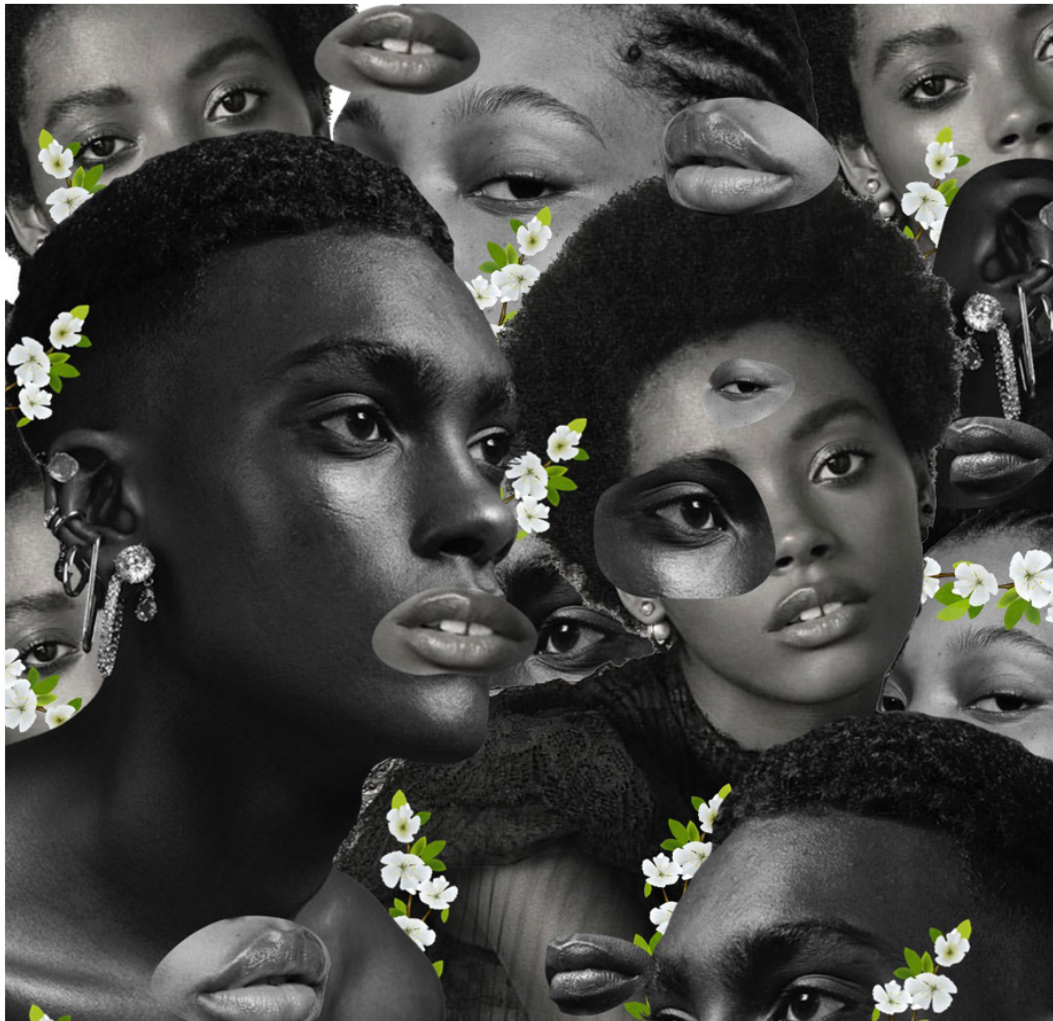


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# Why So Many Organizations Stay White

by Victor Ray

November 19, 2019

Organizations are not race neutral. Scholars, managers, journalists, and many others routinely recognize “black capitalism,” “black banks,” and “ethnic restaurants,” yet we think of banks that are run by and serve whites simply as “banks” and white corporations simply as “businesses.” This way of thinking reinforces the fallacy that only people of color have race, and obscures the broad, everyday dynamics of white racial power within organizations. Hiring for elusive notions of “fit,” locating operations in largely white communities, mandating dress and grooming rules rooted in European beauty standards, and expecting nonwhite employees to code-switch can all subtly disadvantage nonwhite employees. By leaving white organizations racially unmarked, it becomes difficult to explain why several decades of antidiscrimination and diversity policies ostensibly aimed at equalizing opportunity have done little to

alter the overall distribution of organizational power and resources. Such organizational policies, while sometimes helpful in increasing minority representation, fail to address the racial hierarchies historically built into American organizations. Rather than asking how to bring diversity into the workplace, a better question is why so much power and organizational authority remain in white hands.

I argue that the idea of the race-neutral organization has done a great disservice to our understanding of race relations in the workplace, allowing scholars and practitioners to see racial exclusion as unfortunate aberrations or slight deviations from otherwise color-blind ideals. In reality (and even though we typically do not say this out loud), many mainstream American organizations have profited from and reinforced white dominance. Many still do. Understanding this context is vital to seeing organizations for what they really are: not meritocracies, but long-standing social structures built and managed to prioritize whiteness. Only then can leaders begin thinking differently about race — not as a temporary problem to solve or a box to check, but as a fundamental part of what it means to be a company in America. Only then can they have a better understanding of why their diversity efforts do so little to attract, retain, and promote people of color — and what they need to do to change that.

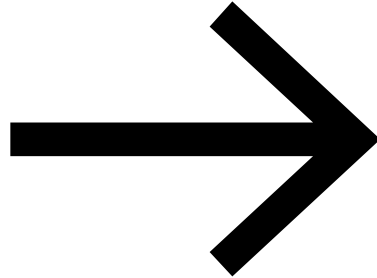
## **Just How White Are Organizations?**

The simplest way to think about organizational whiteness is through statistics. For example, black representation at the top of organizational hierarchies, as measured through CEOs in Fortune 500 companies, has decreased from six CEOs in 2012 to three today. Steady declines in minority representation at the helm of these businesses since their peak in the early and mid-2000s have led some scholars to claim that the “heyday” of dedicated diversity efforts has ended. University presidents remain mostly white (and male) despite rapidly diversifying student demographics, and academic hierarchies remain deeply stratified by race, with black men and women, respectively, making up just 2% of full-time professors above the rank of assistant. Black gains among public-sector employees — the economic sector responsible for much of the growth of the black middle class following the reforms of the civil rights era — have begun to disappear since the adoption of private-sector policies that have increased managerial discretion and loosened worker protections. A recent meta-analysis of field experiments — the gold standard for detecting discrimination, because other potentially explanatory factors are accounted for — shows that high levels of hiring discrimination against black men have remained relatively constant since the late 1980s, and discrimination against Latinos has decreased little. And despite some progress diversifying within individual firms, between-firm segregation has increased over the past 40 years and Fortune 500 boards remain 83.9% white.

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But our thinking must go beyond the numbers; it's the reasons *why* these numbers persist that matter. Even though discrimination has been officially outlawed and most organizations would never say they're racist, exclusion is visible in many organizational processes. These range from "race-neutral" grooming codes that coincidentally target black hairstyles to the white normativity built into seemingly

nonracial organizational expectations. For example, many elite jobs use nebulous notions of "fit" or collegiality and end up hiring new employees with similar backgrounds to the existing white workforce. That's because this seemingly race-neutral selection criteria can make whiteness a kind of unstated credential, particularly in light of historical processes of segregation and discrimination that have helped create racially homogenous workplaces. Discrimination is also built into the routine ways organizations do business. White corporations may undermine antidiscrimination law as courts see the presence of diversity policy as a good-faith effort (regardless of that policy's effectiveness). Predominantly white corporations like Airbnb may fuel gentrification by reducing access to affordable housing, and

white banks may syphon resources from black communities through discriminatory mortgage lending that redistributes black wealth to white banks.

In each of these examples, maintaining the position that these negative outcomes for people of color result from neutral market forces without a racial component helps to reinforce racial segregation and inequality. Segregation is not natural. Rather, segregated outcomes result from explicit policy — or, more charitably, implicit bias. These processes are especially dangerous when we believe that an organization has nothing to do with race.

Here, then, is the question: How and why did race become embedded in the everyday — and, one could argue, the ordinary — aspects of doing business or getting a job?

### **How Segregated Workplaces Came to Be**

Part of the answer has to do with what sociologists refer to as a “social structure”: a resilient distribution of resources that is bigger than any one individual and has sometimes profound implications for our daily lives. Inheritance taxes that allow the relatively nonproductive children of the rich to live a life of ease or racially segregated and underresourced schools are both examples of legally institutionalized social structures. Social structures are powerful for at least two reasons. First, they can become taken-for-granted backgrounds that make unequal relationships seem normal and natural while shaping individual actions (think, here, of gender norms). Second, they distribute

resources in ways that are designed to last (think, here, of continued residential segregation despite the absence of legal barriers to integration).

In the United States, white organizations are a kind of social structure combining ideas about race (for instance, who should manage and who should work) with organizational resources. The forming of this structure goes all the way back to the central role slavery played in the formation of the country. By limiting access to property and the material resources necessary to found and run organizations, slavery created an unequal competitive environment whose effects have yet to be fully overcome. Under slavery, black people *were* property, lacking protection for basic bodily integrity. Race marked the possibility of ownership, as even manumitted and free people of color often had their possessions appropriated through state-sanctioned, and therefore legal, violence. Following formal abolition, arrangements such as convict leasing, Black Codes, and sharecropping allowed the continued organizational exploitation. Similar processes of expropriation were imposed on Native Americans (land seizure and broken treaties; the reservation system; attempted extermination), Mexican Americans (guest-worker programs that limited citizenship and access to the legal protections necessary to start organizations), and Asian Americans (Japanese internment; burning of businesses in Chinatowns; land seizures; laws restricting immigration; employment and labor competition). Differential protection and enforcement of law, systematic under-education, and the appropriation of resources

have been historical constants for people of color. White organizational formation was often facilitated by these often-legal exclusions. Many dominant American organizations — leading businesses and elite colleges, for example — were founded in an environment of legally sanctioned and socially accepted exclusion.

Although the interests of workers and management are often portrayed as inherently antagonistic, throughout U.S. history white workers and management sometimes have put this economic antagonism aside in favor of a shared commitment to racial exclusion. For instance, the Reconstruction-era National Labor Union, according to W.E.B. Du Bois, “did not want the Negro in his unions, did not believe in him as a man...[and] asked him to organize separately.” Rejecting black workers allowed for some types of paid labor to become a white prerogative and forced nonwhites into the most degraded and dangerous jobs. In this environment, management often separated workers by race and expected people of color to labor in menial positions and defer to whites. Jobs were mapped onto stereotypical hierarchies with race as an often-literal qualification, such as when the refusal to hire black women as industrial laborers contributed to their concentration as domestic workers. Racial divisions also proved financially useful to management, as black workers were paid lower wages for the same work (a problem that remains with us today). Although black workers are now overrepresented among union members, incorporation came through hard-fought struggles stretching across the 20th century. From A. Philip



Randolph's Brotherhood of Sleeping Car Porters to the Memphis sanitation strike that Dr. Martin Luther King, Jr., was supporting when he was murdered, black labor struggled for inclusion.

Even predominantly nonwhite organizations can ultimately be subject to white control. For instance, in her brilliant book *The Color of Money: Black Banks and the Racial Wealth Gap*, the legal scholar Mehrsa Baradaran shows how segregation and the very capital that black people had accrued in black banks were ultimately used against them. Under Jim Crow, black banks were reliant on customers who were disadvantaged in the labor market relative to white workers, especially where segregation ensured that black customers could not patronize white banks. This reliance on relatively poorer customers left black banks less able to invest and accrue profits. Segregation between banks also put black organizations at a disadvantage. According to Baradaran, because banks often rely on one another for liquidity during crises, white banks' refusal to lend to black banks set the latter up for failure. Following Jim Crow, black banks have remained relatively undercapitalized and thus more likely to fail. White banks are still able to leverage the racially unequal playing field to increase their profits at the expense of their black competitors.

And despite the lasting mythology of American racial progress, these types of organizationally produced racial inequalities are by no means a thing of the past. Predatory subprime lending — which targeted black and Latino neighborhoods — similarly relied on racial segregation to generate profits. This racially

unequal distribution of risk contributed to the massive destruction of wealth for black and Latino families. During the Great Recession, black families lost half of their wealth and Latinos lost 67% of theirs.

### **What Can Organizations Do?**

Many attempts to intervene in racial inequality assume that discrimination is a rare event, the intentional actions of bad (or at least unenlightened) actors. Employers choosing to hire a white felon before a black person without a criminal record or research that shows employers are 50% more likely to call back equally qualified job applicants with “white-sounding” names are important examples of the individual approach. And many Americans readily acknowledge white power when it is tied to brazen spectacles like the 2018 neo-Nazi rally in Charlottesville; the violence of white-supremacist events and the odiousness of the accompanying racial ideology make such displays easy to condemn.

Evidence of individual discrimination is obviously important. But these bad-actor or explicit views cannot account for the broad empirical patterns of organizational segregation and the deeply unequal distribution of organizational resources. It is also important to think about how the normal (and legal) functions of predominately white organizations gain from and exacerbate racial inequalities. Current legal remedies for discrimination rely on the bad-actor model. Employees can potentially sue for intentional discrimination, for example, if an employer uses a

racial epithet. However, these legal remedies would have little to say about discretionary promotion procedures that may favor white employees or a business choosing to locate in a neighborhood that makes them inaccessible to people of color because of residential segregation. Indeed, this latter active discrimination may become moot if poor access to public transportation and long travel times weed people of color out of hiring pools.

I encourage scholars and managers to think about how organizations create and distribute resources along racial lines in ways that may not necessarily be considered *legally* illegitimate or discriminatory but may nonetheless shape racial inequality. Hospitals that provide substandard care have contributed to the staggering statistic that black women are 243% more likely to die in childbirth than white women. Schools that provide a substandard education for black students contribute to the so-called achievement gap. And churches more dedicated to segregated schools than racial equality have contributed to the country's growing racial polarization. In each of these cases, thinking that the organization in question has nothing to do with race may be *especially* harmful, as it assumes that only the active animus of physicians, teachers, or clergy — not the everyday tasks of providing health care or disciplining students — could produce racially unequal outcomes. Assuming race neutrality disregards the vast historical evidence of the centrality of race in shaping American organizations. Ignoring how white organizations help to perpetuate racial harms virtually guarantees that these harms

will continue. It is safer, and likely more realistic, to start with the assumption that organizations are contributing to racial inequality unless the data shows otherwise.

There are no easy answers when it comes to creating more diverse and equitable environments. And given how deeply American organizations have been shaped by racial inequality, I am not hopeful that the type of structural changes needed to make organizations more equitable will appear on the horizon anytime soon. Colleges and universities are retreating from successful affirmative action policies, organizational segregation is persistent, and whiteness is a key credential for moving up organizational hierarchies. At a minimum, leaders should stop thinking about discrimination and inequality as rare events and understand that racial processes often shape behavior in the absence of ill-intent. Conversations about organizational inequality need to refocus from a narrow concern with feelings and racial animus to the massive inequalities in material and psychological resources that organizations distribute between racial groups. Recent calls for reparations can provide a model, as these have forced some organizations to reckon with how their roots in slavery contribute to continued racial inequality. Leaders could also begin to examine how their decisions about location and hiring, among other choices, exacerbate inequalities. White organizations have attempted to deal with racial inequality while wielding meager tools. Organizations that are serious about

changing patterns of racial inequality need to move beyond diversity and inclusion and toward reparations and restitution. | **THE BIG IDEA**

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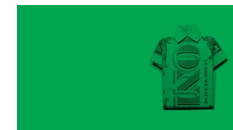
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