



# Implicit racial prejudice against African-Americans in balanced scorecard performance evaluations

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## ABSTRACT

A dominant theme in critical accounting theory concerns the relation between human identities and accounting discourse and practices. Though this theme has strong antecedents in Marxist-inspired critique of ideology, research into this theme has employed diverse approaches; among them, genealogical studies (e.g., Miller and O'Leary, 1987), deconstructive studies (e.g., Shearer and Arrington, 1993), psychoanalytic studies (Roberts, 1991, 2009) and critical-rational studies (e.g., Power and Laughlin, 1996). We offer a different approach grounded in social-cognitive concerns with how implicit attitudes about race influence evaluation of others. We report on the results of an empirical, lab-based study of balanced scorecard evaluations and bonus allocations where race is a treatment effect and where the well-established tenets of Implicit Association Testing (IAT) are used to reveal that there are, indeed, propensities to unwillingly let racial prejudice intervene into our accounting-based evaluations of others. That intervention influences identity in ways that are morally unacceptable, degrading to black workers, and loaded with potential for negative material consequences for workers (e.g., less compensation due to racially determined and irrational performance evaluations). The paper illustrates one area of research in which methodologies adapted from conventional empirical, statistical approaches can enhance the emancipatory potential of critical accounting research.

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## 1. Introduction

*To engage in a serious discussion of race in America, we must begin not with the problems of black people but with the flaws of American society – flaws rooted in historic inequalities and longstanding cultural stereotypes.*

Cornel West, Race Matters, p. 6

This study examines whether or not white American MBA and MS in Accounting students demonstrate implicit racial prejudice and whether or not such prejudice is present in evaluating the performance of managers in a balanced scorecard

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setting. The importance of the study derives from both the fact that accounting plays a significant role in the evaluation of persons for the quality of their work and the norm that the well-being of and judgment about a human being should not be influenced by the morally atrocious force of racial prejudice. Accounting evaluation, unlike many other forms of evaluation, has economic “muscle” in that accounting evaluations are used to allocate resources, to influence the nature of work, and to motivate certain kinds of behaviors that have powerful implications for the way in which day-to-day life is lived.

Much research has been oriented toward several aspects of accounting’s place in performance evaluation activities, though these aspects tend to be narrow, constrained to rational theories, and grounded in the desirability of capitalistic norms (e.g., treating workers as self-interested functionaries in need of control, incentives, and motivations). Such research has explored areas like the following: (1) the normative conditions that would make some forms of accounting more desirable than others (Merchant, 2006); (2) the salience of different types of accounting information to the performance evaluation process (e.g., Baiman and Rajan, 1995; Feltham and Xie, 1994; Moers, 2005); and, (3) how different types of contracts and financial reward systems mediate both performance evaluation and performance quality (e.g., Bonner and Sprinkle, 2002; Ittner and Larcker, 1998; Scott and Tiessen, 1999). In this study, we address performance evaluation in a balanced scorecard setting with experimental focus on race and the manner in which explicit and implicit attitudes about race influence performance evaluation decisions, and we do so in a manner more consistent with critical-theoretic and ethical concerns rather than functionalistic and capitalistic concerns.

This study builds upon existing research in critical accounting theory which focuses on the ways in which accounting practices and institutions often enhance rather than diminish the morally outrageous consequences of racial prejudice. We will mention five such studies as indicative of this research stream. In a quite impressive case study, Davie (2005) demonstrates convincingly how State processes like affirmative action sustain rather than diminish racial prejudices which are deeply embedded in the discursive practices which secure the interests of capital. Accounting is exemplary of such discursive practices. In an accounting context, Kim (2008) illustrates how oral histories can and do reinforce hegemonic processes occlusive of the sort of understanding of racial, ethnic, and gender differences than would be emancipatory. Duff (2011) analyzes the photographic representation of blacks in Big Four annual reviews to provide strong evidence of a “homo-social,” white-male semiotics of human representation in those reviews, reviews which are retrograde from the standpoint of emancipatory understandings of diversity. In a similar vein, James and Otsuka (2009) provide empirical evidence of racial and ethnic discrimination against Chinese graduates of Australian universities among Australian accounting firms. James (2010) engages in a case study of cultural politics grounded in punk rock to display the commonalities, tensions, and paradoxes associated with the conflation of Marxist presumptions with racial identity.

Our study is grounded in methods which some critical theorists would erroneously view as committed to a “positivistic” epistemology. That is because we use experimental design and statistical analysis of data in forming our argument. This is a category mistake. The use of a particular method does not in any sense entail a commitment to the view that the validity of a knowledge claim (the proper subject matter of epistemology) requires a particular “method”, nor does it entail that the method one uses is somehow presumed “superior” on epistemological grounds. This is nonsense, and making such a claim hoists critical theorists on their own petard – they are doing precisely what they accuse “mainstream” researchers of doing – promoting a particular approach to research as necessarily “better” in an epistemological sense. Research and scholarly inquiry is about making arguments, and methods should be accepted or rejected based upon how well or poorly they produce the best argument (the concern of rhetoric). Enough said; we should be well beyond tired and stale debates like this (see Arrington and Schweiker, 1992).

Our approach opens accounting research to what is perhaps the most formidable domain of contemporary social-cognitive psychological research, an area concerned with attitudes in general and implicit attitudes more particularly. Implicit racist prejudicial attitudes are “. . . automatically activated and occur without full awareness upon exposure to a Black person” (Dovidio et al., 2009, p. 166). The paper examines the effect of both explicit and implicit attitudes about race on performance evaluation decisions and bonus allocations.

An *explicit* attitude is one about which its holder is fully aware. A racist who knows and embraces his or her racism holds an explicit racist attitude. Though more nuanced definitions are available, in general an *implicit* attitude is one about which the person who holds it is not consciously aware that he or she does in fact possess it (see Petty et al., 2009, pp. 3–9 for extensive discussion of the meaning of implicit attitudes). If attitudes – like other personality attributes – influence judgments and decisions, including decisions about other peoples’ performance; and, if attitudes are implicit, then the outcome of accounting-based performance evaluations may be driven in part by unintended effects, effects that are both prejudicial at an ethical level and detrimental to organizational performance at a pragmatic level.<sup>1</sup>

Implicit racial biases and implicit gender biases are two outcomes that have been observed in a large number of studies (see Dovidio et al., 2009; Nosek et al., 2007b; Petty et al., 2009 for comprehensive reviews). This paper brings inquiry into implicit attitudes about race to bear upon performance evaluation in a balanced scorecard setting. The importance of understanding whether implicit and unintended racial attitudes influence performance evaluation goes without saying – legal, ethical, and political issues are all involved. The ethical implications for judging evaluators are very different across explicit racial bias and implicit racial bias. An explicit attitude of racial bias is one for which an evaluator is and should be

<sup>1</sup> Of course, we are not suggesting in any sense that prejudice would be “acceptable” if it enhanced organizational performance. We are simply suggesting that any prejudice that mediates performance evaluation does not contribute to organizational performance however it is construed.

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