



ESSAYS

When Firms Fail to Learn: The Perpetuation of Discrimination in the Workplace

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Scholarly and anecdotal evidence suggests that despite an increasing tolerance for diversity among many Americans, workplace discrimination is on the rise. This article addresses the role that learning, or more specifically barriers to learning, plays in the perpetuation of discrimination. We use several organizationally based learning theories to illustrate ways in which firms may fail to learn how to manage diversity challenges effectively, such as a discrimination lawsuit. We conclude the article with two relatively successful learning situations involving the Georgia Power Corporation and the Denny's restaurant chain, both of which have faced discrimination lawsuits in recent years. We use this discussion to highlight reactive versus reflective learning strategies and how each may lead to successful discrimination lawsuit resolution.

Keywords: *organizational learning; workforce diversity; discrimination lawsuits; crisis management*

On April 22, 1999, four former and current employees filed a class-action lawsuit against Coca-Cola, alleging that the firm discriminated against its African American workers. Coca-Cola's CEO, Douglas Ivester, denied the allegations in an e-mail sent to employees, and publicly in statements made to the media. In addition to the denial, the firm commented that the employees' complaints were without merit and that the allegations had "significant errors of fact" (Unger, 1999). As the case progressed, Coca-Cola was perceived by many as mishandling the case. Public relations experts, customers, and sociopolitical interest groups accused

Coca-Cola of acting defensively and being slow to respond to the charges. The firm's image was tarnished, by the allegations and by its handling of them.

A little more than a year later, another Atlanta-based firm, Georgia Power, was presented with a racial discrimination lawsuit of its own. Georgia Power took a different approach to managing the lawsuit than Coca-Cola. Its CEO not only vowed swift and effective action against any employee involved in harassing others, but demonstrated tolerance for the possibility of the problem having existed, and quickly expressed a sense of concern for the targets of the alleged discrimination. In fact, a newspaper headline

read, "Georgia Power Learns From Coca-Cola Bias Suit: Utility's Response Shows Lessons Gleaned From Soft Drink Giant'S Actions" (Quinn, 2000a).

Georgia Power's response to its discrimination lawsuit, and its quick action to manage the discrimination lawsuit, seems to represent the exception to the rule when it comes to learning from the mistakes of others. Not only have many firms similar to Coca-Cola experienced multiple discrimination allegations in recent years, they also seem to have difficulty in effectively managing diversity in a way that preserves, if not enhances, the firm's image. Moreover, poor diversity management may negatively affect those with a stake in the organization. The result of mismanaging diversity, and discrimination lawsuits in particular, can be recurring lawsuits such as the subsequent U.S.\$1.5 billion racial discrimination lawsuit filed in 2000 against Coca-Cola immediately following the firm's settlement of the 1999 lawsuit.

For several reasons, we are surprised at the difficulty that some organizations continue to have with diversity management, and their inability to resolve and prevent discrimination lawsuits. First, within the past decade there has been widespread focus on diversity issues from the scholarly and practitioner communities (Brief & Hayes, 1997; Hemphill & Haines, 1997; Souza, 1997). With this increased attention, we would have assumed that today's firms would have a better understanding of how to prevent discrimination and effectively manage discrimination lawsuits. However, the increase in lawsuits and the burgeoning settlement fees paid by firms, either voluntarily or by court order, assure us that our assumption was erroneous. Second, we would have thought that the frequency with which U.S. firms experience discrimination lawsuits, and the notoriety associated with many of them, would represent opportunities for firms to learn from the experiences of others. To our dismay, however, firms seem to squander these learning opportunities and, as a result, remain susceptible to future discrimination lawsuits.

Our goal in this article is to advance our view that failures in managing discrimination and discrimination lawsuits reflect failures in learning by firms. We define *discrimination management* fairly narrowly as the prevention of discrimination and by extension the prevention of discrimination lawsuits (although we are fully aware that some lawsuits are copycat lawsuits based on little or no merit). We focus on discrimi-

nation lawsuits rather than the broader issue of diversity because, quite frankly, we remain unconvinced that attempts at diversity-related training, consulting, management, and theorizing have successfully eradicated the challenges associated with maintaining a diverse workforce. We attribute this to the very real fact that discrimination is an extraordinarily complex issue, as evidenced by the theoretical attempts to explain why a diverse workforce poses a challenge for organizational managers and employees. For example, discrimination has been examined at the individual level of analysis, focusing on such factors as stereotypes (e.g., Essed & Stanfield, 1991; Hilton & von Hippel, 1996) and prejudice (James, Brief, Dietz, & Cohen, 2001); at the group level, exploring network variables, such as homophily and tie strength (Ibarra, 1992, 1993, 1995; James, 2000); as well as at the organizational level, including structural considerations (e.g., Kanter, 1977; Lefkowitz, 1994).

The body of research just described has focused on rather immutable characteristics such as attitudes and individual and organizational demographic profiles. Focusing on issues that are difficult, at best, to change may be a relatively unproductive means by which to eradicate discrimination. Moreover, rather than tackle the broader issue of diversity, we elected to concentrate on an issue that we consider to be a subset of, and therefore a more manageable aspect of diversity—discrimination lawsuits. We chose this aspect of diversity for three reasons. First, valid lawsuits generally represent the consequence of egregious diversity mismanagement practices by a firm. Because the nature of the problem is often behavioral, we believe that there is a greater likelihood of successfully changing behaviors than there is of changing relatively immutable or inherent individual factors (i.e., attitudes) or organizational factors (i.e., structural constraints). Second, when managed poorly, lawsuits can become an organizational crisis, and similar to all other crises will require immediate organizational attention to not only bring the issue to resolution but also to prevent future crises. Third, discrimination lawsuits are one of the more serious and challenging aspects of managing workforce diversity and demand a different skill set than managing routine diversity issues, such as personnel staffing. Moreover, because discrimination lawsuits represent extreme case studies, using them to illustrate how organizations learn, or fail to learn, can help researchers and practitioners better understand

organizational behavior that is “transparently observable” (Eisenhardt, 1989). For these reasons, we believe that applying concepts associated with organizational learning to discrimination lawsuits can be an effective way of bringing about change in an organization.

In the sections that follow, we describe some of the most widely reported perspectives of organizational learning. Based on the primary tenets from these perspectives, we identify key organizational barriers that we believe prevent firms from learning how to manage workplace discrimination and successfully resolving discrimination lawsuits. We close with examples of learning in practice as they relate to the barriers we identified.

PERSPECTIVES OF AND BARRIERS TO ORGANIZATIONAL LEARNING

The concept of organizational learning is rooted, in part, in individual-level learning theories (Starkey, 1996), such as the one advanced by Skinner (1971) advocating learning as a function of the consequences and reinforcements that follow a behavior. Behavior followed by favorable consequences tends to be repeated; behavior followed by unfavorable consequences tends not to be repeated. According to Skinner (1971), when desirable consequences consistently follow a behavioral response, permanent behavioral change, or learning, has occurred. Thus, at its core, learning generally involves the process of acquiring new information and implementing a change in behavior as a result. The relationship between learning and behavior change is a powerful one and is central to not only individual level learning theories in psychology (e.g., Bandura, 1977; Skinner, 1971) but also to what some organizational scholars have referred to as adaptive learning (e.g., Glynn, Lant, & Milliken, 1994; Herriott, Levinthal, & March, 1985/1988; Levinthal & March, 1981). Adaptive learning is believed to shape an organization’s knowledge base by incorporating the firm’s previous experiences into organizational routines (e.g., policies and procedures) that then serve to guide firm behavior (Nelson & Winter, 1982). Thus the concept of organizational learning captures the sense that firms continuously adapt to a changing business environment by drawing on organizational knowledge—a repertoire of skills and routines—that can bear on a particular circumstance (Matthews, 1996).

Adaptive Organizational Learning Perspective

The adaptive organizational learning perspective assumes that learning is a function of changing behavior in response to experience (Glynn et al., 1994). In keeping with this idea, Levitt and March (1988) referred to organizational learning as a change in routines (e.g., rules, procedures, strategies, codes) and beliefs as a result of failure. This assertion is based on three central tenets: (a) firm behavior is based on routines; (b) behavior in an organization is history dependent and, therefore, focused on activities and interpretations of the past rather than expectations of the future; and (c) firms are target oriented and measure their success according to the achievement of some goal. Levitt and March (1988) further argued that organizational learning is largely experiential and, following Bandura’s (1977) beliefs about individual learning, suggested that changes in routine firm behavior are a function of trial-and-error experimentation. Specifically, dysfunctional routines will cease when they are associated with failure (e.g., inability to meet targets) and functional ones will continue or increase when they are associated with success (Cyert & March, 1963).

Each of the three tenets of adaptive learning gives rise to potential barriers that may explain firm’s failure to effectively manage and prevent discrimination lawsuits. In addition, the trial-and-error experimentation that should facilitate organizational learning may not fully apply when the learning is associated with nonroutine events such as a discrimination lawsuit.

Barrier 1: Dysfunctional Routines

Discriminatory routines. Central to the adaptive learning approach is the notion of organizational routine behavior. This idea contributes to a firm’s failure to learn how to manage discrimination lawsuits in that there are generally no organizational routines in place to deal with such challenges. Moreover, where routines do exist, they generally relate to negative, albeit unconscious, firm behavior that perpetuates rather than eliminates discrimination. In other words, although most organizations do not intentionally or even knowingly discriminate against their employees, there are frequently unconscious routines in place that can be perceived as discriminatory. Lefkowitz

(1994), for example, found in one firm an institutionalized practice that adversely affected racial minority employees. In this firm, decision makers assigned new minority hires to minority supervisors believing that doing so would help the new hire during the socialization process. However, these supervisors were, on average, in less powerful positions in the organization, and therefore less able to help their workers succeed and advance within the firm. Over time, a trend developed such that minority employees had a significantly lower rate of advancement than their White counterparts. When tacit norms such as this become routinized in the organization, a dangerous pattern emerges—one leaving the firm vulnerable to allegations of discrimination.

Reliance on reactive learning routines. Another dysfunctional organizational routine is one grounded in what Argyris (1977) identified as single-loop or reactive learning. Reactive learning occurs when an organization detects a problem and uses existing policies or procedures to correct it. This strategy often precludes firms from paying attention to why the problem occurred initially. Thus if organizational problem solving simply involves corrective action without questioning the firm's fundamental assumptions, or organizational norms, then only reactive learning has occurred (Argyris & Schon, 1978; Baker & Sinkula, 1999).

When an organizational problem leads the firm to question whether its culture or normative procedures may have caused the problem, the learning is double loop (Argyris & Schon, 1978; Senge, 1990) or reflective. Reflective learning essentially demands a rethinking of the organization's norms and operating rules and indicates the organization's capacity to change its "view of the world" by replacing obsolete perspectives and systems with approaches that are more effective.

According to Argyris (1990), one type of learning is not necessarily better or worse than another type. In fact, reactive and reflective learning are necessary aspects of organizational life. Reactive organizational learning is appropriate for routine or repetitive issues, whereas reflective learning is appropriate for complex, nonroutine occurrences.

We believe that despite the frequency with which discrimination claims are made, they are not necessarily routine problems but, rather, are complex and idiosyncratic. For example, our research reveals that depending on the cause or source of discrimination

(e.g., an individual's action, structural constraints, or system-wide policies and procedures), some management strategies may be more or less appropriate. Likewise, we found that management strategies for handling discrimination vary by the target group being discriminated against, with discrimination against women, for example, typically being handled differently than discrimination against Blacks (James & Wooten, 2000). Last, our research indicates that not all discrimination strategies are perceived as equally effective. In some cases, stakeholders respond more favorably to those strategies in which a firm acknowledges responsibility and adopts corrective action than to those that diffuse responsibility and/or pursue damage control activities. In other cases, defensive posturing is perceived as an acceptable response (James & Wooten, 2002). Given these findings, we argue that discrimination cases vary based on a number of contextual factors. As such, they represent situations that are complex and difficult to manage and, therefore, call for reflective learning strategies. Unfortunately, firms tend to adopt reactive learning strategies for managing discrimination allegations. In so doing, they fail to learn what factors within the firm can be seen as the cause of the problem and ultimately fail to resolve those specific issues.

To illustrate our point about reactive learning routines we use the case of Home Depot's 1997 sex discrimination lawsuit. In this case, Home Depot vehemently denied the allegations and chose to resolve the dilemma by complying with court-ordered mediation that required the firm to settle financially with the targets of the discrimination (Bueno, 1997). In addition to the financial settlement, the Equal Employment Opportunity Commission (EEOC) required Home Depot to make changes to its existing human resource programs. However, there was no thorough investigation to determine what specific aspects of the firm's human resources (HR) policies were problematic. Moreover, because the changes were imposed externally, rather than suggested and implemented by the firm's own policy makers following a thorough audit of firm practices and culture, the resolution may have failed to address the relevant issues. By not questioning why the firm was accused of discriminatory behavior, Home Depot did not benefit from the deeper-level understanding that results from reflective (double-loop) learning as described by Argyris (1977). Failure to adopt reflective learning may lead to a higher likelihood that perceived discriminatory behavior would continue to exist in the organization.

In fact, in less than a 5-year time frame, Home Depot has faced two large-scale discrimination lawsuits. In both cases, the firm chose to adopt a reactive strategy for handling the lawsuits.

Organizational defensive routines. Organizational defensive routines may also prevent learning as it relates to the prevention and management of discrimination. Similar to an individual's ego defense mechanism, organizational defensive routines are actions, policies, and norms of behavior that prevent organizations from experiencing embarrassment or threat (Argyris, 1990). These organizational defenses hinder employees from taking responsibility for their decisions. Instead, organizational members may defend themselves against ineffectiveness by blaming others (Rahim, 1997). Argyris (1990) characterized organizational defensive routines as antilearning and suggested that when a firm is confronted with threatening or embarrassing information as a result of its own behavior, defense routines will bypass or cover up the information. The firm subsequently offers excuses that maintain the cover-up. This tendency to cover up negative information may result in missed opportunities for learning and the continuation of the behavior that caused the initial problem.

Common organizational defensive routines during an image-threatening event include (a) denying the problem, stating for example that the incident "did not occur" or that the firm "was not responsible" and (b) justifying firm behavior (Benoit, 1995). By employing these types of defensive routines, firms hope to preserve a favorable image and disassociate themselves from the negative event (Elsbach, 1994; Elsbach & Sutton 1992; Schlenker, 1980). The organization is then rewarded for its cover-up and continues to deny the discrimination problem. In 1995, a lawsuit charging Publix, the grocery store chain, with hiring and retaining women into dead-end, low-wage jobs and blocking them from management track positions provides an illustration of a defensive routine. A spokeswoman said on behalf of the firm, "Publix denies that it discriminates [denial]. Most female employees choose not to take career-track jobs because of the long hours" [justification] (Harris, 1996, p. 32).

Other examples of organizational defensive routines include making reference to institutional policies to defend and excuse firm behavior (Meyer & Rowan, 1977; Scott, 1987). Interestingly, the existence of formalized antidiscrimination policies (e.g., EEO statements) often allows organizations to view discrimina-

tion incidents as anomalies or infrequent occurrences. Over time, these antidiscrimination policies become legitimized through their rule-like status and create the appearance that discrimination cannot exist in the organization. Gingiss Formalwear, which operates a chain of tuxedo shops, is an example of a firm that responded to allegations of racial discrimination by referencing its institutionalized policies. During its 1998 racial discrimination lawsuit, Gingiss' president stated that "An investigation into claims of racial discrimination found evidence of the illegal behavior in several of our shops." However, he went on to say, "I would like to unequivocally state that Gingiss Formalwear does not discriminate against any of its employees, applicants or customers on the basis of race . . . that would be a violation of our policies" (Simpson, 1998, p. 22)

By referencing institutional procedures during an image-threatening event, firms attempt to decouple the organization from the situation (Elsbach, 1994; Oliver, 1991), however by doing so the organization fails to look inward and critically reflect on the work environment that inadvertently contributed to the discrimination problem. Thus, when defensive routines are enacted, the opportunity for learning how to behave differently regarding the management of diversity may diminish, leaving the firm susceptible to additional allegations of discrimination.

Limited learning-based routines. Dysfunctional organizational routines are not the only routine-based barrier to learning how to manage and prevent discrimination lawsuits effectively. In many cases, it seems as if firms fail to prepare adequate routines for managing and preventing a discrimination lawsuit. This lack of preparation is surprising given the attention that firms generally give to other employee-related issues, such as workplace safety. In such cases, firms will often have documented procedures and/or routines for preventing and dealing with safety concerns. Unfortunately, such documentation is rare when it comes to managing and preventing a discrimination lawsuit. There are generally no policy manuals that describe in painstaking detail the procedures to follow when and if allegations of discrimination arise in the workplace. Rarely are there drills, review sessions, or forums where issues of discrimination and, more importantly, how to prevent and/or manage it are openly discussed. Rather, it seems as if any discussion that does occur is likely to be a closed-door meeting with the alleged victim(s), one or more senior manag-

ers, a HR representative, and at least one attorney. Moreover, such discussions generally occur only after a problem has surfaced.

In sum, based on the various situations described we infer that the negative organizational routines that can promote discrimination, coupled with a firm's failure to institutionalize procedures to prepare for the consequences of discrimination, suggests a breakdown in the learning process. Thus, taking barriers 1a through 1d together, it seems to us that the presence of some negative routines and the absence of positive ones will increase the likelihood that discrimination will continue to exist and that discrimination lawsuits will follow.

Barrier 2: History-Dependent Learning

Limited history of discrimination lawsuits. A second assumption of the adaptive learning approach is that organizational behavior is history dependent and, therefore, focused on activities of the past rather than expectations for the future. Furthermore, behavioral change or learning in an organization is adopted incrementally as a response to feedback (Levitt & March, 1988). Stated simply, organizational learning occurs when there are opportunities to learn and gain feedback from one's previous experience. Many firms, however, have a limited history of discrimination lawsuits. Consequently, there are few opportunities for obtaining feedback and adopting new and better strategies for managing such lawsuits. We realize that this assertion may seem counterintuitive given the widespread media attention that is often given to some discrimination lawsuits, such as those experienced by the Coca-Cola and Texaco companies in recent years. However, despite the rise of discrimination lawsuits filed by the EEOC throughout the 1990s we found that these cases more often occur across rather than within firms. This distinction is important because it speaks to the frequency and, therefore, history associated with the experience of a discrimination lawsuit by any given organization.

As we found in a sample of almost 50 organizations that had experienced a discrimination lawsuit within a 10-year timeframe, fewer than one third of those firms had experienced a previous large-scale or class-action lawsuit on which to draw feedback for determining an appropriate course of action (James & Wooten, 2000). Furthermore, less than 10% of the firms in that subset had experienced more than one prior

lawsuit. Although most firms are frequently faced with small discrimination lawsuits—those generally brought by a single individual—such cases tend not to garner widespread media attention. Rather, such cases are generally quietly resolved without most people taking notice.

We believe that a limited recent organizational history of large-scale discrimination lawsuits, although certainly desirable, can ultimately serve as a barrier to learning how to manage lawsuits, primarily because there is little to no opportunity for obtaining feedback regarding firm performance. Moreover, a limited history of discrimination lawsuits may lead firms to become complacent about diversity issues. Such complacency may result in future diversity challenges. Thus, without this history and the feedback associated with it, firms may be prevented from learning better strategies for managing discrimination.

Lapses in organizational memory. Organizational memory is an aspect of an organization's history in which firms' knowledge and behavior are captured and stored in such a way that they become accessible in the future. Stated differently, organizational memory is viewed as the means by which knowledge from the past is brought to bear on present activities, and possibly this demands applying it in a new manner or a different combination (Hargadon & Sutton, 1997; Walsh & Ungson, 1991). Organizational memory consists of the experiences of organizational stakeholders and organizational-specific knowledge, including information about a firm's culture, management, communications, and decision-making styles (Kransdorff, 1997). Mechanisms such as documented policies, strategies, and paradigms serve as repositories in an organization's memory, as do the individual memories of firm employees.

Managing and preventing discriminatory firm behavior requires that an organization acquire and store relevant knowledge in its memory, and possess the capability to retrieve and transfer this knowledge. Organizations may fail to acquire knowledge for handling discrimination because the information may rest with only a subset of organizational members and is never diffused throughout the organization or is imperfectly shared among its members (Hargadon & Sutton, 1997). If, for example, a firm's HR department is the only department responsible for managing diversity-related problems, then there is little opportunity for HR to transfer its knowledge for resolving

diversity dilemmas to individual managers. Managers, in turn, fail to learn for themselves how to handle future discrimination challenges. Ironically, managers might be an important asset if they were able to resolve a discrimination issue before it reached the point at which HR and other stakeholders must become involved; they might be able to save the firm significant resources in terms of time and money. Thus we believe that it is imperative to transfer organizational knowledge associated with the management and prevention of discrimination from one group to another within the firm.

Even if a firm obtains relevant knowledge regarding the management of discrimination, and that knowledge is diffused throughout the organization, there is not always a clear link between what is learned and actual behavioral change. The ability of a firm to utilize knowledge effectively from its memory is constrained by human biases and errors, and by the organization's existing interpretation system and frame of reference. For example, in 1995 employees recommended to senior management at Coca-Cola a number of initiatives to enhance workforce diversity and prevent the "glass ceiling" for African American employees. Senior management failed to recognize the importance of this issue to employees and chose not to follow through with the recommendations. Shortly thereafter, Coca-Cola was presented with the first of two racial discrimination lawsuits (Deogun, 1999).

In some organizations, the knowledge for managing discrimination may not exist internally but is held by people and entities external to the firm, including competitors, consultants, or regulatory agencies. Attaining the necessary knowledge requires vicarious learning or the formal acquisition of information from those external to the firm. However, some firms use the industry's status quo as justification for discrimination problems. Examples of these justifications are represented by statements such as, "We cannot find a qualified minority for this job" or "In this industry, it is common for only 2% of women employees to be managers."

Barrier 3: Target Orientation

Focusing on the wrong target. In addition to organizational learning being a function of firm routines and interpretations of past behavior, Levitt and March (1988) suggested that organizations learn by associat-

ing behavior with a specific target. In other words, changes in firm behavior occur based on whether outcomes of firm behavior meet expectations. According to this view, when outcomes fall short of anticipated targets, firms will likely adopt new behaviors. This pattern may be repeated until firms have satisfactorily met their objective. Simply stated, evaluations of success or failure are important for determining future action.

The target-focused aspect of organizational learning is particularly important for understanding the perpetuation of discrimination and the lawsuits that often accompany it. Of paramount importance in our mind is identifying what the appropriate target objective should be with respect to a firm's handling of discrimination issues. Unfortunately, this may be a difficult task as targets may change over time, conflict with other organizational goals, be ambiguous, or lack support from key firm decision makers. In determining the objective to be achieved following a discrimination lawsuit, decision makers must consider, among other things, the various constituencies that are affected by the lawsuit, firm image, available resources, and consequences of firm action.

In an effort to identify what firm decision makers state is their purpose or objective for resolving discrimination lawsuits, we examined multiple data sources, including newspaper accounts, radio and television transcriptions, and internal firm documents that depict communication regarding discrimination lawsuits. We examined accounts from 49 firms that were targets of discrimination lawsuits during a 10-year span (1990 to 2000). Our search resulted in 71 data sources and, combined, yielded 551 separate accounts of discrimination lawsuits (James & Wooten, 2000).

According to statements provided by firm spokespersons (e.g., CEOs, firm attorneys, communications representatives) we found that the desired goals or targets in resolving discrimination lawsuits varied across organizations and were generally firm specific. Consequently, there may be limited opportunity for other firms to learn from an organization's handling of a discrimination lawsuit. For example, a spokesperson for Fleet Bank, a firm accused of racial discrimination, stated that Fleet would provide a financial settlement to the alleged victims primarily because it wanted to end the lawsuit and put the case behind them. These and other statements led us to believe that the target objective of Fleet's discrimination management strategy was to bring the lawsuit to

an immediate close and to return to "business as usual." From our reading of the accounts associated with the Fleet lawsuit, there was little to no emphasis on understanding what caused the discrimination or how to prevent it in the future.

As another example, the Hooters restaurant chain indicated that it would fight its allegations of sex discrimination and harassment in court because doing so would help preserve the firm's reputation with its customers. We consider the firm's objective in this case to be one of impression management. Again, there seemed to be little to no focus on uncovering the root cause of the discrimination, or even whether the discrimination actually took place. Ironically, Hooters, a firm widely believed to promote a sexually charged environment, actively tried to promote a favorable image of its firm in light of a sex-discrimination lawsuit.

The cases of Fleet Bank and Hooters represent merely two of the many example targets or objectives stated by firms involved in discrimination lawsuits. Overall, our review of scores of discrimination accounts led us to the following conclusion: a firm's target objective following a lawsuit is one generally concerned with lawsuit resolution rather than discrimination prevention. By focusing on the immediacy of the lawsuit and how to bring it to closure, firms may fail to think long term and consider how they might prevent future lawsuits from occurring. In this case, the learning that has taken place is how to resolve a crisis, not how to prevent one. In our minds, that is the absolute wrong target. Although firms may learn what to do to get themselves out of hot water (e.g., Hooters' impression management strategy), they probably have not learned how what they are doing or not doing landed them in the situation in the first place.

Failure to identify discrimination management and prevention as important managerial targets. In addition to targets being important at the organizational level, they are also important for individual-level learning within organizations. Unfortunately, it seems to us that discrimination management and prevention are not generally identified as important individual targets or goals within organizations. Consequently, employees do not consider them as activities worthy of their time and attention, and managers are unlikely to link employee-level consequences, positive or negative, to an employee's handling, or not, of discrimination-related issues. The idea from individual-level

learning theory that the potential for reward and the desire to avoid punishment tend to motivate behavioral change and/or learning becomes central to why firms fail to learn how to manage discrimination. Without consequences, the likelihood that employees will learn how to manage discrimination issues effectively is likely to diminish. At Mitsubishi, for example, a firm accused of widespread discrimination and harassment of female employees, management's strategy for handling the issue was to "blame the victims" rather than the individuals accused of discrimination (Pomeranke, 1998). In fact, of the 89 separate cases of discrimination uncovered at one Mitsubishi plant location, only 11% resulted in disciplinary action (i.e., dismissal) against those responsible for the discriminatory behavior (Pomeranke, 1998). Limited punitive consequences and "slaps on the wrists" following discriminatory acts are unlikely to motivate behavioral change. Likewise, if successful diversity management strategies go unacknowledged, such desirable behavior may not be repeated in the future.

AN EXAMPLE OF LEARNING IN PRACTICE

Up to now, we have argued that many firms are not living up to their potential as learning organizations when it comes to managing and preventing workplace discrimination. However, we are not overly pessimistic. Some firms have learned and, we believe, will be stronger and less vulnerable to future diversity dilemmas as a result. Thus, ending as we began, Georgia Power is an example of a firm that did try to overcome many of the barriers we identified and, in the process of managing a racial discrimination lawsuit, was able to learn from the mistakes of others.

First, Georgia Power management had little desire to adopt organizational defensive routines as a cover-up for the accusations that it engaged in discriminatory behavior. For example, David Ratcliffe, Georgia Power's president and CEO, promised to validate wrongdoing and then deal with the employees involved in the discriminatory behavior. In addition, he stated that if discrimination is a problem at Georgia Power, "We've got to do a better job of training and teaching our folks how to deal with different kinds of people" (Jacobs, 2000, p. B5). After a follow-up investigation of the discrimination accusations, Georgia Power's management acknowledged disparities in promotion and compensation between White and

Black employees (Quinn, 2000a). To rectify this problem, the company reviewed approximately 60 complaints raised by employees on discrimination and compensation issues and made salary adjustments in some cases. The confidential pay review system will be a continuous task of the HR management department.

Secondly, Georgia Power engaged in reflective learning by rethinking its organizational norms regarding diversity management so that its work environment would value differences and capitalize on employee diversity for the long-term success of the company. This reflective learning was accomplished by the creation of a new department within the company to find out where the company's diversity problems are located and implement solutions for those issues. Furthermore, this reflective learning entailed examining the corporate culture and then creating a culture that will be a model for how to discover and use the talents of all Georgia Power's employees to their fullest (Poe, 2000). This strategy parallels with Thomas and Ely's (1996) reference to the learning and effectiveness paradigm for managing diversity. These authors argued that such a strategy is a powerful and positive means to capitalize on diversity in organizations.

Last, Georgia Power began the process of creating an organizational memory such that information and responsibility for diversity management was diffused throughout the company. This included:

- designating a senior vice-president responsible for diversity management who reports directly to the CEO
- appointing managers responsible for corporate concerns to handle discrimination problems and the development of supplier relationships with women and ethnic minorities
- developing a Diversity Action Council that includes members external to Georgia Power, who can contribute an alternative perspective to diversity management issues

Although Georgia Power was able to overcome some learning barriers, this behavior did not resolve all discriminatory practices within Georgia Power. Shortly after Georgia Power began to tackle its discrimination problems, five hangman's nooses were displayed at company facilities (Quinn, 2000b). The hangman noose is a representation of racial harassment because it can symbolize lynching for African

Americans. This ongoing challenge to extinguish discrimination behavior and racial harassment demonstrates that an organization's routines, positive and negative, are deeply ingrained in its culture, and organizational culture can act as a facilitator or inhibitor of organizational learning (Schein, 1996). In short, culture is about shared mental models that reflect deeper and more pervasive aspects of organizational life.

Attempting to change these mental models can take a long-term effort because the origins of these routines are embedded in history and transmitted through socialization, education, and personal movement (Levitt & March, 1988). Thus, the challenge for companies that seek to engage in reflective learning is to understand that although some familiar organizational routines are altered in a favorable way as organizations learn, some dysfunctional routines may continue. This demands that reflective learning must continuously adapt to an organization's environment by identifying which routines to pursue and which routines to try to eliminate.

It should be noted that although reflective learning is optimal, there may be some situations in which reactive management approaches for preventing and resolving workplace discrimination are sufficient. This is especially true when these strategies are consistently implemented over the long term and are not "band-aid" approaches to discrimination challenges. For example, Advantica, the parent company of Denny's restaurant, is an example of a company that employed a reactive learning approach after being accused of mistreatment of minority customers and denial of career opportunities for minority employees (Rice, 1996). These accusations resulted in Denny's paying \$54.4 million to settle two class-action lawsuits. In response to the legal sanctions, Denny's reacted by complying with EEOC mandates. Among the compliance activities, Denny's was required by the EEOC to have all of its 45,000 employees undergo diversity training and to pursue new relationships with minority-owned vendors. Stakeholders of the company acknowledged that these actions would not have occurred if Denny's had been left on its own to manage the lawsuit. As a result of these actions, Denny's learned how to create a work environment that respects and leverages diversity. Thus, by adopting a reactive learning strategy, Denny's was able to eventually gain a desirable reputation for its diversity management.

Based on the learning strategies of Georgia Power and Denny's we began to ponder the following question: Is the motivation for learning and type of learning more important than the results obtained from the learning process? Georgia Power was quick to engage in reflective learning, but still struggles with discrimination problems. Conversely, Denny's long-term reactive learning resulted in fundamental changes for the corporation's diversity practices and public accolades that view Denny's as the corporate model for multicultural sensitivity (Rice, 1996). Both cases illustrate that firms can learn from discrimination crises and are able to change their routines and beliefs as a result of failure. It is unfortunate, however, that too many times it takes a crisis, such as a discrimination lawsuit, to prompt firms to think about creating inclusive work environments. Success in other areas of the business may blind organizational leaders, narrow their perspective, and create complacency when it comes to preventing and managing employee discrimination.

In closing, we argue that firms should take responsibility for learning from discrimination crises. Facilitating this learning process requires that firms acknowledge that barriers do exist but are surmountable, and also to recognize that learning often requires changes to an organization's mental model. Learning from crises provides an excellent opportunity to challenge the organizational routines that hinder diversity management. Moreover, firms that can engage in reflective and, in some cases, reactive learning can develop an organizational memory that helps to prevent future discrimination crises. In so doing, we believe that firms increase their likelihood of creating a work environment where employee differences become an organizational asset instead of a litigation liability.

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