

DIVERSITY CRISES: HOW FIRMS MANAGE DISCRIMINATION LAWSUITS

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Using a qualitative design, we develop a model of discrimination lawsuit resolution identifying type of discrimination, firms' verbal and behavioral responses, and stakeholder mobilization as key. Data from media accounts of lawsuits reveal four paths to resolution, distinguishable largely by the type of discrimination they represent. Findings also highlight aspects of race discrimination and sexual harassment that invite different organizational responses than other forms of discrimination. In addition, analysis of the response paths suggests that external stakeholders with and without formal authority critically influence firms' responses. We discuss findings in the context of organizational responses to threat, and institutional theory.

Business crises have been a defining feature of corporate America in the last ten years. In addition to corporate scandals, accounting fraud, and ethical dilemmas, allegations of workplace discrimination have reached crisis status. Discrimination lawsuits now rank among the leading types of crises faced by business leaders in the United States (Frank, 2002; Institute for Crisis Management [ICM], 2004), with the number of class action discrimination lawsuits against U.S. businesses rising more than 100 percent in 2003 (ICM, 2004). Class action lawsuits are of particular concern to organizations because they represent a grievance brought by one or more individuals against a company whose actions have harmed a group or class of people in a similar way. When such cases are recovered successfully, either by settlement or trial, all members of the class receive a portion of the amount paid by the offending organization. Despite the frequency and in some cases notoriety of class action discrimination lawsuits, understanding how and why firms respond the way they do to them is a topic that has received little empirical inquiry. Given their potential for damaging a firm's reputation, its financial standing, and employees' perceptions of fair treatment, we felt it was important to examine the na-

ture of these lawsuits and, more specifically, firms' handling of them. We begin with the stories of two very different organizational responses to discrimination lawsuits.

A TALE OF TWO LAWSUITS

Texaco's Race Discrimination Lawsuit

In the summer of 1994 six black employees of the Texaco Corporation filed suit in federal court on behalf of themselves and more than 1,500 other black employees. The lawsuit alleged that Texaco had systematically discriminated against racial minorities in the firm, claiming specifically that black employees were not hired or promoted at the same rate as their white counterparts. The case lingered in the legal system for more than two years. All the while Texaco executives denied the discrimination allegations, but they said or did little else to expedite resolution of the lawsuit. In fact, the case received little media attention until November 1996, when plaintiffs' attorneys released transcripts of an audiotape of senior Texaco officials speaking disparagingly of black employees and allegedly using the "n'-word." Simultaneously, federal prosecutors launched a criminal investigation into obstruction-of-justice charges, believing that members of Texaco's top management team had shredded potentially incriminating documents. Within days of these events, Texaco CEO Peter Bijur backed away from the firm's prior denial rhetoric and publicly apologized on behalf of the firm for earlier behavior and wrongdoing. Working with firm attorneys and the Equal Employment Opportunity Commission

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(EEOC), Bijur then embarked on a number of lawsuit resolution strategies, including settling the lawsuit for \$176.1 million; suspending and cutting off the retirement benefits of the executives on the tape; earmarking funds for salary increases for black employees; establishing a task force whose mission was to restructure firm human resources policies and practices; and soliciting advice and counsel from civil rights and religious leaders (Court.TV.com, 1996).

First Union's Age Discrimination Lawsuit

In May 1994, 105 former First American Metro employees filed an age discrimination class action lawsuit against First Union Bank. The employees who filed the lawsuit worked as managers, administrators, and secretaries. The lawsuit alleged that when First Union acquired First American Metro, it "intentionally and disproportionately terminated employees who were older, and they were replaced by younger and less-expensive employees." The lawsuit also accused First Union of lying to a federal agency by not keeping its promise to the Federal Reserve Board that it would give hiring priority to displaced workers. At the time of the merger, First Union fired approximately one-third of First American Metro's workforce, stating that job positions were eliminated as part of the bank's consolidation plan. The lawsuit requested that employees be reinstated in their jobs, get back pay with interest, and receive compensatory punitive damages.

When the lawsuit was initially filed, the First Union spokesperson would not comment. One month before the trial was to start, First Union agreed to pay \$58.5 million to settle the age discrimination lawsuit (Jaffe & Sharpe, 1997). Although First Union agreed to a settlement, the company denied any wrongdoing and said that its "selection process is designed to choose the most qualified employees from the banks it acquires." A First Union spokesperson justified the settlement by explaining a need to end costly litigation that would distract from the company's primary focus of serving customers.

In looking at how Texaco's race discrimination lawsuit and First Union's age discrimination lawsuit unfolded, we see similarities between the two cases. For example, both firms denied the allegations of discrimination when the lawsuit was initially filed and continued to deny charges of discrimination despite the declaration of class action status. Despite the similarities displayed early in the lawsuit resolution process, however, there are noticeable differences with respect to process and outcome resolution in the later stages of the two

cases. For example, Texaco eventually reversed its prior denial rhetoric and publicly apologized. In addition to making financial settlements, Texaco, among other things, created a task force to address the firm's diversity management problems. In contrast, First Union continuously denied allegations of discrimination. Its resolution strategy was largely one of compliance in which a quick financial settlement was reached but no additional outreach to employees occurred.

As we will demonstrate, the Texaco and First Union cases represent two different approaches to resolving similar business crises. What is less apparent, however, are the factors that influenced the strategies the two firms adopted. Our goal in this study was to answer the question, What accounts for how a firm responds to a discrimination crisis?

The question we pose has both theoretical and practical relevance. Theoretically, in answering the question we built a model of organizational responses to discrimination lawsuits. The model highlights that variance exists in how firms respond to these lawsuits and identifies the processes by which the lawsuits are resolved. That said, however, the model also clearly articulates a convergence of responses along particular paths; some variables appear to influence firm behavior in fairly predictable ways. In addition, our process focus led us to identify factors that may influence crisis handling in situations other than lawsuits. Practically, this study gives insight into what leaders may need to consider when faced with a discrimination lawsuit (or other crisis situation). Finally, the ability to successfully lead an organization through public allegations of discrimination is an important, yet untapped, aspect of the broader diversity issue. Because of the potentially severe consequences that lawsuits can produce, we argue that they should be a central focus of business leaders, crisis managers, diversity practitioners, and scholars.

DISCRIMINATION: A LEGITIMATE BUSINESS CONCERN

Workplace discrimination occurs when employers 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. The 1964 Civil Rights Act designated categories that can be the basis of groupings whose unfair or unfavorable treatment in the workplace may be labeled discrimination. These categories include race, gender, religion, national origin, and disabled

or veteran status.¹ Civil rights laws are far reaching, prohibiting discrimination in a number of work-related areas (Gutman, 1993).

The Civil Rights Act of 1991 gave further protections to employees by increasing the opportunity for them to file discrimination claims against their employers. Employees responded to this statute vigorously with individual and class-action lawsuits (Goldman, 2001). Such lawsuits can cost firms financially, threaten their reputations, devastate employee morale and commitment, and increase the likelihood of recurring claims of discrimination (James & Wooten, 2005; Wooten & James, 2004). In short, a class action discrimination lawsuit generally represents a crisis for a firm.²

To be clear, 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. The costs associated with discrimination are real, and there are a number of reasons why organizational leaders should be concerned, not only about discrimination lawsuits, but also about developing appropriate strategies for managing these crises.

Financial Costs of Discrimination

Prominent companies such as Texaco, Mitsubishi, Coca-Cola, Boeing, and Home Depot have all faced lawsuits resulting in settlements in the hundreds of millions of dollars. Although Texaco's \$176 million settlement is perhaps the best known of the discrimination lawsuits, it is not the most costly. That distinction is held by Coca-Cola's \$192 million settlement, which may lose its place in

history, pending the outcome of the investigations of discrimination at Wal-Mart. Throughout the 1990s, the average financial burden to a firm involved in a class action discrimination lawsuit exceeded \$44 million, with a median cost of \$28 million (Selmi, 2003). Litigation expenses represent the most obvious financial cost of discrimination lawsuits, but expenses associated with back pay settlements to plaintiffs, punitive damages, and organizational policy and structure changes can also be a significant financial burden (Terpstra & Kethley, 2002).

The stiff financial consequences of discrimination are even more evident when one considers the total cost to shareholders. The findings of one study, for example, suggest that despite the \$176 million payout, the overall cost of the Texaco discrimination case to shareholders exceeded \$500 million (Pruitt & Nethercutt, 2002). Hersch (1991) used event study methodology to determine how the equity value of firms charged with discrimination changed at the time the lawsuits were announced. Results showed that the value of firms involved in class action discrimination lawsuits fell 15.6 percent and that the average loss to shareholders typically exceeded the amount firms were required to pay in legal judgments or out-of-court settlements. The financial consequences of class action lawsuits prompted one author to declare that such lawsuits "may be the biggest single financial risk that exists in companies today" (Foy, 2000: 56). A reasonable assumption is that improper handling of these lawsuits by firms may contribute to the exorbitant costs associated with resolving them.

Reputation Costs of Discrimination

Firms accused of discrimination potentially suffer reputational costs in addition to financial burdens. Corporate reputation has value and must be managed for it to create and contribute to a firm's competitive advantage in the marketplace (Deephouse, 2000; Elsbach & Kramer, 1996; Fombrun, 1996). Because a firm's public uses reputation as a signal about the firm's activities, threats to its reputation, or improper reputation management, can have strategic, marketing, and human resource implications (Fombrun & Shanley, 1990). More specifically, an organization's reputation is threatened when corporate wrongdoing generates national media attention, as have the discrimination lawsuits examined in this study. These media accounts can portray an unflattering image of a firm and prime audiences to presume information about the firm's behavior that adversely affects its reputation (Koesnadi & Kleiner, 2002). Studies examining the

¹ In a case decided in 1986, the U.S. Supreme Court determined that sexual harassment was a form of treatment discrimination protected by Title VII of the Civil Rights Act (Foy, 2000).

² The Class Action Fairness Act of 2005 restricts class action lawsuits arising from workplace discrimination. Under this new legislation, class action suits filed in a state court with the potential for at least 100 members must be transferred to a federal court. In general, it is more difficult for workers to pursue class certification in a federal court system (<http://www.laborresearch.org/story2.php.378>).

direct relationship between firms' involvement in discrimination lawsuits and effects on firm reputation are rare. However, in a notable exception, James and Wooten (2005) found that perceptions of firm reputation were significantly affected by how a firm responded to discrimination charges.

ORGANIZATIONAL RESPONSES TO CRISIS-BASED STRATEGIC ISSUES

Organizations must respond to their environments. Failure to do so would threaten their financial viability and ultimately, their survival. Organizational theorists have depicted an environmental event that requires action or response and has the potential to impact an organization's effectiveness as a strategic issue (e.g., Ansoff, 1980), and a class action discrimination lawsuit is one example. A subset of the scholarship on strategic issues has attempted to explain the processes and rationale of organizational responses to them (e.g., Dutton, 1986). In light of our goal of understanding why firms respond to discrimination lawsuits in the ways that they do, the current study falls squarely within that research genre.

A fundamental conclusion of strategic issues research is that the decision making and actions associated with strategic issues are complicated by the ambiguous nature of these issues (Dutton, 1986). A strategic issue becomes even more challenging when it represents a crisis—an event that severely threatens an organization (Starbuck, Arrent, & Hedberg, 1978). Not only are crises ambiguous as to their source, scope, and resolution, but also, they are low-probability occurrences (Shrivastava, Mitroff, Miller, & Milglani, 1988) that offer firms little time to respond (Quarantelli, 1988) and that come as surprises to the firms (Hermann, 1963). We add to this characterization that crises invite attention, so that any organizational response becomes more public than do responses to noncrises. Consequently, crisis responses, and the leaders responsible for handling them, are more susceptible to public scrutiny, criticism, or acclaim. In short, crisis strategic issues are important because of the extent to which they can influence the image, effectiveness, and in some cases, the survival, of an organization and its leadership. With this characterization as a backdrop, it becomes apparent why image theories such as impression management and social accounts have become central to research on crisis handling. These theories speak to *how* firms respond to crisis (e.g., Bies, 1988; Elsbach, 1994; Sutton & Callahan, 1987). Yet two other theories in particular speak more directly to our research question regarding

why firms come to adopt particular responses to discrimination crises: threat rigidity theory and institutional theory.

Threat Rigidity

Research on strategic issues indicates that organizational decision makers expend greater resources, centralize authority, and generate more causal rhetoric in response to crisis-related strategic issues than non-crisis-related strategic issues (e.g., Dutton, 1986). Theoretically, these findings connect, at least in part, to the concept of threat rigidity, or an organization's tendency to behave defensively in threatening (e.g., crisis-like) situations (Staw, Sandelands, & Dutton, 1981).

More specifically, according to the threat-rigidity model outlined by Staw and colleagues (1981), crises induce stress at the individual, group, and organizational levels. The initial response to that stress is typically increased information searching and processing. At some point later, however, leaders reach their cognitive capacity for handling the information, and over time they abandon their information-processing activity. Ultimately, information flow is restricted and centralized after a crisis, and leaders' behavior becomes less flexible, more efficient, and more conservative (Sutton, 1990). Although Staw and colleagues (1981) made no qualitative claim about the value or appropriateness of "rigid" responses to crisis, Hambrick and Schechter (1982) argued that such responses may be insufficient for resolving some organizational threats. At present, little empirical attention has been given to the threat posed by discrimination lawsuits, a type of crisis in which both internal (e.g., employees) and external (e.g., activists, legal and regulatory bodies, consumers) constituents have stakes in the response. It is currently unknown whether and to what extent these stakeholders influence the conservativeness or rigidity of a firm's response in the manner suggested by the threat rigidity model.

Institutional Theory

Much of the current understanding of organizational responses to crisis strategic issues is based on individual firm behavior and therefore speaks to a single organization's strategy formulation process. Yet, as we will unfold, the current paper broadens this perspective by examining responses to crisis strategic issues in multiple settings, and in so doing it emphasizes internal and external conditions that foster particular patterns, or normative behavior, across firms. In this regard, the concepts associated with institutional theory become rele-

vant for understanding whether and how firms converge in their response to crisis.

Institutional theory explains how organizations and organizational systems and practices become similar, or isomorphic (DiMaggio & Powell, 1983). The institutional argument is that firms are susceptible to various pressures whose presence encourages isomorphism. Coercive pressure, for example, is often brought about by the actions of governmental, regulatory, and other organizational bodies that have power or control over a firm or its critical resources. In light of these pressures, it is reasonable to assume, for example, that a firm's response to a crisis will be affected by the extent to which these groups are engaged in the situation. Given the connection of discrimination lawsuits to civil rights legislation, firms faced with such lawsuits seem particularly prone to coercive pressure from a variety of formal or legitimate constituents. Yet people without formal authority over a firm may also react to allegations of discrimination, and their reaction is likely to be an emotional one. Under these circumstances, a firm may find itself needing to manage not only those stakeholders with formal ties to the organization, but also constituents who are informally linked as well.

METHODOLOGY

We used a multifirm qualitative analytic strategy to answer the question, What accounts for how firms respond to discrimination lawsuits? This approach allowed us to identify key elements of the lawsuit resolution process and the role that time, or the sequencing of events, plays in how these lawsuits are resolved.

The firms studied varied in size and industry.

Eighty-three percent of these firms were ranked in the *Fortune* 500. Some of them were well-known providers of products or services to international customer bases. Others, such as grocery stores, were regional yet covered large territories within the United States.

The discrimination lawsuits that pose the largest threats to organizations' reputations are those that are widely reported in the media and therefore salient to extraorganizational audiences. A class action discrimination lawsuit will likely generate more publicity and capture a larger share of audience awareness than an individual lawsuit. Therefore, we focused our data collection efforts on lawsuits that received class action status. We evaluated the following bases of discrimination: race, sex, religion, age, disability, and sexual harassment. Race and sex discrimination lawsuits were the most frequent types of discrimination cases reported, representing 41 and 33 percent of our sample, respectively. Table 1 identifies firm- and lawsuit-specific information for the discrimination cases examined in the study.

Data Collection

The data represent public accounts provided by organizational sources, including firm presidents/CEOs, public relations personnel, firm attorneys, and other designated spokespersons. These accounts were given in written or verbal form in response to employee accusations of discrimination. Throughout the analysis, we paid particular attention to the content of what was communicated by firm spokespersons in order to determine how firms responded to discrimination allegations.

We relied primarily on three archival data sources.

TABLE 1
Profile of Discrimination Lawsuits

Discrimination Type	Target of Discrimination	Number of Cases	Number of Firms ^a	Average Time to Resolution, in Months	Number of Cases Pending Resolution
Race	African Americans	32	30	33	4
Sex	Women	19	17	36	3
Age	Over 40	14	13	29 ^b	0
Disability	Various	3	3	19	0
Religious	Jews	2	2	21	0
Sexual harassment	Women	6	6	49	0
Total		76	71	39	7

^a We identified 49 unique firms in the data set. This column represents the number of firms involved in each type of discrimination. The total for this column is greater than 49 because several of the firms were involved in multiple lawsuits for different types of discrimination.

^b One case was an outlier taking 93 months to resolve. If this case is included in calculation of the resolution time, it jumps from 29 to 75 months.

es: (1) accounts from national, regional, and local newspapers, (2) transcripts from radio and news broadcasts in which firm spokespersons were interviewed, and (3) firm Web sites. We recognize that media-based accounts may have inherent biases. For example, content and process norms are likely to exist for various media sources that potentially influence what gets reported, how it is reported, and when it is reported. Despite this risk, media accounts provide formal documentation of how an organization defines a particular crisis and its prescribed behavior for resolving it (Forster, 1994). In addition, they are the primary source from which audiences receive organizational information. Thus, we reasoned that media sources were a viable and legitimate way to examine firm response strategies in a time of crisis.

Print media accounts. Using the Dow Jones Interactive (DJI) computer-based search engine, we identified articles depicting class action discrimination lawsuits from 1990 to 2000. DJI chronicles articles in five prominent business publications: the *Wall Street Journal*, *BusinessWeek*, *Fortune*, *Forbes*, and *Barons*. We selected this tool for efficiency and used it as a way of delimiting our sample, knowing that the DJI would focus primarily on lawsuits prominent enough to capture national interest.

Including only discrimination lawsuits filed by or on the behalf of employees, rather than consumers, the DJI search yielded 49 unique firms experiencing discrimination lawsuits within the given time frame. These 49 firms experienced 76 employee-related class action discrimination lawsuits. Sixteen of the firms were repeat offenders and involved in two or more discrimination lawsuits within the time period of interest. The number of news articles from DJI sources for each case ranged from 7 to 37.

Television and radio transcripts. We obtained copies of radio and television transcripts from broadcasts in which spokespersons from studied firms were being interviewed regarding lawsuits of interest. For most accounts, the news shows on the major television networks (e.g., ABC, CBS, CNN, and NBC) as well as National Public Radio were the most common sources for media transcripts.

Web sites. We examined firm Web sites to identify additional information about the lawsuits. Web sites are an important communication tool for firms, and we reasoned that some firms would post information about their lawsuits as a means of informing relevant audiences, such as employees, consumers, and shareholders. Ten of the 49 firms did so, and the content of the lawsuit-specific communications generally focused

on identifying diversity-related initiatives sponsored by the organizations.

To summarize, we triangulated the data in the way described above to ensure the validity and consistency of firm responses over time and communication media. In total we used 81 different sources during data collection, including 9 business periodicals, 2 national newspapers, 46 regional and local newspapers, 3 wire services, 11 television and radio transcripts, and 10 company-sponsored Web sites. Combined, these sources yielded 551 accounts.

Data Analysis

Following recommendations from Strauss and Corbin (1998) for analyzing qualitative data, our analysis took place in a series of stages.

Step 1. Each author independently read the accounts in the database. We used a microanalysis strategy, defined by Strauss and Corbin (1998) as careful and minute “line-by-line” examination of text, to generate initial categories. We scanned the accounts for words, sentences, and phrases that referenced lawsuits and firms’ strategies for responding to them. This step generated a total of 258 mentions of firm responses.

Step 2. We reviewed the 258 mentions of firm responses and identified a set of questions that would help us to make sense of these data. Sample questions were: (1) What was the type of discrimination alleged in the lawsuit? (2) Who was the spokesperson? (3) How did the organization respond? (4) When did the response occur? and (5) How was the lawsuit ultimately resolved? Coding the data in this way provided depth to the analytic process.

Step 3. Once the initial 258 firm responses had been coded, we worked jointly to collapse them into categories or types of responses. This process yielded 26 response types. Throughout this process, we followed Miles and Huberman’s (1984) approach for identifying similarities among accounts. We then asked two research assistants to perform the same task, to validate our categories. The categories identified by us and those identified by the research assistants had considerable overlap. Where there was disagreement, we engaged in discussion until a mutually agreed-upon decision was reached. In addition, we spent a substantial amount of time discussing appropriate and descriptive labeling for the response types.

Step 4. Drawing on the list of 26 response types, we conducted another iteration, trying to collapse the data further. In this stage, we identified properties or characteristics of the responses that would help differentiate them and give them meaning

(Strauss & Corbin, 1998). Three properties were most prevalent in the data: (1) communication that depicted firm accountability for the discrimination allegations (e.g., “We categorically deny having discriminated against any of our employees”); (2) communication that depicted intended or actual organizational action by a firm in response to a lawsuit (e.g., description of changes to promotion practices); and (3) adversarial involvement by external parties. We named these three general themes *verbal rhetoric*, *behavioral response*, and *stakeholder mobilization*, respectively.

Through the process of axial coding, or identifying and linking subcategories to the general themes to be more descriptive and explanatory, we reasoned that verbal rhetoric represented communication of firm culpability. The two types of verbal rhetoric in the data were denials and acknowledgments. Behavioral responses, on the other hand, were communications that described actions firms had taken or would take in response to lawsuits. We identified three general behavioral responses: retaliation, settlements, and organizational change initiatives. Finally, stakeholder mobilization was evident when an outside person or group actively and publicly challenged an organization’s handling of a lawsuit. We discuss each of these elements of the lawsuit resolution process in more detail in the subsequent section.

Step 5. We were careful to pay attention to time-relevant information in the data. We did so by documenting the sequence of firms’ communication, behavioral responses, and stakeholder mobilization, as well as other events potentially relevant to a lawsuit. In other words, for each case we created a timeline beginning with the first public mention of the lawsuit and ending with its resolution. As a result of aggregating these time lines according to the presence or absence and sequencing of common features observed in the data, we identified multiple response patterns for managing a discrimination lawsuit. These response patterns were strongly associated with the type of discrimination involved (e.g., race versus sexual harassment). To validate the trends we observed, we asked the graduate research assistants to examine the accounts according to discrimination type and whether and when key events occurred. Their analysis matched that of the primary researchers.

THE DISCRIMINATION LAWSUIT RESOLUTION PROCESS

Overview

Generally, the discrimination lawsuit resolution process involves a series of exchanges, both verbal

and behavioral, between an accused firm and various stakeholder groups. The data show two interesting phenomena. First, firms accused of discrimination adopt several distinct patterns of lawsuit resolution strategies, or *paths*, and these paths are distinguishable by discrimination type. In other words, firms accused of sexual harassment follow a different resolution path than firms accused of racial discrimination, which follow a different path than firms accused of religious discrimination, and so on. Second, we found that the presence of external stakeholders is an important factor in the resolution process. In the absence of powerful and mobilized constituencies advocating on behalf of the alleged targets of discrimination, firms resolve these crises primarily by complying with legal mandates (e.g., settlements). In contrast, in the presence of such mobilized stakeholder groups, firms tend to adopt both legal and stakeholder compliance behaviors and, in some cases, more sweeping organizational changes that were neither legally mandated nor demanded by stakeholders. Interestingly, our analysis revealed that influential stakeholder groups mobilize around race discrimination and sexual harassment lawsuits, but not around lawsuits associated with age, disability, and religion.

Table 2 depicts four distinct discrimination lawsuit resolution paths. Each path is represented by a column summarizing the presence/absence and form of each of the key elements in the discrimination lawsuit resolution process. Before describing each path, we present a summary of the key elements of the discrimination lawsuit resolution process.

Firm Verbal Rhetoric

Barley and Kunda defined rhetoric as a “spoken and written discourse that justifies the use of a set of techniques for managing organizations or their employees” (1992: 366). It should be no surprise that rhetoric plays a large role in the crisis management process. Two forms of rhetoric were present in the data: denial and acknowledgement.

Denial. The most frequently used form of rhetoric found in our database of discrimination lawsuit accounts was denial, with the firms in 69 of the 76 cases initially adopting this form of communication. An example of a denial was the following statement by a grocery store spokeswoman, who said that, although the firm had not yet seen the lawsuit alleging sex discrimination, “We deny that the chain engaged in any unlawful discriminatory practice.” Similarly, a representative of a financial services firm stated, “We are confident . . . that

TABLE 2
Summary Characteristics and Frequencies for Discrimination Lawsuit Resolution Paths^a

Characteristic	Path 1	Path 2	Path 3	Path 4
Type of discrimination	Gender, age, disability, religion	Sexual harassment	Race	Race
Representative cases	38	6	25	7
Firm verbal rhetoric	Denial* (38)	Denial* (6)	Denial* (25)	None
Firm behavioral retaliation	No	Process* (6)	Denial to acknowledgement*** (7) Process** (16)	No
Stakeholder mobilization	No	Plaintiff** (4) Yes** (4)	Yes* (23)	No
Lawsuit resolution	Legal settlement* (35)	Legal settlement* (6) Stakeholder settlement (1)	Legal settlement* (23) Stakeholder settlement* (20) Change efforts (17**)	Legal settlement* (5) Change efforts** (4)

^a Number of cases are in parentheses. A single asterisk (*) indicates we found evidence of this feature in at least 85 percent of the cases belonging to a particular path. A double asterisk indicates evidence of this feature in at least 65 percent of the cases belonging to a particular path.

there has been no discriminatory conduct. We do not discriminate.”

Although some firms made absolute denials, others coupled their denials with references to institutional practices/policies. An example of a reference to institutionalized practice/policy is the statement, “We have a zero-tolerance policy for discrimination.” The chairman of a car rental company responded to allegations of widespread racial discrimination using this two-pronged denial and policy reiteration response:

I can tell you this: We did not and do not discriminate against anybody. . . . We do not tolerate unlawful discriminatory practices of any kind. . . . [The firm] aggressively enforces its policy of “zero tolerance” of discrimination.

Similarly, the president of a clothing retail organization stated:

I would like to unequivocally state that we do not discriminate against any of our employees, applicants, or customers on the basis of race . . . that would be a violation of our policies.

Acknowledgement. Acknowledgement was a second form of verbal rhetoric provided by company spokespersons. Relative to denial rhetoric, acknowledging rhetoric appeared infrequently in the set of accounts, in only seven cases. In addition, unlike denials, which appeared early in the crisis resolution process, acknowledgements appeared later and, as we discuss below, only after stake-

holder groups had publicly mobilized against the firms. In addition, acknowledgement rhetoric appeared only in accounts of race discrimination.

Acknowledgements typically indicated that a firm was aware of the discriminating event(s) in question and that it was admitting or taking responsibility for the discrimination. A utility company spokesperson, for example, acknowledged that discrimination charges were a problem in the company. According to its manager of equal opportunity:

We haven’t had a chance to review the claims set forth in the lawsuit specifically; however, we have been wrestling with allegations [of discrimination] for some time, holding meetings with many of the employees who are now suing us.

The founder and CEO of a restaurant chain had this to say about its race discrimination lawsuit:

We recognize that we have not been proactive enough in the past in bringing on minority managers and valuing the differences in people.

Firm Behavioral Responses

We identified three primary actions adopted by firms faced with allegations of discrimination: retaliation, settlement, and change efforts.

Retaliation. Retaliation is antagonistic behavior displayed by the firms during the courses of lawsuits. The data revealed two types of retaliation.

Plaintiff retaliation was evidenced when firms harassed or threatened their accusers. In one sexual harassment case, firm leaders aggressively and publicly reported negative information about the plaintiffs and made threats against both the plaintiffs and those who sympathized with them. Likewise, in another case of sexual harassment, a firm attorney publicly commented, "One of the plaintiffs has a pattern of promiscuous sexual behavior involving male workers."

Process retaliation occurred when firms demonstrated uncooperative behavior and found ways to manipulate the lawsuit proceedings. An example of process retaliation is a firm's failing to provide, or even destroying, documents solicited by legal representatives. Another example of process retaliation is depicted in the following account by the general counsel of a manufacturing facility who, in response to his company's being accused of sexual harassment, said this to employees at a firm-sponsored, pep rally-style event:

I want to see a backlash. . . . We've got to win the media by parading thousands strong in Chicago. . . . We can't tell you what to do because if we do it comes across as so biased that it loses its effect. . . . You are all clever people. . . . I ask you to think of things that might help to get us through this.

Settlements. Settlements represent a type of lawsuit resolution whereby firms agree to compensate the alleged victims of discrimination. In our data, settlements were not generally accompanied by admissions of guilt. In fact, most firms emphasized that the rationale for the settlements was to put the issues behind them and halt negative press coverage.

Two forms of settlement were evident in the data: legal and stakeholder-based. *Legal settlements* were characterized by firm compliance with a ruling imposed by a legal entity (e.g., a judge, an arbiter). These settlements primarily involved financial compensation to the plaintiffs, yet in some cases firms were also required to implement personnel and/or structural changes. *Stakeholder-based settlements* were characterized by firms abiding by requests or threats made by powerful interest groups, despite such groups having no legal power over the organizations. Two interest groups in particular actively mobilized against firms in our data set: the National Organization for Women (NOW), and civil rights activists led by Jesse Jackson.

Change efforts. Change efforts are firms' initiatives to fundamentally correct or modify aspects of their organizations that gave way to discrimination. These efforts included implementing policy, personnel, or structural changes that had not been

mandated in a settlement or "forced" on a firm by an interest group or other mobilized stakeholder. Change efforts also included outreach by firms to prominent individuals or groups that could help them achieve better diversity practices. Several firms in our sample, for example, solicited the advice of the Southern Christian Leadership Council on how to write affirmative action plans.

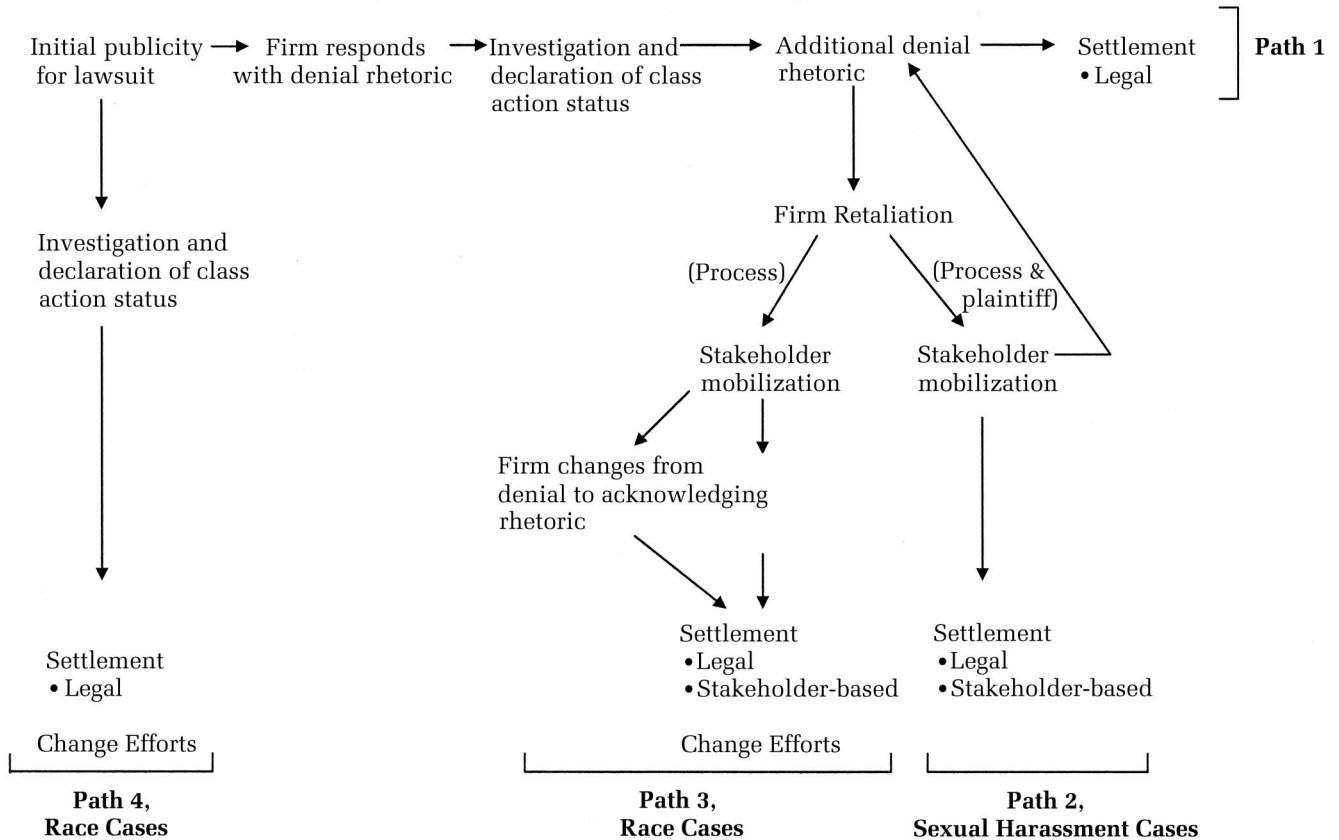
Stakeholder Mobilization

Stakeholder mobilization refers to third-party involvement in lawsuit resolution. Stakeholders advocated on behalf of the groups targeted by discrimination and against the allegedly offending firms. Mobilization activity included demonstrations, boycotts, and generating negative publicity about the firms. As one example, NOW publicly labeled some firms accused of sexual harassment as "merchants of shame" and aggressively publicized cases and firm behavior that NOW believed to be offensive. Another example is provided by stakeholders mobilized against a firm accused of racial discrimination. In this case, stakeholders organized a "justice ride" in which people traveled 900 miles on a bus to the company's annual shareholder meeting. The goal of the trip was to publicize the case and organize a consumer boycott.

Lawsuit Resolution Paths

Having discussed the content of discrimination lawsuit resolutions, we now move to the process of resolving such crises. Figure 1 illustrates four paths taken by firms during lawsuits. Each path begins in a similar fashion, with the allegations of discrimination becoming public. Next, organizational leaders communicate rhetoric about the allegations. Overwhelmingly, this initial rhetoric is denial-based. In conjunction with, or immediately after, the initial rhetoric, firms often commence internal investigations into the claims of discrimination. Yet it is the reports from independent investigations that lead to the eventual categorization of the cases as class action lawsuits. Once lawsuits have been granted class action status, most firms respond by continuing to reiterate earlier denials. It is at this point that differences in the resolution process emerge. It is also at this juncture that we noticed a pattern whereby groups of accounts followed similar trajectories toward resolution. This grouping was distinguished by type of discrimination. As Figure 1 depicts, we label the paths according to the target group affected by the discrimination.

FIGURE 1
Model of Firms' Handling of Discrimination Lawsuits



Path 1: Gender, age, disability, and religion-based discrimination lawsuits. Lawsuits concerning gender-, age-, disability-, and religion-based discrimination followed a relatively straightforward path. The accounts showed that, after class action status had been declared, firms' spokespersons continued to communicate denial rhetoric, reinforcing to the public that the firms had not engaged in discriminatory treatment of employees. Then, there were noticeable gaps in the accounts, periods in which no public references to the cases were found. On average, the time gap between declaration of class action status and the next media reports about these cases was 11 months. When the cases reemerged in the media, accounts indicated that settlement agreements between the plaintiffs and the organizations had been reached. The settlements were legal settlements and consisted primarily of financial restitution to the alleged victims. Given that the accounts of gender, age, disability, and religion-based lawsuits reported no organizational resistance (e.g., plaintiff or process retaliation) and that there was little or no external intervention (e.g., stakeholder mobilization), the

resolution process for these cases was among the most uncomplicated of the four paths.

Path 2: Sexual harassment lawsuits. Following the declaration of class action status, accounts from sexual harassment lawsuits revealed that spokespersons reiterated denial rhetoric. Subsequent accounts described retaliatory firm behavior, such as publicly blaming the women bringing the allegations and engaging in what may be described as harassing and threatening behavior toward the accusers and their sympathizers. For example, the data showed that it was not uncommon for firms to publicize derogatory information about the women's personal relationships, behavior, and dress. Likewise there were reports that employees' job security might be threatened by the outcomes of cases. Four of the six sexual harassment cases in the data set revealed this type of plaintiff-focused retaliation. This type of retaliation was not present in any other type of discrimination account and consequently in no other lawsuit resolution path.

In addition to the plaintiff retaliation, all six firms accused of sexual harassment engaged in process retaliation. Recall that process retaliation es-

entially represents firm manipulation of legal proceedings. In sexual harassment accounts, process retaliation took the form of shredding relevant documentation or falsifying information requested by legal representatives.

Following displays of firm retaliation we see the first evidence of external stakeholder mobilization. In the current study, NOW was actively and publicly engaged in speaking out against four of the six firms involved in sexual harassment lawsuits, even publicly labeling these organizations “merchants of shame.” Once NOW became involved in these cases, the frequency of media reports increased, and these were largely focused on characterizing the mobilization efforts. The accounts revealed that during this stage of the lawsuit resolution process, a series of exchanges generally commenced between a firm and a mobilized group. The exchanges played out in the following way: The firm communicated denial rhetoric and adopted both plaintiff and process retaliatory behavior; in response, stakeholders publicly mobilized against the firm, primarily through threats, name calling, and public demonstrations; this type of stakeholder mobilization ignited additional rhetoric and retaliation by the firm. This exchange continued until a settlement was negotiated.

Settlements of sexual harassment cases were largely based in law; only one of the six firms met NOW’s demands. Said differently, although firms were responsive to legal mandates, which were generally focused on financial restitution, they were less responsive to demands from other external parties. The average time to resolution for sexual harassment cases was 49 months, considerably longer than for most other types of lawsuits.

Path 3: Race discrimination lawsuits. Two paths emerged for race discrimination lawsuits. Path 3, the more typical one, resembles the trajectory for sexual harassment lawsuits up to the point at which stakeholders mobilize against firms. Thus, like sexual harassment accounts, the race discrimination accounts represented here are characterized by denial rhetoric and process retaliation. Unlike the firms in sexual harassment cases, however, firms accused of racial discrimination did not engage in plaintiff retaliation. Following the process retaliation by the firms, stakeholders mobilized against them. The Reverend Jesse Jackson, an active presence in 18 of the 25 cases classified into path 3, was the primary mobilizing agent. Other black religious and political figures were also seen to mobilize around the race discrimination lawsuits.

The stakeholder mobilization evident in path 3 took the form of public denigration of the firms for their denial stance and public threats against them.

Firms were typically threatened with consumer boycotts of their products or services or with public demonstrations if they failed to act in the ways demanded by the stakeholders.

The data also show that, following the first evidence of stakeholder mobilization, some firms accused of racial discrimination changed their rhetoric from denial to acknowledgement. In other words, rather than continuing to deny the charges, spokespersons began to take ownership of the situations and communicate in a more apologetic tone. In referring to allegations of racial discrimination, one CEO eventually stated in an on-air interview that the discriminatory behavior of the organization was categorically unacceptable and acknowledged that the firm had been intolerant and insensitive to black employees. Earlier rhetoric by this CEO reflected strong denial of the alleged discrimination.

We found in the accounts of race discrimination lawsuits that firms moved quickly toward resolution once stakeholders mobilized against them. Resolution came in the form of both settlements and change efforts. Although all the race discrimination lawsuits reached legal settlements, the majority of these cases also achieved stakeholder settlements. Thus, the actions of Jackson and other mobilized constituents seemed to have an influence on firm behavior during discrimination crises. Moreover, in addition to entering settlements, 17 of the 25 firms involved in path 3 race discrimination lawsuits adopted change efforts. Recall that change efforts are firm-initiated, prodiversity behaviors that go above and beyond agreements in either legal or stakeholder-based settlements. A frequent example was firms’ outreach to “diversity specialists” who would serve in advisory capacities to the organizations. Change efforts were not a characteristic of non-race-based discrimination lawsuits.

Path 4: Race discrimination. Perhaps the most unusual path in the data was depicted by a subset of race discrimination lawsuit accounts. This subset is unique for two reasons. First, each of the cases in this category represented a firm that had experienced a prior discrimination lawsuit during the period covered by our investigation. Second, following the initial publicity about the cases, these were the only firms *not* to communicate denial rhetoric. The data show that there was either no communication by a firm prior to the investigation and declaration of class action status, or that spokespersons explicitly communicated a “no comment” response. So although these firms did not acknowledge the allegations, neither did they deny them. Rather, initial publicity about the cases was followed directly by an investigation into the

charges and declaration of class action status, with no communication from the firms themselves.

Also, unlike some of the other paths, this path entailed no retaliation by the firms, nor any stakeholder mobilization. These cases moved expeditiously toward resolution, which took the form of legal settlements and change efforts similar to the ones we found for the path 3 race-based cases. There were no stakeholder settlements because no external parties mobilized against these path 4 firms. Moreover, the absence of both firm retaliation and stakeholder mobilization likely accounted for the speed with which this group of race-based discrimination lawsuits was resolved. Final settlement negotiations for these lawsuits were achieved an average of 21 months, or nearly two years, earlier than the average for all other types of discrimination lawsuits. In short, path 4 describes a lawsuit resolution strategy whose outcome is ultimately comparable to that reached in path 3 but in which firms adopt a very different set of behaviors from those adopted in path 3.

Table 3 summarizes the outcomes achieved to date for each of the lawsuits in our data set. Specifically, it presents the frequencies for all six types of discrimination lawsuits with respect to whether a suit was resolved through legal settlement or stakeholder settlement, or was still pending resolution at the time of this writing.

DISCUSSION

We began this project with an ambitious yet simple question: Why do firms respond to discrimination crises in the ways that they do? The answer is decidedly more complicated than the question, in part because of the unexpected finding that firms demonstrate multiple strategies or responses for what, on the surface, seems like a simple and fairly one-dimensional problem—a discrimination lawsuit. Yet despite our finding multiple firm strategies regarding discrimination lawsuits, our ability to position these responses as *patterns* or *paths* suggests a set of meaningful influences on how firms process and take action on this particular

type of crisis. The response paths are characterized by type of discrimination, firm rhetoric, firm behavioral responses, and stakeholder mobilization; the presence/absence and sequencing of all of these seem to influence how a lawsuit is ultimately resolved. The findings are both intriguing and theoretically rich.

To summarize, four distinct lawsuit resolution paths emerged from the data. Path 1 captured the experience of gender-, religion-, age-, and disability-based discrimination lawsuits and described a fairly straightforward process, uncomplicated by stakeholder mobilization and resolved via legal settlements. Paths 2 and 3 depicted sexual harassment and race discrimination lawsuits, respectively. They were noteworthy for the retaliatory behavior displayed by the firms involved in these cases and the subsequent antifirm stakeholder mobilization that the retaliation seemed to spark. Paths 2 and 3 differ from one another in the type of retaliation displayed by firms. For example, sexual harassment cases were the only ones to depict both process and plaintiff retaliation. Plaintiff retaliation was not evident in any other type of discrimination account. Paths 2 and 3 also differed in the ultimate resolution strategy adopted by the firms. Accusations of sexual harassment were resolved exclusively by settlements, whereas accusations of race discrimination were resolved by both settlements and organizational change efforts. Interestingly, only firms involved in race discrimination lawsuits adopted change efforts (paths 3 and 4). Finally, Path 4 depicts a subset of race discrimination cases and is unique in that these firms were the only ones not to initially communicate denial rhetoric. As in the path 1 cases, however, there was neither retaliation nor stakeholder mobilization in the path 4 cases.

Theoretical Contributions and Implications

The strategic issues research has largely examined organizational responses to crisis and noncrisis issues, and in so doing it has contributed to knowledge of within-firm strategy formulation.

TABLE 3
Summary of Outcomes for Discrimination Lawsuits

Lawsuit Outcomes	Race	Gender	Sexual Harassment Lawsuits	Age	Disability	Religion
Legal settlement	28	16	6	14	3	2
Stakeholder settlement	20	0	1	0	0	0
Pending resolution	4	3	0	0	0	0
Total number of lawsuits	32	19	6	14	3	2

Within that body of research, the threat-rigidity concept is among the most frequently cited perspectives for understanding firm responses to threatening or crisis situations. Our own findings both support and challenge the assumptions and conclusions drawn from prior strategic issues research in general, and from the threat-rigidity model in particular.

Recall that the primary tenets of the threat-rigidity model are that, following a threat, a firm will initially adopt information-searching and -processing behaviors. Over time, however, the firm's response becomes less flexible, more efficient, and more conservative (Staw et al., 1981). In the current study, we found that early in the discrimination lawsuit resolution process, firms indeed engaged in information searching and processing, by, for example, conducting internal investigations into the discrimination allegations. Furthermore, as the threat-rigidity model would predict, the majority of these firms also adopted rigid stances as the resolution processes unfolded.

We identified two firm behaviors in particular that can be interpreted as rigid responses to the lawsuits. First, firms conveyed and maintained staunch denial stances throughout the resolution processes, and in so doing demonstrated little flexibility or openness to communicating information that did not ultimately reinforce that same rhetoric. Second, firms chose not to share information pertinent to the allegations, and in some cases they resorted to illegal means (e.g., shredding relevant documentation) to keep information hidden. These behaviors are indeed consistent with Staw and colleagues' (1981) notion of rigidity in that they limit both the content of the information that is communicated and the process of information sharing.

In addition to outlining these rigid responses, the threat rigidity model also describes firms becoming efficient in their response to threat. This efficiency was realized in our sample as well. We found that most firms accused of discrimination worked toward achieving quick resolution (e.g., settlements) that was unencumbered by negotiations with external stakeholders. In the case of the race discrimination cases depicted in path 3, although activists did mobilize against these firms, firm leaders avoided ongoing engagement with these groups by being relatively responsive to their demands soon after mobilization activity commenced. In short, although firms did not necessarily adopt each of these rigid and efficient behaviors, their overall response patterns seemed to reflect a pattern of behavior congruent with the threat-rigidity model.

Yet if a firm's tendency following threat is to become more rigid, efficient, or conservative, then

perhaps more interesting than those cases that reflect the threat-rigidity model are those that are inconsistent with it. Rather than becoming more conservative or risk-avoidant in response to their crises, for example, a subset of firms seemed to adopt what we interpret as a risky stance. We considered one behavior in particular as evidence of risk taking by these firms: engaging in ongoing interactions with parties that were mobilized against them.

According to our data, only firms accused of sexual harassment engaged in an ongoing (and antagonistic) manner with stakeholders mobilized against them. In so doing, these firms participated in keeping information about the lawsuits in the public's consciousness by contributing to the sensationalism of the cases, thereby opening the door for controversy and attention directed toward rather than away from lawsuit or firm. Taking a threat-rigidity perspective, one would not predict this type of behavior, which represents both a less conservative and less efficient means of resolution. A conservative response, for example, is one in which firm decision makers attempt to conserve or protect firm resources (Staw et al., 1981), including funds, time, and reputation. We consider the behavior adopted by firms accused of sexual harassment to be less conservative (or more risky) because engaging with mobilized groups can contribute to the opportunity for the public to take notice of, form opinions about, and participate in the resolution process. This added level of publicity and public involvement can diminish the level of control that firms ultimately have over cases relative to the control maintained by organizations that adopt techniques intended to limit public awareness about their lawsuits. Stated differently, as mobilized agents become involved in a lawsuit, and as the focal firm antagonizes those stakeholders rather than accommodating them, it loses the ability to control some aspects of the resolution process and outcomes of the case. Moreover, the longer a lawsuit continues in the public domain, the more time, attention, and other resources are diverted away from running the business and from achieving business continuity.

In addition, if we consider that an efficient response to threat is one that moves to resolve a crisis quickly, then we would expect firms to behave in ways that expedite resolution, including limiting their involvement in activities that distract their attention from reaching closure. In fact, the majority of the firms we studied employed such behaviors, which yielded an average resolution time of 27 months for all types of lawsuits in our sample except sexual harassment. Firms accused of sexual

harassment, however, took an average of 49 months, or almost twice as long as firms not engaged with mobilized groups, to achieve resolution.

This study also highlights aspects of institutional theory as relevant in the formation of patterns of firm responses to discrimination lawsuits. As we described at the outset, early investigations of (e.g., Dutton, 1986) and theorizing about (e.g., Dutton & Jackson, 1987) firm responses to strategic issues highlighted within-firm decision making and action taking. Methodologically, because studies of crises and other strategic issues are particularly suitable for a case study approach, conclusions drawn from such research may be fairly firm-specific. In contrast, studies that examine crises in multiple firms uncover patterns of responses that speak to how firm behaviors during crises can become institutionalized beyond a single organization. The current investigation is an example of this latter methodological approach and, indeed, our results show that there are powerful influences on organizations that affect crisis resolution.

Coercive pressures seem to be instrumental in how crises are resolved. Our data show that these pressures stem from both formal or legal channels and from informal channels. Given that the crises of interest in this study centered on legal issues, the finding that firms adopt legal responses (e.g., settlements) was not particularly surprising. What was surprising was the variance in the presence or absence of informal (nonlegal) coercive pressures over types of lawsuits, and the ways in which firms responded to these pressures. For example, firms accused of gender, age, disability, or religious discrimination experienced no informal pressure from externally mobilized groups. Yet groups were actively mobilized against firms accused of race discrimination and sexual harassment. Moreover, in race-based discrimination lawsuits, activists who held little to no legitimate power over organizations were particularly influential in how the latter responded to allegations of discrimination. In these cases, firms were fairly quick to accommodate the demands of such groups. To the contrary, rather than succumb to mobilization pressures, firms in sexual harassment cases were more likely to engage activists in fairly combative ways. A reasonable conclusion based on this finding is that there is a proclivity to respond with fear to accusations associated with racial matters, whereas accusations of harassment directed toward women evoke anger.

Although the reasons for these differences cannot be known with certainty, one possible explanation for this set of findings is rooted in the way U.S. law defines and treats discrimination versus harassment. In particular, there is a higher burden of

proof on the part of the plaintiffs in sexual harassment cases than in other cases of discrimination (Edelman, Erlanger, & Lande, 1993). Traditionally, these lawsuits are also more easily viewed as personality conflicts rather than civil rights concerns, thereby making it easier for firms to deemphasize the legal aspects of the wrongdoing, while simultaneously highlighting the subjective nature of the cases. In light of the inherent subjectivity in sexual harassment claims, firm decision makers may feel less constrained by legal norms and more willing to adopt antagonistic behavior. On the other hand, given the legal protection provided to plaintiffs of racial discrimination, firms may feel more intimidated or fearful of acting antagonistically.

Our interpretation of these findings suggests that the examination of discrimination lawsuits highlights the contingent power of stakeholders in times of crises. Specifically, an external stakeholder without formal control over an organization (e.g., Jesse Jackson) can influence the resolution of a crisis when formal or legal mechanisms support stakeholder efforts. They do so ostensibly by playing on the organization's fear of being punished. Yet when the legal context in which a crisis occurs is ambiguous, as in the case of sexual harassment law, coercive pressure by informal stakeholders may seem less threatening. Under these circumstances, firms seem to be unencumbered by legal or formal constraints, and their responses are combative ones that challenge the accusers and those that sympathize with them.

Finally, our findings also speak to organizational learning following a crisis. Recall that path 4 represents a subset of discrimination lawsuits in which the firms accused of discrimination had experienced prior lawsuits during the ten-year span examined in this study. The response path for these firms is noteworthy in its simplicity and in the ultimate resolution achieved by these firms. Unlike the firms in most of the other cases, these firms did not communicate denial, nor did they experience threat from mobilized stakeholders. They did, however, adopt change efforts in addition to settlements as a part of their lawsuit resolution. Following on the arguments by Wooten and James (2004), a reasonable conclusion for these findings is that from prior experience these organizations learned from prior experience a more efficient and perhaps more effective way to resolve a discrimination crisis. For example, they were not caught in a cycle of defensive routines or other behaviors that prevented them from experiencing threat (Argyris, 1990). Such routines are dangerous in that they can perpetuate a crisis and lead to questionable or unsavory practices by a firm, and thereby adversely

affect its ability to resolve the crisis efficiently and effectively. Defensive routines, such as consistent denial rhetoric, were evident in all the firms that had not faced recent discrimination lawsuits. Although we cannot definitively claim that the resolution processes exhibited by those organizations that had experienced prior lawsuits are necessarily better than the resolution paths of other firms, the experienced firms did seem to resolve discrimination lawsuit crises more expeditiously and with less adverse publicity.

Conclusion

In conclusion, our tale of discrimination lawsuits provides an interesting perspective for organizational theorists researching crisis-related strategic issues or diversity management. The findings reveal that most discrimination lawsuits are viewed as threats, and most firm leaders respond both verbally and behaviorally in rigid or defensive ways. Although our analysis highlights the significance of the legal environment when firms confront discrimination crises, it also emphasizes that the law is not the only "voice" firms consider when resolving discrimination lawsuits. External stakeholders influence the discrimination crisis management process through coercive pressures that are likely based on societal values. In some cases, organizations adapt their rigid stances for resolving crises and seemingly use the law to determine the extent to which they can defend themselves against attacks by groups mobilized against them. In short, we have identified several factors that influence firm responses to discrimination lawsuits specifically and provided insight into how crises are resolved more generally.

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