belong to but also about the legitimacy of the social system in which they live and work, even if they are disadvantaged by that system. For disadvantaged members, justifying the system prevents feelings of frustration and helplessness, and reduces the mental harm associated with being part of a system that is contrary to their self-interest. The phenomenon of system justification of course has significant implications for the potential dismantling of systems of inequality. Thus, new theory is required to explicate the links between how language is used in organizations and the manifestation of inequality. For example, future work could focus on how to overcome system justification tendencies through language or other sign systems and construe alternative futures of greater equality as both desirable and plausible (e.g., Badaan, Jost, Fernando & Kashima, 2020).

Our final question in this section is to consider who develops theory by asking: How do we empirically investigate inequality? Our existing array of theories has been largely developed by Northern scholars who have been predominantly white, male and middle/upper class. Further, testing and refinement of such theories has overwhelmingly taken place in Northern, predominantly North American, empirical sites that themselves have often featured an over-representation of the dominant somatic norm. The assumption has been that such theories can be universally generalized. Conversely, panelists at a recent Academy of Management Organization Behavior Division workshop (#BlackLivesMatter in the Academy: An Anti-bias Lens on OB Research, 2021) reported that theories that have developed using samples that are over-represented by women, people of color, or developed in Global South contexts are more likely to be challenged and expected to make explicit the boundary conditions that would limit their applicability. This not only brings into question the power of existing theories to adequately explain the antecedents and mechanisms of inequality, but also highlights the need for awareness from reviewers and editors of inherent
biases that may mitigate against the development of needed theoretical understanding.

**CONCLUSION**

Although the health and societal outcomes that we laid out at the start of this paper are obviously important, our discussion is grounded in the belief that reducing the current extreme levels of inequality is the *right thing to do* and thus has moral validity in its own right. We suggest that management scholars as high-status actors and incumbents of privileged positions have a responsibility to contribute to attaining largely desirable goals, including achieving greater equality. Naturally, the question “desirable for whom” is a tough and disturbing one, that, as Hinings and Greenwood (2002) lamented almost twenty years ago, has not been sufficiently addressed. We acknowledge that the answer to the question of what is desirable and constitutes a good and just life is shaped by our past and current circumstances. A white, middle class, male bank executive operating in Zurich, Switzerland, is likely to think about inequality differently than a black male manufacturing worker with serious health conditions working in the rural southern United States. In this context it may be insightful to revisit a thought experiment developed by American philosopher John Rawls (1971). Rawls asked people to choose the principles that should structure a society of free, equal, and moral citizens, while not knowing their own ethnicity, social status, gender, state of health, and awareness about the society and time period they would be born into.

According to Rawls, in such a setting, people support the guarantee of basic liberties. They allow for a certain level of inequality only if it makes the least well-off members of society better off. From this perspective, current levels of inequality can be considered unjust and undesirable; a conclusion that is corroborated in empirical research showing that people long for a more equal distribution of wealth than the status quo (Norton & Ariely, 2011). As our theorizing develops to match this expectation, so can we profoundly affect the organizations that so profoundly shape our lives and well-being.
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