View metadata, citation and similar papers at core.ac.uk
brought to you by CORE
provided by CiteSeerX

J Bus Ethics
DOI 10.1007/s10551-015-2762-6

Management and Income Inequality: A Review and Conceptual Framework

Brent D. Beal[1] · **Marina Astakhova**[1]

Received: 4 February 2015 / Accepted: 5 July 2015
© Springer Science+Business Media Dordrecht 2015

Abstract Income inequality in the US has now reached levels not seen since the 1920s. Management, as a field of scholarly inquiry, has the potential to contribute in significant ways to our understanding of recent inequality trends. We review and assess recent research, both in the management literature and in other fields. We then delineate a conceptual framework that highlights the mechanisms through which business practice (and, indirectly, business pedagogy and scholarship) may be linked to income inequality. We then outline four general areas in which management scholars are uniquely positioned to contribute to ongoing research: (1) data and description, (2) organizational dynamics, (3) collective action, and (4) value flows and tradeoffs. To stimulate future research, we highlight a number of relevant research questions and link these questions to existing management research streams that could be leveraged to address them.

Keywords Income inequality · Wage inequality · Economic value creation · Value flow analysis

Ongoing public dialog about income inequality in the US continues to grow in both volume and scope. As reported in the *Wall Street Journal*, for example, the International Monetary Fund has begun calling attention to the "growing chasm between rich and poor, warning that rising income inequality is weighing on global economic growth and fueling political instability" (Talley 2014, p. A9). According to *Fortune* magazine, "It's time to acknowledge that growing income inequality is a trend we need to reverse, and that we need to find ways to make that happen" (Serwer 2013, p. 10). From *Time*, "inequality isn't just a social issue–it's putting the future of the U.S. economy in peril" (Foroohar 2014, p. 23). In the *Atlantic Monthly*, Chinni and Gimpel rely on a number of different demographic, economic, cultural, and political variables to classify the nation's 3141 counties into 12 statistically distinct categories. They conclude that "rising disparities are not just about investment bankers versus auto workers. They're about entire communities of 'winners' and 'losers' " (2011, p. 70). From *Newsweek*: "Americans used to be proud of their country's reputation as a meritocracy, where anyone could aspire to get to the top with the right combination of inspiration and perspiration. It's no longer true" (Ferguson 2012, p. 42).

Income inequality in the US has now reached levels not seen since the 1920s (Alderson and Nielsen 2002; Morris and Western 1999; Nielsen and Alderson 1997; Piketty 2014; Piketty and Saez 2003). Although scholars in a number of different fields, including sociology, economics, political science, psychology, and the health sciences, have become increasingly interested in the topic, it has received relatively little attention in the field of management (for notable exceptions, see Barton 2011; Bower et al. 2011; George 2014; Kohls and Christensen 2002; Martin 2014; Sud and VanSandt 2011; Walsh 2008). Part of the reason for this deficiency is that management scholars, considered collectively, have yet to react to recent large-scale data-intensive efforts in other fields that have advanced understanding of the phenomenon and implicated business practice as a significant contributing factor. When it has

✉ Brent D. Beal
bbeal@uttyler.edu

Marina Astakhova
mastakhova@uttyler.edu

[1] College of Business and Technology, The University of Texas at Tyler, 3900 University Blvd., Tyler, TX 75799, USA

Published online: 19 July 2015

been addressed, it has been primarily characterized as an external threat. For example, Bower et al. (2011) argue that income inequality is a threat to the long-term sustainability of global market capitalism. Although there is value in conceptualizing income inequality as an external threat, there is also a need to adopt a more systemic view that acknowledges the possibility that income inequality may be endemic to business (rather than an external threat). Viewing income inequality as a product of business activity encourages the theorizing of causal links between it and specific firm behaviors (e.g., compensation practices, business-led efforts to shape the institutional or legal context in which the employer–employee relationship is negotiated, etc.). By extension, the question of management education's complicity in promoting practices that contribute to it should be of particular interest to management scholars (Ghoshal 2005). Exploring the relationship between management practice and income inequality opens up the possibility of corrective action by business to reverse recent trends, an approach that goes beyond the current emphasis on reactive strategies to mitigate and/or exploit its effects.

There is a need for management, as a field of scholarly inquiry, to examine the relationship between income inequality and business practice. This paper addresses this need in several ways. First, we review and assess recent research, both in the management literature and in other fields, primarily economics and sociology. We then introduce a conceptual framework and highlight a number of mechanisms through which business practice (and, indirectly, business pedagogy and scholarship) can be linked to recent income inequality trends. We then outline four general areas in which management scholars are uniquely positioned to contribute to ongoing inequality research. To stimulate interest, we propose a number of relevant questions along with a brief list of existing management research streams that could be leveraged to address these questions. We believe that increased attention by management scholars to income inequality is warranted for at least three reasons. First, from a value-creation perspective, a number of business practices that contribute to income inequality are inherently inefficient (and are therefore harmful in a strict economic sense). Second, setting aside questions of short-term efficiency, we argue that rising levels of inequality are harmful because they have the potential to fundamentally destabilize our economic system (Bower et al. 2011; Desai 2012; Freeman 1996; Lazonick 2014). Finally, and perhaps, most importantly, rising inequality is associated with distributive outcomes that are morally and ethically unjust (Kohls and Christensen 2002; Sen 1992; Sud and VanSandt 2011; Szmigin and Rutherford 2013).

Background and Literature Review

We use the term "income inequality" to refer to differences in the regular receipt of economic resources over time, generally in exchange for labor or use of capital (Morris and Western 1999). "Wealth inequality," a related concept refers to individual differences with respect to control or ownership of economic resources at a given point in time (Piketty 2014). We acknowledge that these two terms are often used interchangeably, but it is important to distinguish between them (Keister 2014). Income can be disaggregated into different components, such as labor income (i.e., income from wages, salaries, and pensions), capital gains, entrepreneurial or business income, and capital income (i.e., dividends, interest, and rent) (see, for example, Congressional Budget Office 2011). Labor income has historically accounted for approximately 70 % of total US income (U.S. Bureau of Economic Analysis). When we link business practice (and pedagogy) to income inequality, we assume that wage-setting policies and related business practices play a significant role, although we acknowledge the possibility that organizations may also contribute to disparities with respect to other types of incomes (e.g., capital gains, dividends, interest, and rent).

Income inequality can be measured in a number of different ways. Figure 1 is a longitudinal representation of the percentage of national income received by different segments of the population. For example, in 2012, the top 10 % of income earners received 50.42 % of national income (defined as gross domestic product (GDP), less all capital depreciation, and adjusted for net income from abroad). Another popular measure, the Gini coefficient (or index), is a single number that varies between 0 (perfect equality, with an equal portion of total income falling within each income category) and 1 (perfect inequality, with all income captured by one subgroup or income category) (e.g., Nielsen and Alderson 1997; Noah 2012). Other measures include concentration indices, decile ratios, the Robin Hood index, and a number of others (Kawachi and Kennedy 1997; Morris and Western 1999; The Stanford Center on Poverty and Inequality 2014). Despite their differences, most inequality measures are highly correlated (Kawachi and Kennedy 1997).

A working knowledge of income inequality in the US presupposes familiarity with the following three topics: (1) the Kuznets curve, (2) the "great U-turn," and (3) the advent of "supermanagers" and "supersalaries" (Piketty 2014; Piketty and Saez 2003). Simon Kuznets was a statistician and economic historian who played an important role in developing methods to assess US national income at the National Bureau of Economic Research (NBER) in the early 1930s. He used his experience

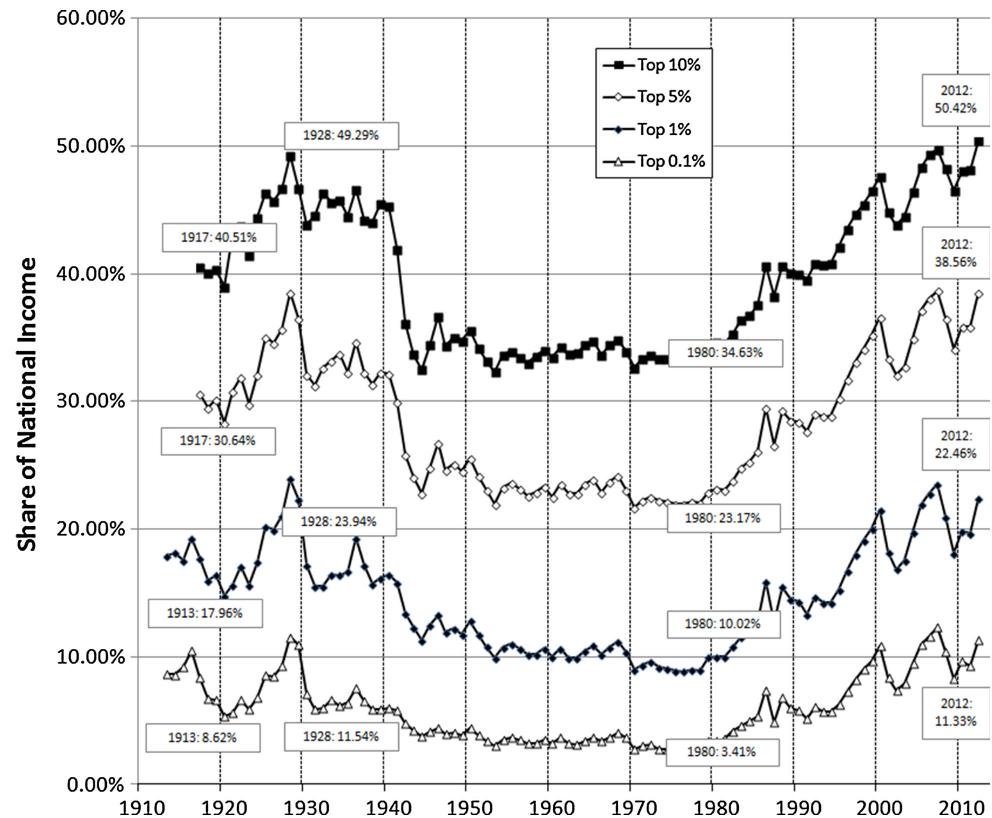

Fig. 1 Shares of top income groups of national income

estimating US national income together with data from US federal income tax returns to produce the first historical series of US income distribution statistics covering 1913–1948 (35 years) (Kuznets 1953, 1955). It was a landmark study that traced the historical evolution of the share of national income of each decile of the US income hierarchy and demonstrated, in a clear and compelling way, that income inequality had declined dramatically over the time frame of the data series.

The decline in inequality that Kuznets identified in his pioneering work is visible in Fig. 1. In this figure, the top data series (for the top 10 % of the income hierarchy) shows that this group received 40.51 % of national income in 1917. By 1928, this share had expanded to 49.29 %, but by 1948, the end of Kuznets initial data series, it had fallen to approximately 35 % (where it stayed until around 1980). Kuznets (and others) argued that inequality increases in the early stages of industrialization because the benefits of economic development are only available to a small segment of the population. As an increasingly large percentage of the population transitions out of traditional low-productivity (and low-wage) sectors, the benefits of economic development become more widespread, and inequality declines. The Kuznets curve, therefore, postulates a negative relationship between continued development in advanced economies and inequality. This narrative was particularly useful during the Cold War because it provided a compelling rationale for developing countries to remain committed to market-based economic trajectories despite initially increasing levels of inequality (Alderson and Nielsen 2002; Nielsen and Alderson 1997; Piketty 2014). Kuznets was awarded a Nobel Prize in Economic Sciences in 1971.

The "great U-turn" is also clearly visible in Fig. 1. Beginning in approximately 1980, the percentage of national income received by those near the top of the income hierarchy began to increase. Between 1980 and 2012, the share of national income going to the top 10 % of the income hierarchy increased from 34.63 to 50.42 %; for the top 5 %, the share increased from 23.17 to 38.56 %. Although impressive, these gains are not as dramatic as the gains for the top 1 % and the top .1 %—these groups saw their shares of national income increase more than double, and more than triple, respectively (from 10.02 to 22.46 % in the case of the top 1 %, and from 3.41 to 11.33 % for the top .1 %). Although the inflection point is now obvious with more than 30 years of hindsight (see Fig. 1), it took several years for scholars in different disciplines to take notice, unravel the explanatory narratives associated with the Kuznets curve, and begin to address the new reality of rising inequality (a sea-change from the prior 40 years in which inequality the US remained relatively unchanged)

(Levy and Murnane 1992; Morris and Western 1999; Myles and Myers 2007; Nielsen and Alderson 1997).

Although the level of income inequality, based on some measures, has now surpassed its 1928 peak (see Fig. 1), the nature of inequality in the US is different in important respects than similar levels of inequality in the past, both in the US and elsewhere (Piketty 2014). Following the work of Piketty and colleagues (Piketty 2014; Piketty and Saez 2003, 2007), this becomes apparent when income is broken down into its different components. The percentage of income derived from labor (i.e., from wages, salaries, and pensions) for different segments of the income hierarchy over time is represented in Fig. 2. For example, in 1918, 46.10 % of the income of those in the top 10 % of the income hierarchy was derived from labor; in 1980, this figure had risen to 78.14 %. For the top .1 %, in 1916, only 10.25 % of income was derived from labor; in 1980, this figure was nearly 50 %. Unlike Old Europe, or in the past prior to the Great Depression, inequality in the US is not being driven by returns to capital (i.e., by capital gains, dividends, interest payments, or rent income). The primary cause of rising inequality in the US is the emergence, beginning around 1980, of unprecedented wage inequality anchored by the spread of extremely high compensation levels among top managers of large firms. Piketty, who has contributed significantly to research in this area, states it more bluntly: "Recent research, based on matching declared income on tax returns with corporate compensation records, allows me to state that the vast majority (60–70 %, depending on what definitions one chooses) of the top .1 % of the income hierarchy in 2000-2010 consists of top managers" (2014, p. 302). Superstars—athletes, actors, and artists—comprise less than 5 % of this group (Piketty 2014). Recent inequality trends in the US, therefore, cannot be attributed to the rise of a new class of rentiers or to social-media-fuelled returns to (global) stardom; it is being primarily driven by the compensation decisions of businesses and corporations.

Impediments to Inequality Research in the Management Field

Relatively little work has been done on income inequality in the management field. We believe there are at least two reasons for this. Addressing income inequality from an organizational perspective requires bridging several different levels of analysis, and this complexity has impeded the development of theoretical models that identify the causal mechanisms that link organizational actions to inequality outcomes. Establishing cause-and-effect relationships across different levels of analysis involves explaining higher level (or more macro) phenomena as a

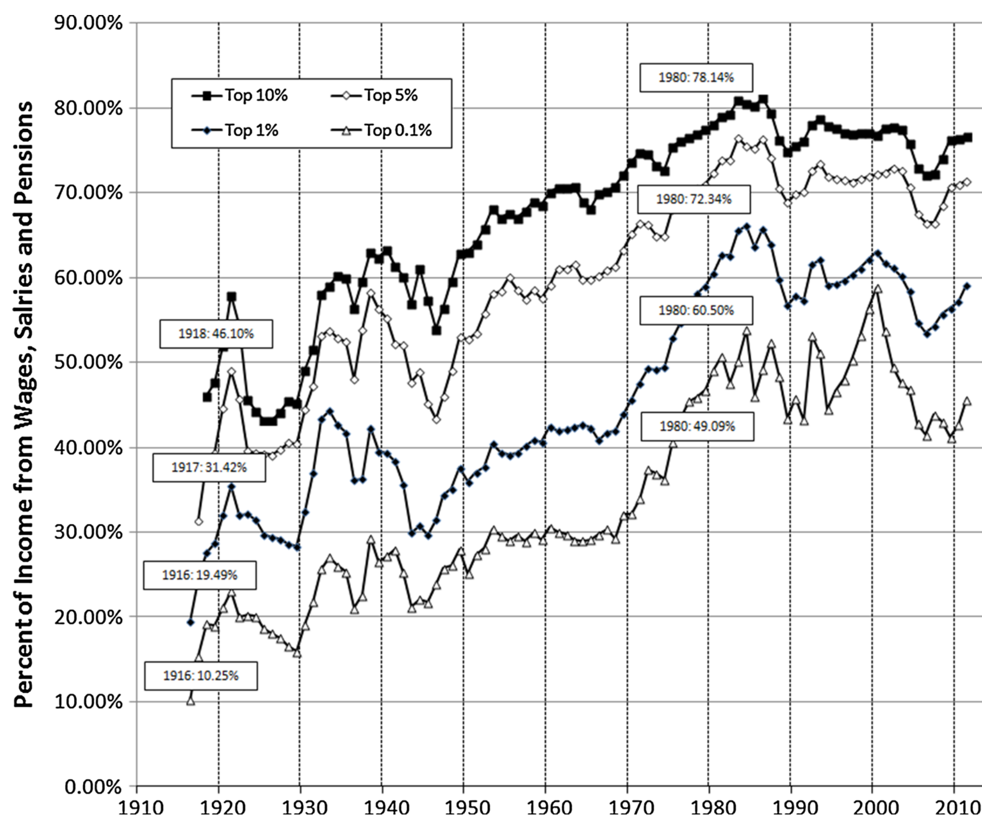

Fig. 2 Percentage of income from wages, salaries, and pensions for top income groups

product of the interdependent behavior of lower level (or more micro) actors or participants. In the social sciences, it is assumed that macro-level conditions (e.g., social norms or the distribution of income in a population) shape micro-level behavior (e.g., the decisions and actions of individuals), and that this micro-level behavior, considered collectively, sustains and perpetuates the same macro-level conditions that motivate and constrain it (Coleman 1990). The relationship between micro-level behavior and macro-level outcomes is often complex, mutually dependent, and counter-intuitive, and bridging these different levels of analysis has proven to be particularly difficult for management scholars in other contexts (Aguinis et al. 2011).

In addition to the challenge of bridging multiple levels of analysis, we believe that more effectively addressing income inequality will require management scholars to question business orthodoxy with respect to both the scope of management scholarship and the purpose and function of management practice. For example, as we assert in this paper, a focus on the systemic nature of income inequality will require management scholars to more explicitly address the role of top managers in determining how the economic value created by organizations is allocated or distributed. Impediments to income inequality research in the management field, therefore, include the difficulty of expanding the field's accepted theories and class of problems, and resistance to a critical reexamination of the field's underlying ideological assumptions (Alvesson and Willmott 2012; Brief 2000; Hambrick and Ming-Jer 2008; Shrivastava 1986). The increasing visibility of critical management studies may provide an important platform for this type of inquiry (Dyer et al. 2014; Tadajewski et al. 2011). Until the economic and social costs of income inequality are more widely recognized and the contributory role of management practice (and scholarship) is made explicit, the inertia of established precedent will likely be sufficient to sustain the perception that income inequality falls largely outside the management field's intellectual boundaries.

Review of Inequality in Management Research

Despite level of analysis challenges and the perception that income inequality is not a management issue, a few management scholars have explicitly addressed income inequality. In Table 1, we identify and categorize 23 articles that address income inequality published in leading management journals from 1990 through 2014.[1] We highlight representative quotes, and list both authors and publication outlets. Of the 23 articles represented in this table, 10 are from the *Harvard Business Review* (HBR). The articles in the first category (Overview, Description and Assessment, see Table 1) describe the problem, argue for increased awareness and sympathy, and encourage greater scholarly involvement. In a short column in HBR, Deaton (2013) argues that income inequality may be the price of economic and social progress, given that that progress cannot realistically be expected to occur uniformly across different populations, countries, societies, and time periods. He advocates a "do no harm" approach by asserting that those who initially benefit the most from economic advances should refrain from using their improved position to make others worse off. A recent guest editorial in the *Journal of Management* addresses inequality in the context of the recent increase in scholarly interest in the role of compassion in organizations (George 2014). If scholars are "genuinely interested in compassion," she writes, "one place to start is to seek to identify the conditions under which organizations inflict the least harm and alleviate the most suffering" (2014, p. 11). Kohls and Christensen argue that if current patterns of wealth distribution are the product of "real" (i.e., imperfect) markets, and these outcomes differ significantly from what ideal markets would have produced, then it follows that adherents of neo-classical economic philosophy should have an interest in bringing the former into alignment with the latter (2002). They assert that Catholic social teaching, grounded in the work of Aristotle and Aquinas, provides a needed template for economic actors as they confront the moral and ethical dilemmas inherent in economic markets. Margolis and Walsh acknowledge that the "magnitude of the problem defies easy recognition" and argue that businesses (and business scholars), instead of attempting to align profit-maximizing imperatives with the moral obligation to respond effectively to human misery, should embrace the inherent tension that exists between these competing demands (2003, p. 268). The remaining two articles in this category, by Sud and VanSandt (2011), and Szmigin and Rutherford (2013), respectively, both acknowledge increasing levels of inequality, although each proposes a different path forward. Sud and VanSandt

[1] We searched the following journals from 1990 through 2014 for articles with the phrase "income inequality" (or similar terms) in the abstract: Academy of Management Annals, Academy of Management Journal, Academy of Management Learning and Education, Academy of Management Perspectives, Academy of Management Review,

Footnote 1 continued
Administrative Science Quarterly, Business and Society, Business and Society Review, Business Ethics Quarterly, Business Ethics: A European Review, Business Horizons, California Management Review, Corporate Governance: An International Review, Harvard Business Review, Journal of Business Ethics, Journal of Management, Journal of Management Inquiry, Journal of Management Studies, Journal of Managerial Issues, Long Range Planning, Management Science, MIT Sloan Management Review, Organization Science, Organization Studies, Strategic Management Journal, Strategic Organization.

Table 1 Inequality in management journals by category

Categories	Representative quotes	Authors and journals
(1) Overview, description, and assessment	"It is one thing for some people to escape deprivation and leave others behind. It is quite another when the escapees use their newfound freedom to block the paths of those trying to find their own way out" (Deaton 2013), "If we are genuinely interested in compassion, one place to start is to seek to identify the conditions under which organizations inflict the least harm and alleviate the most suffering" (George 2014, p. 11), "Rather, we are asserting that in their economic decision-making, economic organizations are obliged to consider the effects of their decisions on the distribution of wealth within societies and around the world" (Kohls and Christensen 2002, p. 224), "The world cries out for repair. While some people in the world are well off many more live in misery" (Margolis and Walsh 2003, p. 268), "Although corporate profits and economic wealth creation have set records over the past several decades, it is equally clear that the distribution of this wealth has been limited, and is becoming progressively more unequal" (Sud and VanSandt 2011, p. 131), "It is our contention that by going back to the ethical roots of capitalism in Adam Smith we can suggest a test based on his Impartial Spectator which offers a way forward in underpinning social responsibility under capitalism" (Szmigin and Rutherford 2013, p. 172)	Deaton, 2013 (HBR); George, 2014 (JOM); Kohls and Christensen, 2002 (JBE); Margolis and Walsh, 2003 (ASQ); Sud and VanSandt, 2011 (JBE); Szmigin and Rutherford, 2013 {JBE)
(2) Competing causal narrates	"Until the financial-incentive bubble is popped, we can expect misallocations of financial real and human capital to continue" (Desai 2012, p. 126), "At this stage, we need to recognize that the country has an inequality problem based on falling real earnings for low-paid workers that is unparalleled at least since the Great Depression" (Freeman 1996, p. 121), "In this new century, the target should be the ownership of financial assets. The logic for such a course follows from the economic dynamics that are widening the gap between today's haves and have-nots" (Halstead 2006, p. 45), "The gains from rises in inequality are murky…. Reducing inequality, though, has clear benefits over time" (Hasanov and Izraeli 2012, p. 28), "Other things being equal, the lower the level of income inequality (the larger the middle class), the greater the rate of software piracy" (Husted 2000, p. 201), "The national distribution of economic wealth will moderate the relationship between firm characteristics and social activism" (Judge et al. 2010, p. 262), "If Americans want an economy in which corporate profits result in shared prosperity, the buyback and executive compensation binges will have to end" (Lazonick 2014, p. 55)	Desai, 2012 (HBR); Freeman, 1996 (HBR); Halstead, 2006 (HBR); Hasanov and Izraeli, 2012 (HBR); Husted, 2000 (JBE); Judge, Gaur, and Muller-Kahle, 2010 (CGJJA); Lazonick, 2014 (HBR)
(3) Corporate governance and inequality	"The kind of deep-seated, systemic changes I'm calling for can be achieved only if boards, business executives, and investors around the world take a responsibility for bettering the system they lead" (Barton 2011, p. 31), "Our best guess is that changes in technology along with a large increase in the scale of enterprises and finance have allowed the most fortunate and talented to increase their productivity relative to others" (Kaplan 2008, p. 13), "Do American corporate rules 'stack the deck' in favor of those at the top?" (Martin and Davis 2010), "With respect to practice, our findings first show that firms' current CEO pay practices systematically infringe social norms" (Rost and Weibel 2013, p. 367), "Others will question why 1000 top CEOs are paid the equivalent of the Bolivia's GDP. And some may think it outrageous to pay a CEO $4 million to lead a firm that generates a return on assets of −25 % (Walsh 2008, p. 29)	Barton, 2011 (HBR); Kaplan, 2008 (AMP); Martin and Davis, 2010 (CGJR); Rost and Weibel, 2013 (AMP); Walsh, 2008 (AMP)

Table 1 continued

Categories	Representative quotes	Authors and journals
(4) Effects and consequences	"We believe that if business does not lead the mitigation of the forces disrupting our market system, then we may well lose it" (Bower et al. 2011, p. 112), "It may be that global capitalism will yet be saved from itself by improved self- or external regulation, just as American national capitalism may have been saved by the New Deal reforms it opposed. But we have a long way to go" (Cassel 2001, p. 270), "In a democratic capitalist country, it is not sustainable to leave the members of the largest voting bloc out of the economic equation" (Martin 2014, p. 45), "We firmly believe that strong economic growth can be sustained only if the benefits of a robust economy–more and better jobs, higher incomes, and an elevated standard of living-are shared by all members of society" (McDonough 1996, p. 125), "… economic inequality in the context of a society based on voluntary trade is not only economically superior to imposing economic equality, it is morally superior" (Simpson 2009, p. 536)	Bower, Leonard and Paine, 2011 (HBR); Cassel, 2001 (BEQ); Martin, 2014 (HBR); McDonough, 1996 (HBR); Simpson, 2009 (JBE)

AMP Academy of Management Perspective, *ASQ* Administrative Science Quarterly, *BEQ* Business Ethics Quarterly, *CGIR* Corporate Governance: An International Review, *HBR* Harvard Business Review, *JBE* Journal of Business Ethics, *JOM* Journal of Management

(2011) argue that civil society, social institutions, and the business community should all play a role in establishing "fair" markets (in contrast to "free" markets); Szmigin and Rutherford (2013) build on Adam Smith's notion of the Impartial Spectator as a framework for dealing with the interconnectedness of business and ethics.

The second category in Table 1, labeled "Competing Causal Narratives," includes articles that address causal relationships that link organizations, in some way, to inequality outcomes. Desai argues, for example, that deliberate steps should be taken to deflate what he describes as a "giant financial-incentive bubble" (2012, p. 124). He asserts that using stock options and other mechanism to link compensation to financial markets creates perverse incentives, contributes to inefficient risk-taking, and results in the misallocation of human capital. Freeman (1996) mentions a number of possible solutions for preventing the emergence of what he refers to as an "apartheid" economy, including additional deregulation, reducing the federal deficit, increasing investment in education and job-training programs, reducing immigration, increasing the earned income tax credit, reducing payroll taxes, and strengthening unions. Halstead (2006) proposes that every citizen, at birth, should received an endowment of financial assets ($6000) as a kind of twenty first century corollary to the Homestead Act of 1862 that gave land in the West to families willing to live on it. Hasanov and Izraeli (2012) assert that high levels of inequality may slow economic growth and suggest that economic policies that fail to take inequality into account may be self-defeating. Husted (2000) utilizes inequality as a predictor of software piracy at the country level. Judge et al. (2010) use inequality as an explanatory variable to predict shareholder activism. Lazonick (2014) distinguishes between value creation and value extraction and is alarmed by the way stock-based pay for senior executives has moved companies away from the former toward the latter. He asserts that if "Americans want an economy in which corporate profits result in shared prosperity, the buyback and executive compensation binges will have to end" (Lazonick 2014, p. 55).

The articles in the third category in Table 1 address income inequality in the context of corporate governance (Faulkender et al. 2010), with CEO pay being one of the most commonly discussed mechanism that impacts inequality. Barton, for example, worries that unless managerial compensation can be more effectively tied to the creation of long-term value, "the social contract between the capitalists system and the citizenry may truly rupture" (2011, p. 86). Recent increases in CEO pay, according to Kaplan, have been driven by the same forces that have increased economic inequality more generally, primarily technological changes that have enlarged organizational scale and reach, thereby allowing more talented individuals to more effectively leverage their relative productivity advantage. Martin and Davis (2010), in their review of Sjöberg's paper on corporate governance and earnings wage (2009), downplay the marginal productivity explanations espoused by Kaplan (2008) and others, observing that very different levels of income inequality are found in countries with similar proportions of skilled and unskilled labor. They argue that governance structures and social norms play a critical role in determining CEO pay, and that in countries like the US, shareholders

have essentially struck a bargain with top managers, agreeing to reward them with "tremendous wealth" in return for keeping downward pressure on the wages of rank and file employees (Martin and Davis 2010, pp. 78–79). Rost and Weibel (2013), conclude, based on a vignette-survey of Swiss citizens, that CEO pay practices systematically violate social norms with regard to fairness, inequality, and inequity. They warn that "firms do not operate in an undersocialized context and that the infringement of social norms may eventually lead to uncomfortable and costly consequences for firms" (Rost and Weibel 2013, p. 367). Walsh (2008) notes that in 1980, CEOs made 42 times the average worker's salary: by 1990, the ratio had increased to 107; in 2000, the ratio was 525. He takes issue with a number of Kaplan's (2008) assertions and encourages researchers, as social scientists, to be mindful of their responsibility to the general public and to consider whose interests they promote.

Articles that address the effects and consequences of inequality are grouped together in the fourth (and last) category in Table 1. Many of these articles frame inequality as a potential destabilizing factor or threat to market capitalism. From this perspective, structural adjustments designed to alleviate inequality are viewed as necessary in order to improve the long-term viability of our current economic system. Bower, Leonard, and Paine, for example, observe that growing inequality calls into question the assertion that economic growth benefits all and warn that populist politics could lead to "harmful government interventions, such as overregulation of market transactions, confiscation of property, and other abrogations of property rights" (2011, p. 107). They conclude by asserting that if "business does not lead the mitigation of the forces disrupting our market system, then we may well lose it" (Bower et al. 2011, p. 112). Cassel makes a convincing argument that communism lost the Cold War to "managed" capitalism, not to laissez-faire economics or neoliberalism, and that this distinction is critical. He wonders whether or not it is too late to save global capitalism from itself. Martin argues for a combination of self restraint on the part of top talent, an increased focus by investors on value creation, and timely government intervention to "rein in the excessive appropriation of value by the top 1 %" (2014, p. 47). McDonough, writing as president of the Federal Reserve Bank of New York, asserts that sustained economic growth is only be possible if the benefits of a growing economy are "shared by all members of society" (1996, p. 125). Finally, Simpson offers a simplistic neoliberal critique of efforts to redistribute income and wealth, concluding that inequality is morally and ethically justified.

Assessment of Inequality Research in the Management Field

Although work on inequality in the management literature raises a number of important issues, it falls short in a number of important respects. First, income and wealth inequality are often treated as conceptually interchangeable, and there is little attempt, in the case of income inequality, to differentiate between income from labor, capital, or inheritance. For example, the term "inequality" is often used in a way that suggests it applies broadly to both the distribution of income and wealth (e.g., Deaton 2013; Hasanov and Izraeli 2012; Margolis and Walsh 2003; Sud and VanSandt 2011; Szmigin and Rutherford 2013). When the term "income inequality" is used, little effort is made to disaggregate it into its different components (e.g., Bower et al. 2011; Freeman 1996; George 2014; Lazonick 2014; Simpson 2009). This is problematic because accepted rationales, narratives, and justifications for inequality are different for different kinds of income (i.e., for income from labor, from investments, and from inheritance). Furthermore, the mechanisms that govern the distributive properties of different kinds of income are distinct. For example, determinants of labor income differentials include aggregative supply and demand dynamics for different kinds of labor, characteristics of the educational system, and different expectations, norms, and laws that govern the employee–employer relationship and the processes of wage determination, among others. In contrast, income from investments or inheritance is subject to patterns of saving and investment, inheritance laws, and the dynamics of the real estate and financial markets (Piketty 2014).

A second problem is the way data are typically presented. In nearly every article that includes inequality data, these data appear in opening vignettes and introductory paragraphs that are designed to pique the interest of the reader rather that paint a detailed or systemic picture of the phenomenon. In many instances, these data are presented in a factoidal or anecdotal manner. For example, Hasanov and Izraeli state in their opening paragraph that "from 1979 to 2007 the top 1 % of earner more than doubled their share of the nation's after-tax income" (2012, p. 28). Likewise, George, in her second paragraph, calls attention to the fact that "the richest 1 % of Americans own 40 % of the country's wealth; take home 24 % of national income; own 50 % of the country's mutual funds, stocks, and bonds; and have 5 % of the country's debt; while the bottom 80 % of Americans own 7 % of the country's wealth" (2014, p. 6). Similar statements can be found in a number of the other articles included in Table 1 (e.g., Freeman 1996; Lazonick 2014; Martin 2014; McDonough 1996). Although these

selected data points are interesting, there is a need for more careful, detailed, and systematic descriptions of inequality. For example, although a number of management articles assert that income inequality is increasing, this assertion should engender a number of other questions; for example: How long has income inequality been increasing? How has inequality evolved historically? Have different kinds of inequality increased more than others? Have different segments of the population—e.g., women, minorities, college graduates—been impacted differently? Are wage disparities within organizations increasing? Are wage disparities across strategic groups, industries, and different economic sectors increasing? These and other questions require more than the recitation of a short list of inequality facts designed to call attention to the topic.

Finally, there is a tendency in the management literature to portray inequality as an external consideration (or threat) that exists in the general business environment. From this perspective, it is natural to raise questions about how businesses should react, both from an organizational perspective (e.g., as part of an external analysis of traditional macro environmental segments or forces) and as part of a broader collective concern for the health of the economic system (see, for example, Barton 2011; Bower et al. 2011). There is a need, however, for management scholars to adopt a more systemic view of inequality that explicitly addresses the possibility that current business practice (and by association, current management pedagogy and scholarship) may be responsible for increasing levels of inequality. As we outline above, this will require management scholars to develop and test multi-level theoretical models that link individual actions, organizational processes, and macro-level or societal inequality trends. It may also require a critical reexamination of the field's underlying ideological assumptions. Management scholars have yet to focus on developing and testing such models.

Despite these shortcomings, we believe that management scholars have the potential to make significant contributions to ongoing inequality research. One of the primary reasons for our sanguine assessment is that research outside of the management field often fails to adequately account for organizational context. There are a number of reasons to open the proverbial black box of the organization in the context of inequality research. As we have already outlined, a rising share of national income going to those at the top of the income hierarchy is derived from labor income (see Figs. 1, 2), and the majority of that income is in the form of "supersalaries" paid to "supermanagers" (Piketty 2014; Piketty and Saez 2003, 2007). This suggests that the organizational context in which these compensation decisions are made is critical to understanding current inequality trends. Because the organization mediates the impact of broad technological, educational, and or demographic trends on wage differentials, it is important to understand the mechanics of that mediation. Although relatively simple over-arching narratives that reinforce existing ideologically beliefs may be intellectually satisfying, when these narratives are tested against the realities of real-world organizations—the context in which compensation decisions are made—these kinds of explanations often prove inadequate. For example, although new technology may change the relative demand for different skills, there is no guarantee that wage differentials, after being filtered through the organizational context, will mirror these shifts in demand (Galbraith 1998). In many respects, assuming that broad demographic or educational trends will impact the distribution of employee wages are similar to looking for the effects of ocean currents on the behavior of individuals on a cruise ship; currents may be an important piece of the big picture, but there is a lot more going on.

Inequality Research in Other Fields

One way to address deficiencies in management research is to compare and contrast it with ongoing inequality research in other academic fields. Table 2 includes a brief collection of important articles on inequality from a number of different disciplines, including sociology, economics, political sciences, psychology, and the health sciences. These articles are grouped into the same categories as Table 1. The first category, labeled Overview, Description, and Assessment, includes seven articles that provide particularly good overviews of a number of different aspects of ongoing research on income inequality. Alderson and Nielsen (2002), for example, review and assess the role of globalization on inequality trends in 16 OECD countries. Kierzenkowski and Koske (2013) review research on what many believe to be inequality's key drivers: skill-biased technological change, international trade, immigration, education, and labor market policies and institutions. Lemieux (2008) focuses on explanations for why increases in inequality in the US since 1990 have been concentrated at the top end of the wage distribution. Levy and Murnane (1992) focus on overall wage trends, with an emphasis on supply and demand shifts, and on changes to wage-setting institutions. McCall and Percheski (2010) review relatively new research streams that address family formation practices, top income and compensation practices, and social and political institutions. Morris and Western (1999) organize their review of inequality research by causal explanation, specifically (1) changes in the demographics of the labor force, (2) changes associated with economic restructuring, (3) changes to labor market institutions and the political context, and (4) changes that can be attributed to increasing levels of globalization. Nielsen and Alderson

Table 2 Inequality research outside management by category

Categories	Representative quotes	Cite (source, field)
(1) Overview, description, and assessment	"This study represents one of the first systematic, cross-national examinations ot the role ot globalization in the inequality U-turn" (Alderson and Nielsen 2002, p. 1244), "This paper provides an overview of recent findings in the literature on the determinants of labor market inequality" (Kierzenkowski and Koske 2013, p. 2), "While the growth in inequality in the 1980s was pervasive, it has been concentrated at the top end of the distribution since then" (Lemieux 2008, p. 22), "We review trends in levels and inequality in earnings. We assess the proposed explanations for these trends with particular emphasis on distinguishing among supply shifts, demand shifts, and changes in wage setting institutions" (Levy and Murnane 1992, p. 1334), "…we believe studies of compensation practices at the very top, and corporate governance institutions more generally, should be of increasing relevance" (McCall and Percheski 2010, p. 330), "The purpose of this paper is to review the broad changes in earnings inequality, and the animated debates about the causes and consequences of these changes" (Morris and Western 1999, p. 624), "We have examined…two major historical trends that characterize industrialized societies in the twentieth century: the declining level of inequality that has marked industrial development during the later pan of the Kuznets curve, and the upswing in inequality since the early 1970s" (Nielsen and Alderson 1997, pp. 29–30)	Alderson and Nielsen, 2002 (AJS, Sociology); Kierzenkowski and Koske, 2013 (JICEF, Economics); Lemieux, 2010 (JPE, Economics); Levy and Murnane, 1992 (JEL, Economics); McCall and Percheski, 2010 (ARS, Sociology); Morris and Western, 1999 (ARS, Sociology); Nielsen and Alderson, 1997 (ASK Sociology)
(2) Competing causal narratives	"…demographics and female employment jointly influence income distributions and mobility" (Esping-Andersen 2007, p. 641), "… decentralized political economy of the United States and spatial inequalities related to uneven industrial development facilitated a more rapid and complete erosion of inequality-reducing institutions" (Hanley 2010, pp. 26–27), "Focusing on technology as the cause of rising wage inequality over the last thirty-five years diverts attention away from the real underlying causes of inequality: conscious choices about economic policy, which have consistently undermined the bargaining power of workers at the middle and the bottom" (Mishel et al. 2014, p. 30), "We show that individuals at the top of the class distribution benefited disproportionately from their ownership of shares of stock in profitable companies, including those for which they work" (Morgan and Cha 2007, p. 679)	Esping-Andersen, 2007 (ABS, Sociology); Hanley, 2010 (IJS, Sociology); Mishel, Schmitt, and Shierholz, 2014 (NLF, Labor Economics); Morgan and Cha, 2007 (ABS, Sociology)
(3) Corporate governance and inequality	"The explosion of top incomes explains most (generally at least two-thirds) of the increase in the top centile's share of national income; the rest is explained by robust income from capital. In all the English-speaking countries, the primary reason for increased income inequality in recent decades is the rise of the supermanager in both the financial and nonfinancial sectors" (Piketty 2014, p. 315), "The marginal product of top executives in larger corporations is notoriously difficult to estimate, and executive pay is probably determined to a significant extent by herd behavior. Changing social norms regarding inequality and the acceptability of very high wages might partly explain the rise in U.S. top wage shares observed since the 1970s" (Piketty and Saez 2003, p. 35), "The purpose of this article is to explore the role of corporate governance in explaining cross-national patterns and development in earnings inequality in a sample of OECD countries between 1979 and 2000" (Sjöberg 2009, p. 519)	Piketty, 2014 (book Economics); Piketty and Saez, 2003 (QJE, Economics); Sjöberg, 2009 (ESR Sociology)

Table 2 continued

Categories	Representative quotes	Cite (source, field)
(4) Effects and consequences	"Today, the most pressing questions concern inequality's social and political consequences" (Neckerman and Torche 2007, p. 350), "Americans were on average less happy in years with more societal income inequality than in years with less societal income inequality. We demonstrated that the negative association… was explained by perceived fairness and general trust" (Oishi et al. 2011, p. 1099), "Income inequality had a strong negative effect on the political interest of those with incomes in the median quintile or below" (Solt 2008, p. 54), "The differences in the prevalence of health and social problems associated with inequality are very large: Related to inequality, there are threefold differences in rates of mental illness, two- or threefold differences in obesity and homicide rates, and even bigger differences in the proportion of the population imprisoned" (Wilkinson and Pickett 2009b, p. 505)	Neckerman and Torche, 2007 (ARS, Sociology); Oishi, Kesebir, and Diener, 2011 (PS, Psychology); Solt, 2008 (AJPS, Political Science); Wilkinson and Pickett, 2009 (ARS, Health Science)

ABS American Behavioral Scientist, *AJPS* American Journal of Political Science, *AJS* American Journal of Sociology, *ASR* American Sociological Review, *ARS* Annual Review of Sociology, *ESR* European Sociological Review, *IJS* International Journal of Sociology, *JEL* Journal of Economic Literature, *JICEP* Journal of International Commerce, Economics and Policy, *JPE* Journal of Population Economics, *NLF* New Labor Forum, *PS* Psychological Science, *QJE* Quarterly Journal of Economics

(1997) examine a wide range of determinants of family income inequality at the US county level.

The second group of articles in Table 2—the articles in row labeled "Competing Causal Narratives"—is representative of the diversity of approaches to the topic. Esping-Andersen (2007) argues that cross-sectional snapshots of inequality are an inadequate reflection of more important sociological considerations. Although lifetime-based income distributions demonstrate that a portion of inequality is transitory (i.e., based on life-stage), there is evidence that increasing inequality is associated with lower levels of lifetime and intergenerational mobility, and is therefore associated with inequitable differences in individual life chances and opportunity sets. He concludes that marital instability, marital selection processes, and patterns of female labor supply are important pieces of the inequality puzzle. Hanley (2010) argues that right-to-work laws in the South and Southwest after World War II resulted in a shift of production away from geographic areas in which organized labor exercised wage-setting influence, and this ultimately led to a reconfiguration of labor relations. Initially, this spatial restructuring of production capacity led to lower levels of national inequality as the Southern and Southwestern labor markets converged with the rest of the country. After approximately 1970, however, this configuration of industrial development contributed to the rapid erosion of the power of organized labor, and this freed business from inequality-reducing labor market norms and institutions, thereby contributing to rising inequality. Mishel, Schmitt, and Shierholz, in contrast, attribute rising inequality to an array of economic policies, arguing that other explanations detract from what they believe to be the real cause: "conscious choices about economic policy, which have consistently undermined the bargaining power of workers at the middle and the bottom" (2014, p. 30). Similarly, Morgan and Cha (2007) approach inequality from a bargaining position perspective, arguing that it can be explained as the destruction of labor-based rent (defined as the difference between actual wages and wages that would have been paid under perfect competition).

The third category in Table 2 includes articles that address corporate governance practices. Piketty (2014), building on earlier work (Piketty and Saez 2003), demonstrates that the majority of rising inequality over the past three decades in the US can be attributed to emergence of managerial supersalaries. He argues that explanations related to education, technology, and marginal productivity inadequate because they fail to explain why income gains have been primarily limited to the very top of the income hierarchy (the top 1 %, or even the top .1 %), when "it is hard to see any discontinuity between 'the 9 percent' and the 'the 1 percent,' regardless of what criteria we use: years of education, selectivity of educational institution, or professional experience" (Piketty 2014, p. 314). Sjöberg (2009) focuses on the impact of corporate governance practices on income inequality in a sample of OECD countries between 1979 and 2000. His work reframes the agency-theory narrative that managers will pursue their own (inefficient) interests unless given sufficient incentives to "align" their interests with the interests of shareholders. According to Sjöberg, a more accurate way to frame this relationship is that shareholders pay CEOs and top managers to prioritizing their interests over the interests of

labor in general, and even though shareholders might prefer to pay CEOs and top mangers less, they view it as necessary to keep downward pressure on other employee's wages. This is accomplished through various mechanisms, including minimizing investment in job training, engaging in frequent restructuring and outsourcing, and utilizing temporary employment.

The last category in Table 2 highlights research in sociology, psychology, political science, and the health sciences on the effects and consequences of rising inequality.[2] Neckerman and Torche (2007) summarize research on the social and political consequences of inequality, concentrating on the impact of inequality in the areas of health, education, crime, social capital, and political power. Using General Social Survey data from 1972 to 2008, Oishi et al. (2011) argue that the inequality is inversely related to perceived fairness, trust, and general levels of happiness. This research taps into the notion that inequality can be conceptualized as a negative moral and ethical externality associated with a quantifiable psychological cost. Solt, a political scientist, demonstrates that rising inequality is negatively associated with general levels of political interest, discussion of politics, and the likelihood of participation in elections, concluding that "higher levels of economic inequality tend to depress the political engagement of most citizens" (2008, p. 58). Wilkinson and Pickett (2009b) review evidence that suggests that social problems, such as mental illness, incarceration rates, teenage pregnancy rates, drug abuse, and violence, among others, are more prevalent in more unequal societies. They argue that health and social problems with pronounced social gradients are more likely to be correlated with income inequality, and that the "obvious interpretation is that health and social problems whose frequency is affected by social status are made worse by increased status differentiation" (Wilkinson and Pickett 2009b, p. 504).

Comparing Inequality Research in Management and Other Fields

The literature represented in Table 2 is a relatively small sample of the work on inequality in fields outside of management. Although not intended to be an exhaustive review, considered collectively, even this relatively small sample is sufficient to support a number of general observations. The datasets employed in inequality research outside management are often more detailed and comprehensive than the inequality data often cited in management work (see, for example, Piketty 2014). Because the research in Table 2 is drawn from different disciplines, research exhibits a greater range of ideological and theoretical perspectives. Finally, work outside management appears more likely to be multinational and cross-cultural in scope.

Comparing Tables 1 and 2 by research category yields several observations. Because the research presented in Table 2 represents only a small sample of the voluminous research on inequality outside of the management field; however, these observations should be considered tentative. Comparing the first category—Overview, Description, and Assessment—suggests that work outside management has produced more detailed and comprehensive datasets characterized by greater historical and cross-sectional scope. A quick comparison of research in the second category—Competing Causal Narratives—suggests that ongoing attempts to elaborate and test different causal mechanisms are shaped by each field's accepted set of constructs and assumptions about appropriate level of analysis. Research on corporate governance and inequality (the third category, see Tables 1, 2) is similar with respect to its focus on organizational governance dynamics that contributed to the rise of supermanagers and supersalaries. Finally, comparison of research on causes and consequences of inequality yields an interesting contrast. In management, almost every research article cited in Table 1 emphasizes the potential of rising inequality to undermine and disrupt our current economic system. On the other hand, research outside of management focuses on the impact of inequality on individual and societal health and well-being.

Because organizations are almost entirely absent from macro-level economic and sociological models, however, there is almost no recognition of organizations' reactive or constitutive roles in shaping inequality trends. In addition to mediating or filtering the effects of different demographic or macroeconomic shifts on income inequality, organizations also actively work to manage or shape those trends. In other words, organizations are active (and willful) participants in shaping broad economic and social trends. For example, businesses actively influence education policy, collectively determine the trajectory of new technology, and contribute to the formulation and implementation of an array of different government policies and programs. Finally, because organizations are largely absent from inequality theorizing, their potential to be part of the solution is often underestimated. Because of this oversight, it is often unclear what businesses can or should be doing to help combat rising levels of inequality.

[2] Although not included in this table, much of the dialog on the effects of inequality has taken place in popular press books (see, for example, Frank and Cook 1995; Johnston 2014; Kalleberg 2011; Korten 2001; Noah 2012; Stiglitz 2012; Taibbi 2014; Uchitelle 2007; Wilkinson and Pickett 2009a) and in reports and other publications from different academic and policy centers (e.g., The Stanford Center on Poverty and Inequality, the Institute for Research on Poverty at the University of Wisconsin-Madison, the Center for Poverty Research at UC Davis, the Center for the Study of Inequality at Cornell University).

Firms and Income Inequality: A Conceptual Framework

At the outset of this paper, we indentified two obstacles to inequality research in the management field: (1) the difficulty and complexity of bridging different levels of analysis and (2) resistance to reexamining business orthodoxy with respect to the purpose and function of management practice. A more immediate—and practical—concern, however, is that management scholars have yet to delineate a conceptual framework within which causal linkages between business activity and income inequality can be fruitfully explored. A conceptual framework can be envisaged as intellectual scaffolding, constructed from definitions, concepts, logical connections, and beliefs that serve to organize and structure intellectual engagement with a specific phenomenon (Maxwell 2013). Following Miles and Huberman, a conceptual framework "explains, either graphically or in narrative form, the main things to be studied—the key factors, constructs or variables—and the presumed relationships among them" (1994, p. 18). Two paradigmatic examples from the field of strategic management are Porter's five forces framework (1980, 2008) and the resource-based view (RBV) of the firm (Barney et al. 2001; Collis and Montgomery 1995). Both of these frameworks associate a particular set of constructs with scholarly inquiry into the level and durability of firm profitability. Although there are ongoing debates about the kind of theory these frameworks represent (DiMaggio 1995), with some scholars questioning whether or not the RBV should be considered a theory at all (Priem and Butler 2001a, b), these frameworks have been influential in shaping research agendas in strategic management for more than two decades (Hoskisson et al. 1999; Ramos-Rodríguez and Ruíz-Navarro 2004).

Although our intention is to delineate a conceptual framework that is as accommodating as possible to different methodological approaches, we should acknowledge that the conceptual framework we propose is grounded in a functionalist paradigm (Turner 2006). We assume, for example, that aspects of social reality can be objectively measured (e.g., income inequality) and we seek to promote scholarly inquiry that focuses on elaborating causal relationships. Furthermore, in the case of income inequality, we explicitly acknowledge our hope that causal explanations, once identified, will serve as the basis for changes in business practices (and pedagogy) that will mitigate recent trends. Our conceptual framework, therefore, is consistent with sociological positivism in the sense that it reflects a commitment to "a philosophy of social engineering as a basis of social change and emphasizes the importance of understanding, order, equilibrium and stability in society and the way in which these can be maintained" (Burrell and Morgan 1979, p. 26). Although do not mean to suggest that other epistemological stances (e.g., interpretivism, hermeneutics, and social construction) are any less valid or potentially useful (Schwandt 2000), given the level of analysis challenges, we identify and our stated objective of identifying causal mechanisms that can then be utilized to mitigate (if not reverse) current inequality trends, our commitment to a functionalist paradigm should not be surprising.

We have made the case that management scholars need to examine the relationship between business practices and income inequality. We now introduce a conceptual framework that introduces a set of constructs—and logical connections between those constructs—that can be used for this purpose. In this model, societal groups and the labor market are represented, along with firms, institutional and governmental policies and laws, and societal norms, narratives and expectations (see Fig. 3). One of the primary functions of top managers is to structure and coordinate productive activity within the firm with the objective of maximizing economic value. Another equally important, but less recognized, function of top mangers is to allocate or distribute this economic value. Figure 3 focuses on this second function. One of the underlying premises of Fig. 3 is that firms act as economic switchboards (or to employ another analogy, as railroad switching yards) that route economic value to different individuals or societal groups. In order to understand the marked increase in income inequality since 1980 (see Fig. 1), it is necessary to examine changes in how firms distribute economic via their exchanges relationships. This requires a systemic approach in which exchange interdependencies and tradeoffs are examined, and in which the normative and legal contexts in which these exchanges take places are represented as both determinant and product of firm behavior.

In Fig. 3, society is broken down into three interdependent categories of individuals: capital (or investors), labor (or employees), and consumers (or customers). Each is represented with dotted lines to indicate group porousness and membership overlap. Key relationships between firms and other elements of the model are represented by black bi-directional arrows (see Fig. 3). The first three arrows in Fig. 3 represent voluntary mutually beneficial exchange relationships between firms and individuals in different societal groups (capital, labor, consumers). Firms, as legal fictions, can be viewed in abstract as the institutional products of societal efforts to structure and facilitate economic activity (Granovetter and Swedberg 2011). Taken together, these three exchange relationships represent a modified (and simplified) circular-flow diagram similar to those typically found in macroeconomic

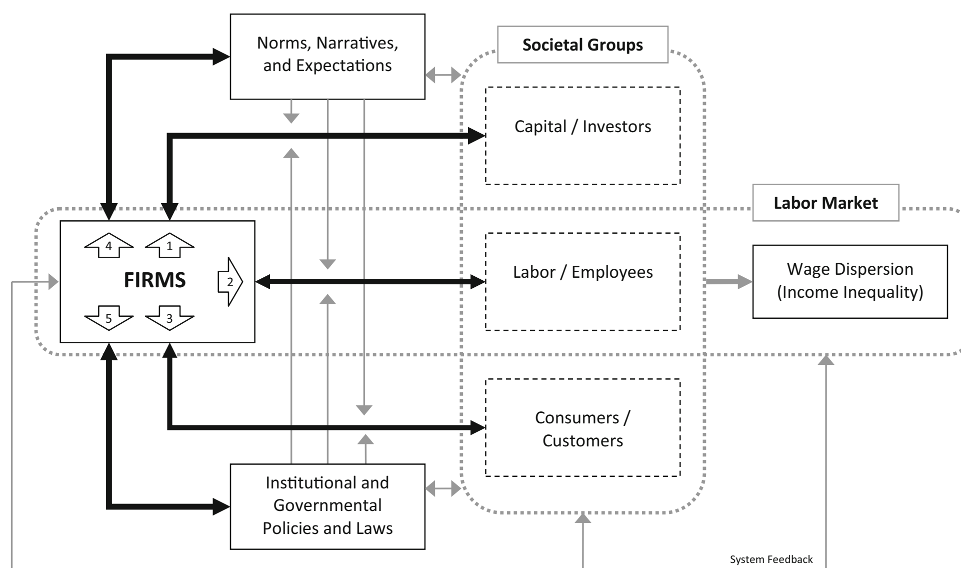

Fig. 3 Relationships between firms, the labor market, society, and income inequality

textbooks (e.g., Krugman and Wells 2013). From an input–output perspective, firms draw on resources provided by suppliers of capital (investors) and labor (employees) to produce goods and services demanded by consumers (customers). It is assumed that the over-arching purpose of individual firms is to create economic value, and that this occurs "when a producer combines inputs such as labor, capital, raw materials, and purchased components to make a product whose perceived benefit B exceeds the cost C incurred in making the product" (Besanko et al. 2010). In other words, the total value of goods and services (outputs) should be greater than the total value of associated resources and labor (inputs). Management is assumed to play two roles in the creation of economic value. First, managers structure and coordinate productive activity within firms. Although this role is often linked to the objective of maximizing shareholder returns, from a more societal or systemic perspective, this objective can be conceptualized more broadly as maximizing the difference between the total value of organizational inputs and the total value of organizational outputs, thereby creating as much economic value as possible. Second, by structuring exchange relationships with capital, labor, and consumers, respectively, managers determine how economic value, once created, is distributed across these different groups.

Two additional arrows in Fig. 3 represent the relationship between firms and societal norms, narratives and expectations, and institutional and governmental policies and laws. As indicated by bi-directional arrows, these relationships are mutually constitutive, with firms simultaneously supported and constrained by the norms, policies, and laws that they help shape and perpetuate through their collective behavior. Norms, policies, and laws are not represented as exogenous factors, but as the product of social processes in which firms are active participants (Ostas 2001). For example, firm actively participate in shaping and perpetuating norms, policies, and laws by way they present and frame different issues in their communication with employees and other stakeholders, in their interactions with the business media and the popular press, in their efforts to influence business pedagogy, by funding academic research, think tanks, and policy centers, and by direct lobbying and other efforts to influence democratic processes, and so on. The impact of norms, policies, and laws on the exchange relationships between firms and different societal groups (i.e., capital, labor, and consumers) is represented in Fig. 3 by smaller gray arrows. The time, energy, and resources that firms devote to shaping norms, policies, and laws attest to their perceived significance (Lux et al. 2011; Schuler 2008). Societal influence on norms, policies, and laws, and system feedback are also represented by gray arrows (see Fig. 3). In the following sections, we comment briefly on three important aspects of our conceptual framework.

Circular Flows

Figure 3 is modeled, in some respects, after circular-flow diagrams used in macroeconomics to conceptualize and track national accounts (Krugman and Wells 2013). From a macroeconomic perspective, labor and consumers are often conceptualized as a single entity (households), and if framed this way, it is more obvious that compensation for labor (wages) cycles back to firms in the form of payments for goods and services (or, from the perspective of the consumer, payments for goods and services cycle back to them in the form of wages). From this perspective, firms (and economic institutions, in general) represent a complex

form of economic organization that allows individuals to exchange their labor for a general claim (in the form of money) on goods or services produced elsewhere in the economic system. This allows individuals to engage in labor that is disconnected or unrelated to their consumption patterns, in contrast to more rudimentary economic arrangements in which individuals directly consume what they are able to produce (e.g., subsistence farming). This allows for labor specialization, emergence of capital-intensive production processes, and aligns individual incentives with collective interests in important ways (Lindblom 2001).

Bargaining Power

One of the basic tenets of neoliberalism is that economic markets represent the most direct path to collective prosperity (Kuttner 1996). This notion is grounded in economic theory that links ideal or perfectly competitive markets to productive and allocative efficiency, and the maximization of social surplus (Bator 1957; Lindblom 2001; Walters 1993). It is important to acknowledge that under these conditions competitive pressure will force firms to sell their goods and services at marginal cost. Providers of capital (investors) will realize a return sufficient to compensate them for the time-value of utilized resources and the associated risk of loss, but nothing more. Likewise, employees will be paid enough to compensate them for their labor, but nothing more. In other words, in perfectly competitive markets, capital and labor will receive only the minimum required to induce continued contribution to the firm, with the remaining economic value going to consumers.

In reality, however, firms are often able to exercise a significant degree of bargaining power across these different exchange relationships. The field of strategic management is predicated on the assumption that firms can—and should—work to maximize bargaining power in pursuit of durable competitive advantage (Porter 1996, 2008). If firms can achieve a degree of bargaining power in their exchange relationships with consumers, for example, then they can raise prices above marginal costs, and this will yield a stream of economic value greater than that required to pay for inputs (i.e., greater than marginal costs). These abnormal returns are then cited as evidence of competitive advantage. This economic value is then subsequently distributed, in various ways, to consumers, labor, and capital through the firm's exchange relationships with these different groups (see Fig. 3). For example, firms might elect to lower their prices below marginal costs for a period of time in an effort to gain market share, thereby delivering this the economic value in form of consumer surplus to future customers. Alternatively, the compensation of top managers could be raised above the minimum level, they would except to remain with the firm. Note that in an ideal market for managerial talent, aspiring managers would compete with each other by lowering the cost of their labor until the market price of this labor had been reduced to a "marginal cost" floor below which market participants would be unwilling to sell their labor. Similarly, managers might elect to pay line employees more than the minimum required to secure their labor. Another option would be to warehouse this economic value in the form of shareholder equity with the understanding that it would eventually be distributed to shareholders (through any number of different mechanisms). We will return to the issue of tradeoffs across these different exchange relationships and the implications of these tradeoffs for income inequality in our subsequent discussion of potential research directions.

Complexity

A comment is in order with regard to the complexity of our conceptual model. Our model crosses different levels of analysis, for example, and includes bi-directional relationships represented by individual arrows that have served as the basis for entire subfields of research. For example, neoinstitutional theory focuses on the complex and mutually constitutive relationship between firm behavior and norms, narratives, and expectations (Greenwood et al. 2008; Lawrence et al. 2009; Thornton et al. 2012). Likewise, the relationship between firms and institutional and governmental policies and laws is equally complex. Both of these relationships are characterized by level of analysis issues that involve social dilemmas and collective action (Coleman 1990). How firms cooperate (or fail to cooperate) with other firms in working to shape different policies and laws that govern the right of employees to unionize, for example, contributes to shaping the context in firms engage in economic exchange for labor inputs (and will determine, to a certain extent, the degree of bargaining power firms are able to exercise in this relationship). The degree of bargaining power firms exert with respect to labor will determine, to a certain extent, the range of potential distributional tradeoffs firms can make in their exchange relationships with different societal groups.

We recognize that more needs to be said with regard to the distributional impact of how firms manage their exchange relationships with different societal groups, and how these decisions, in aggregate, are reflected in income inequality trends. We will return to this question in the next section. For now, we acknowledge that understanding this relationship requires moving from the level of individual firms to macro- or societal measures of wage dispersion (another level-of-analysis disjuncture). Understanding changes in income inequality over time requires a complex systemic approach in order to capture relevant constructs

and potential causal paths. Despite underemphasizing the role of organizations, existing inequality research lends validity to many of the potential causal paths between firm behavior and income inequality in Fig. 3. For example, research has addressed the role of different policies and laws (Mishel et al. 2014), shifts in bargaining power between firms and labor (Morgan and Cha 2007), the deployment of capital in the form of new workplace technologies (skill-biased technological change) (Kierzenkowski and Koske 2013), the perpetuation of ideologies that privilege the providers of capital (investors) (George 2014), and an over-emphasis on delivering consumer surplus in a way that creates structural imbalances in our economic system (D'Aveni 2012a, b). These shifts have the potential to alter the distributional characteristics of firm-level exchange relationships in ways that impact income inequality. Our contribution is to delineate a systemic framework that links firms to inequality in a way that will facilitate the elaboration of more specific (and empirically testable) casual relationships. Dealing effectively with level of analysis issues will be one of the primary challenges that future researchers will have to confront.

Research Directions: Description and Cause-and-Effect Relationships

In our discussion of research directions, we focus on four areas in which management scholars can contribute to ongoing research on income inequality: (1) data and description, (2) organizational dynamics, (3) collective action, and (4) value flows and tradeoff (see Table 3). The first two areas—data and description, and organizational dynamics—are primarily concerned with contributing to a more detailed and nuanced picture of income inequality from an organizational perspectives. The second two areas—collective action, and value flows and tradeoffs—are primarily concerned with establishing cause-and-effect relationships between firm behavior and income inequality. Table 3 includes representative questions designed to stimulate research in each of these areas along with a brief listing of existing management research streams (with key citations) that could be leveraged to address these questions. We will rely on Table 3 and Fig. 3, and our previous review of inequality research, both within and outside of management, in our brief discussion of these different potential research directions.

Data and Description

Important recent advances in our understanding of the nature of recent inequality trends have shaped the direction of inequality research in significant ways (Piketty 2014). For example, we now know that approximately 75 % of the income of the top 10 % of the income hierarchy in the US is labor-based (i.e., derived from wages, salaries, and pensions) (Piketty and Saez 2003, 2007). Although substantial effort has gone into mapping the relative distribution of income across different social groups (e.g., groups defined by educational background, race, gender, profession, etc.) (see, for example, Bakija et al. 2012; Congressional Budget Office 2011; The Stanford Center on Poverty and Inequality 2014), relatively little effort has been devoted to tracking income variance within and across organizations, industry groups, industries, and sectors. Although we now understand that income dispersion has increased at the population level, and to varying degrees, within certain social group within the population, we do not know, for example, whether or not this dispersion has occurred primarily *within* organizations or *between* organizations. In other words, has the gap between a typical organization's lowest and highest paid employees increased more or less than the gap between what employees are paid, on average, in low-paying organizations versus high-paying organizations?

Although significant work has been done on CEO pay (e.g., Faulkender et al. 2010), there is a need for more comprehensive and nuanced work on pay dispersion, both within organizations, and across organizations, industries, and sectors. A greater understanding of the topography of pay dispersion is critical for understanding how organizations are implicated in current inequality trends and for developing an accurate map of causal relationships. If, for example, intra-organizational wage dispersion has *decreased* over time, but this decrease has been masked by a larger *increase* in inter-organizational pay disparity, a much different approach might be taken by management scholars that if the reverse were true. The same general observation holds in the case of industry groups, industries, and sectors. As we suggest in Table 3, management scholars currently researching compensation systems, particularly those expertise in the study of pay dispersion and/or pay disparities (see, for example, Brown et al. 2003; Ji and Oh 2014; Shaw et al. 2002; Siegel and Hambrick 2005), may be uniquely positioned to make contributions in this area.

Organizational Dynamics

Skill-biased technological change remains one of the most widespread explanations for increasing inequality. Although the notion that technological advances might increase the relative productivity of certain work (e.g., those with specialized skills, or those performing non-routine tasks) is intuitively appealing, and has received considerable scholarly attention, particularly in economics

Table 3 Areas of potential contribution of management field to inequality research

Categories	Important questions and areas of potential contribution	Relevant management research streams
Data and description	Approximately 2/3rds of the increase in income inequality in the US since 1980 can be attributed to wage dispersion (Piketty 2014). Where has this wage dispersion taken place? Within certain kinds of organizations? Within organizations in general? Between organizations? Within or between industries? In general, how has the increase in wage dispersion (or wage variance) over the last 30 years been distributed within organizations and across organizations, industries, and sectors?	*Compensation systems* (pay dispersion and/or pay disparities): Brown et al. (2003), Ji and Oh (2014), Shaw et al. (2002), Siegel and Hambrick (2005), Trevor et al. (2012) and Wade et al. (2006)
Organizational dynamics	Can management scholars bring organizational context into skill-biased technological change arguments (both the canonical view and the nuanced view) (Kierzenkowski and Koske 2013)? In what ways do organizations moderate hypothesized relationships between income inequality and globalization, immigration patterns, demographics changes in the workforce, education trends, and the evolution of labor market institutions? How have organizations responded to these trends? How have organizations contributed to—and intentionally worked to shape—these trends?	*Technology diffusion* (technology adoption, technology use): Fiol and O'Connor (2003), Katz and Shapiro (1986), Lanzolla and Suarez (2012) and Rogers 1995; industrial relations and *human resource management* (diversity, gender pay gap, outsourcing and offshoring, returns to education, unionization): Colvin et al. (2001), Lips (2013), Nkomo and Hoobler (2014), Reitz and Verma (2004) and Syed (2008)
Efficiency, value flows, and tradeoffs	Economic theory has been criticized for treating technological change as an exogenous force. From a management perspective, however, it is understood that organizations operate on both the supply and demand side of technological change, and therefore collectively shape observed trajectories of technological change. Recognizing that organizational strategy is "irremediably political in practice" (Clegg et al. 2011, p. xxiii), how do organizational decisions with regard to technology affect the distribution of economic value across consumers, labor, and capital (see Fig. 3). For example, do organizations define "efficiency" in ways that make technologies that increase the bargaining power of capital (and-or reduce the bargaining power of labor) more likely to be produced and adopted? For example, is a technology that increases the amount of work required to complete a task, but lowers the cost of that work to the organization (because it allows the organization to pay less for it), more efficient? How does the resolution of these types of tradeoffs impact income inequality?	*Stakeholder theory* Donaldson and Preston (1995), Dunfee (2008), Freeman (1984), Freeman et al. (2010) and Laplume et al. (2008); *stakeholder management theory* Agle et al. (1999), Bridoux and Stoelhorst (2014) and Mitchell et al. (1997); *critical management theory* (role of ideology, politics, and power): Alvesson and Willmott (1992, 2012), Child (1972), Clegg et al. (2011), Dyer et al. (2014), Parker (2002), Rasche (2007) and Stewart (2009)
Collective action	How do firms shape the legal and policy environment in ways that affect income inequality? In particular, how do organizations work to shape laws and policies that impact the relative bargaining power of consumers, labor and capital, and how do these changes impact the distribution of economic value across these different stakeholders? How do organizations shape and perpetuate expectations, norms, and narratives that influence how people view organizational relationships with (and responsibilities to) consumers, labor and capital and how do these norms and narratives affect the relative distribution of economic value across these same constituencies? Finally, how do the incentives faced by individual firms differ from the collective interest of businesses as a group? Does behavioral interdependence across firms (and other economic institutions) create social dilemmas, and if so, how do organizations work to collectively resolve these dilemmas? What are the key determinants, at the organizational level of cooperation with collective effects to resolve these dilemmas?	*Corporate social responsibility* (extended view of corporate citizenship): Matten and Crane (2005), Pies et al. (2014) and Scherer et al. (2006, 2014); *corporate political activity* Hillman et al. (2004), Hond et al. (2014), Lux et al. (2011) and Schuler (2008); *neoinstitutional theory* (legitimacy): Cloutier and Langley (2013), Powell and DiMaggio (1991), Scherer et al. (2013) and Suchman (1995)

(Kierzenkowski and Koske 2013), the role of organizations in shaping, adopting, and implementing new technologies is conspicuously absent in most of this research. If technology is responsible for "hollowing out" the middle of the wage hierarchy, as advocates of skill-biased technology change suggest, then it is important to understand the organizational incentives and processes that contributed to the commercialization, adoption, and implementation of these technologies. These same arguments apply to other broad explanations offered for uneven macro-level shifts in the supply and/or demand of wage labor, such as globalization, immigration patterns, demographic shifts in the

workforce, education trends, and the role of different labor market institutions. In each case, although organizations are positioned between these shifts and macro-level inequality trends, the mediating role of organizations is often ignored. Management scholars working in the area of technology diffusion (see, for example, Fiol and O'Connor 2003; Katz and Shapiro 1986; Lanzolla and Suarez 2012) may be uniquely positioned to contribute to existing work on inequality by explicitly addressing the effect of technological adoption and implementation on pay dispersion. Likewise, management scholars in the human resource management areas, particularly those examining issues related to diversity, the gender pay gap, outsourcing and offshoring, returns to education, and unionization, may be able to contribute to our understanding of how the effects of macro-level supply and demand shifts in the labor market are mediated by organizational processes.

Collective Action

In Fig. 3, Arrows 1 and 2 involve a critical change in level of analysis. In both cases, individual firms, each largely pursuing its own individual interests, actively work together to shape the norms, narratives, and expectations, and the institutional and governmental policies and laws that legitimate, constitute, and constrain businesses. These arrows represent recursive, mutually constitutive, and in many cases, counter-intuitive relationships that span multiple level of analysis. Although scholars outside of management have linked certain economic policies to rising income inequality, as is the case with other approaches in economics and sociology, the role of the organization in shaping and responding to these policies is often underspecified. For example, Mishel et al. (2014) link inequality to a number of different policies and laws, including monetary policies, trade agreements, deregulation, and laws governing unions and other labor market institutions, but almost entirely neglect the role of organizations in shaping these different policies. These relationships involve collective action on the part of the business community, and therefore exhibit a number of different social dilemma characteristics, including those on display in classic prisoner's dilemma situations and in contexts involving the management of common or shared resources (Axelrod 1984; Heckathorn 1996; Kollock 1998; Ostrom 2010).

One causal path, for example, involves shifting norms, narratives, and expectations (see Fig. 3). Because changes to norms, narratives, and expectations moderate the relationship between firms and labor, if changes to these norms have enhanced the bargaining power of firms with respect to unskilled labor (while reducing it in the case of top level managers), this could contribute to inter-organizational pay dispersion and to overall income inequality. Although straightforward in one sense, this causal path involves a shift in level-of-analysis from individual firms to norms, narratives, and expectations (see Fig. 3, Arrow 4), assumes an uneven moderating effect on the direct relationship between firms and their employees (e.g., by decreasing the bargaining power of unskilled labor, but increasing the bargaining power of top managers), and then involves a second level of analysis shift from the organization to macro-level measures of income inequality. An analogous causal path extends from firms to institutional and governmental policies and laws (see Fig. 3, Arrow 5) and could impact inequality through the same mechanisms. The systemic nature of these relationships becomes clear when it is recognized that increasing levels of income inequality will likely result in societal pressure to examine relevant norms, laws, and policies with the objective of making changes to mitigate inequality trends. As with other social systems, cause-and-effect relationships are complex and behavior by participants at one level of analysis required to produce desired outcomes at a higher level of analysis may be counter-intuitive (Senge 1990).

At least three different literature streams in management could be leveraged to explore the processes and organizational dynamics implicated in these causal paths. In particular, the extended view of corporate citizenship (a subarea of the corporate social responsibility literature) explicitly examines the political role of the business firm (Matten and Crane 2005; Pies et al. 2014; Scherer et al. 2006, 2014). Although this literature stream examines this role in a supra-national context in which global businesses often work together to establish cross-national governance structures, the focus on rule-setting processes and rule-finding discourses (see, in particular, Pies et al. 2010) is applicable in this context. Existing work on corporate political activity (Hillman et al. 2004; Hond et al. 2014; Lux et al. 2011; Schuler 2008) and on legitimacy (from a neoinstitutional perspective) (Cloutier and Langley 2013; Powell and DiMaggio 1991; Scherer et al. 2013; Suchman 1995) also represent potential valuable foundations for contributions in this area.

Value Flows and Tradeoffs

In Fig. 3, Arrows 1–3 represent direct exchange relationships with key societal groups. These arrows are bi-directional, with organizational inputs (capital, labor, revenue) flowing into firms and economic value flowing outward (investor returns, wages, and consumer surplus). Although the managerial function is often conceptualized as maximizing the amount of economic value created by the organization (i.e., by ensuring that the firm is "run" efficiently), management also determines, to a significant

extent, how the economic value created by the firm is distributed across these different exchange relationships. Examining the tradeoffs that organizations makes with respect to these exchanges represents a unique approach to understanding income inequality. The first step is to recognize the distributive implications of how firms structure these exchange relationships for society. For example, a firm with bargaining power over its employees (see Fig. 3, Arrow 2) may be tempted to push down wages in order to deliver more social surplus to consumers (by lowering its prices, or otherwise enhancing the value proposition of its products or services). Although this tradeoff may be profit neutral in the short term, offering greater value to consumers may yield an increase in market share or otherwise improve the competitive position of the company in ways that capital or investors may value. If the relative position of the company's employees is lower in the income hierarchy than that its customers, however, this tradeoff will effectively redistribute economic wealth upward (and exacerbate income inequality).

It is important to recognize that managers may make this kind of tradeoff even though it may be inefficient, in a strict economic sense, to do so. For example, if employees react to this tradeoff by reducing the quality of their labor input, the company may only be able to transfer a fraction of the economic value it extracts from its employees to its customers. In other words, its employees may perceive a loss of $1 million in annual economic value, but the company may only be able to deliver $500,000 in increased social surplus to its customers (D'Aveni 2012b). Making sense of these kinds of tradeoffs requires acknowledgement that organizational strategy is "irremediably political in practice" (Clegg et al. 2011, p. xxiii). Organizational decisions with regard to the acquisitions of resources, the development of different capabilities, and adoption and implementation of different technologies are all likely to affect the relative distribution of economic across capital, labor, and consumers.

Stakeholder theory, in general, has grappled with these issues (Donaldson and Preston 1995; Dunfee 2008; Freeman 1984, 2010; Freeman et al. 2010), as has stakeholder management theory (a sub-area of stakeholder theory) (Agle et al. 1999; Bridoux and Stoelhorst 2014; Mitchell et al. 1997). Critical management theory is also well positioned to examine these issues, particularly with respect to the role of ideology, politics, and power in determining how these tradeoffs are framed, resolved, and justified (Alvesson and Willmott 1992, 2012; Child 1972; Clegg et al. 2011; Dyer et al. 2014; Parker 2002; Rasche 2007; Stewart 2009). Because so little work on inequality has been done in the management field, opportunities for significant contributions are numerous. We are aware that our list of important questions and the nine different management research streams that may be leveraged to address these questions (see Table 3) are not, in any way, exhaustive. We present them as representative of the kinds of contributions that management scholar can—and should—make to the understanding income inequality.

Conclusion

We have argued that income inequality should be taken seriously by management scholars. Recent research has implicated both business practice and pedagogy by demonstrating that a majority of the rise in income inequality in the US in the last 30 years can be traced to growing disparities in wages, salaries, and pensions. Because these disparities can be traced to labor income, an understanding of the link between organizational processes and practices and recent inequality trends is essential. We have reviewed and assessed recent research, both in the management literature and in other fields, primarily economics and sociology, and delineated a theoretical model that highlights the mechanisms through which business practice (and, indirectly, business pedagogy and scholarship) effects income inequality. We have outlined four general areas in which management scholars are uniquely positioned to contribute to ongoing inequality research and proposed a number of relevant questions along with a brief list of existing management research streams (with key citations) that could be leveraged to address these questions. It is our hope that the realization that organizations (and other economics institutions) are complicit in producing distributive outcomes that are increasingly difficult to justify on a moral or ethical basis will motivate management scholars to actively contribute to income inequality research.

Our conceptual framework assumes that income inequality is at least partially determined by how firms distribute economic value through their exchange relationships with capital, labor, and consumers. It also assumes that changes in income inequality can partially be attributed to changes in firms' relative allocation of economic value across these same groups. Although our conceptual model focuses on income inequality in the US, it is applicable in other countries in which independent economic actors compete to create economic value by engaging in economic exchange with a similar set of societal groups subject to societal norms, policies, and laws. Comparative cross-country studies have the potential to be particularly useful, because cross-country differences in inequality trends can often be traced to specific differences in the ability of firms to distribute economic value. For example, different norms, policies, and laws in some countries give employees a greater claim on the economic

value they help create, and cross-country comparisons can serve to highlight potential cause-and-effect relationships between these differences and different inequality outcomes (DiPrete et al. 2006; Piketty 2014; Pontusson 2005). Likewise, differences in corporate governance approaches can also yield hypothetical linkages between different firm practices and inequality outcomes (Piketty 2014; Sjöberg 2009).

In addition to cross-country studies, our conceptual framework is also applicable to different market contexts. Some market contexts (i.e., some product market, industries, and economic systems) more closely approximate the ideal of the perfect competition market model than others (Walters 1993). Some markets are characterized by different types of market failure, for example (Cassidy 2009; Mrozek 1999). Approached from this perspective, economic markets can be viewed as a type of decentralized governance mechanism that functions better in some contexts that in others. Comparing the effect of differences in market functioning to differences in how firms allocate economic value across different exchange relationships also has the potential to highlight potential causal relationship between firm practices and inequality outcomes.

Acknowledgments We thank Dr. Roger Conaway, School of Business, Tecnologico de Monterrey (ITESM), San Luis Potosi, Mexico, Oliver Laasch, Marie Curie Research Fellow, Manchester Institute of Innovation Research (MIOIR), and Sustainable Consumption Institute, University of Manchester, and colleagues at The University of Texas at Tyler for contributions to the concepts and ideas in this manuscript.

References

Agle, B. R., Mitchell, R. K., & Sonnenfeld, J. A. (1999). Who matters to CEOs? An investigation of stakeholder attributes and salience, corporate performance, and CEO values. *Academy of Management Journal, 42*(5), 507–525.

Aguinis, H., Boyd, B. K., Pierce, C. A., & Short, J. C. (2011). Walking new avenues in management research methods and theories: Bridging micro and macro domains. *Journal of Management, 37*(2), 395–403.

Alderson, A., & Nielsen, F. (2002). Globalization and the great U-turn: Income inequality trends in 16 OECD countries. *American Journal of Sociology, 107*(5), 1244–1299.

Alvesson, M., & Willmott, H. (Eds.). (1992). *Critical management studies*. London: Sage Publications Ltd.

Alvesson, M., & Willmott, H. (2012). *Making sense of management: A critical introduction* (2nd ed.). Thousand Oaks, CA: Sage Publications, Inc.

Axelrod, R. (1984). *The evolution of cooperation*. New York: Basic Books.

Bakija, J., Cole, A., & Heim, B. T. (2012). *Jobs and income growth of top earners and the causes of changing income inequality: Evidence from U.S. tax return data*. Working Paper, Department of Economics, Williams College.

Barney, J., Wright, M., & Ketchen, D. J., Jr. (2001). The resource-based view of the firm: Ten years after 1991. *Journal of Management, 27*(6), 625.

Barton, D. (2011). Capitalism for the long term. *Harvard Business Review, 89*(3), 84–91.

Bator, F. M. (1957). The simple analytics of welfare maximization. *American Economic Review, 47*(1), 22–59.

Besanko, D., Dranove, D., Shanley, M., & Schaefer, S. (2010). *Economics of strategy* (5th ed.). Hoboken, NJ: Wiley.

Bower, J. L., Leonard, H. B., & Paine, L. S. (2011). Global capitalism at risk: What are you doing about it? *Harvard Business Review, 89*(9), 104–112.

Bridoux, F., & Stoelhorst, J. W. (2014). Microfoundations for stakeholder theory: Managing stakeholders with heterogeneous motives. *Strategic Management Journal, 35*(1), 107–125.

Brief, A. P. (2000). Still servants of power. *Journal of Management Inquiry, 9*(4), 342–351.

Brown, M. P., Sturman, M. C., & Simmering, M. J. (2003). Compensation policy and organizational performance: The efficiency, operational, and financial implications of pay levels and pay structure. *Academy of Management Journal, 46*(6), 752–762.

Burrell, G., & Morgan, G. (1979). *Sociological paradigms and organisational analysis: Elements of the sociology of corporate life*. Burlington, VT: Ashgate Publishing Company.

Cassel, D. (2001). Human rights and business responsibilities in the global marketplace. *Business Ethics Quarterly, 11*(2), 261–274.

Cassidy, J. (2009). *How markets fail: The logic of economic calamities*. New York: Farrar, Straus and Giroux.

Child, J. (1972). Organization structure, environment and performance: The role of strategic choice. *Sociology, 6*, 1–22.

Chinni, D., & Gimpel, J. (2011). The 12 states of America: Since 1980, income inequality has fractured the nation. *Atlantic Monthly, 307*(3), 70–71.

Clegg, S., Carter, C., Kornberger, M., & Schweitzer, J. (2011). *Strategy: Theory & practice*. London: Sage Publications Ltd.

Cloutier, C., & Langley, A. (2013). The logic of institutional logics: Insights from French pragmatist sociology. *Journal of Management Inquiry, 22*(4), 360–380.

Coleman, J. S. (1990). *Foundations of social theory*. Cambridge, MA: Belknap Press of Harvard University Press.

Collis, D. J., & Montgomery, C. A. (1995). Competing on resources: Strategy in the 1990s. *Harvard Business Review, 73*(4), 118–128.

Colvin, A. J. S., Batt, R., & Katz, H. C. (2001). How high performance human resource practices and workforce unionization affect managerial pay. *Personnel Psychology, 54*(4), 903–934.

Congressional Budget Office. (2011). *Trends in the distribution of household income between 1979 and 2007*. http://www.cbo.gov/publication/42729.

D'Aveni, R. A. (2012a). *Strategic capitalism: The new economic strategy for winning the capitalist cold war*. New York: McGraw-Hill.

D'Aveni, R. A. (2012b). When consumers win, who loses? *Harvard Business Review, 90*(9), 36.

Deaton, A. (2013). Unwinding inequality. *Harvard Business Review, 91*(12), 42–42.

Desai, M. (2012). The incentive bubble. *Harvard Business Review, 90*(3), 124–132.

DiMaggio, P. J. (1995). Comments on "What Theory is Not". *Administrative Science Quarterly, 40*(3), 391–397.

DiPrete, T. A., Goux, D., Maurin, E., & Quesnel-Vallee, A. (2006). Work and pay in flexible and regulated labor markets: A generalized perspective on institutional evolution and inequality

trends in Europe and the U.S. *Research in Social Stratification and Mobility, 24*(3), 311–332.
Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management Review, 20*(1), 65–91.
Dunfee, T. W. (2008). Stakeholder theory: Managing corporate social responsibility in a multiple actor context. In A. Crane, A. McWilliams, D. Matten, J. Moon, & D. Siegel (Eds.), *The Oxford handbook of corporate social responsibility* (pp. 346–362). Oxford: Oxford University Press.
Dyer, S., Humphries, M., Fitzgibbons, D., & Hurd, F. (2014). *Understanding management critically: A student text*. Thousand Oaks, CA: Sage Publications, Inc.
Esping-Andersen, G. (2007). Sociological explanations of changing income distributions. *American Behavioral Scientist, 50*(5), 639–658.
Faulkender, M., Kadyrzhanova, D., Prabhala, N., & Senbet, L. (2010). Executive compensation: An overview of research on corporate practices and proposed reforms. *Journal of Applied Corporate Finance, 22*(1), 107–118.
Ferguson, N. (2012). Rich America, poor America. *Newsweek, 159*(4), 42–47.
Fiol, C. M., & O'Connor, E. J. (2003). Waking up! Mindfulness in the face of bandwagons. *Academy of Management Review, 28*(1), 54–70.
Foroohar, R. (2014). Time to talk about the I word. *Time, 183*(5), 23.
Frank, R. H., & Cook, P. J. (1995). *The winner-take-all society: How more and more Americans compete for ever fewer and bigger prizes, encouraging economic waste, income inequality, and an impoverished cultural life*. New York: Martin Kessler Books.
Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman Publishing, Inc.
Freeman, R. B. (1996). Toward an apartheid economy? *Harvard Business Review, 74*(5), 114–121.
Freeman, R. E. (2010). Managing for stakeholders: Trade-offs or value creation. *Journal of Business Ethics, 96*, 7–9.
Freeman, R. E., Harrison, J., Parmar, B., & De Colle, S. (2010). *Stakeholder theory: The state of the art*. Cambridge: Cambridge University Press.
Galbraith, J. K. (1998). *Created unequal: The crisis in American pay*. New York: The Free Press.
George, J. M. (2014). Compassion and capitalism: Implications for organizational studies. *Journal of Management, 40*(1), 5–15.
George, G., McGahan, A. M., & Prabhu, J. (2012). Innovation for inclusive growth: Towards a theoretical framework and a research agenda. *Journal of Management Studies, 49*(4), 661–683. doi:10.1111/j.1467-6486.2012.01048.x.
Ghoshal, S. (2005). Bad management theories are destroying good management practices. *Academy of Management Learning and Education, 4*(1), 75–91.
Granovetter, M., & Swedberg, R. (2011). *The sociology of economic life* (3rd ed.). Boulder, CO: Westview Press.
Greenwood, R., Oliver, C., Sahlin, K., & Suddaby, R. (Eds.). (2008). *The SAGE handbook of organizational institutionalism*. London: Sage Publications Ltd.
Halstead, T. (2006). A homestead act for the twenty-first century. *Harvard Business Review, 84*(2), 44–45.
Hambrick, D. C., & Ming-Jer, C. (2008). New academic fields as admittance-seeking social movements: The case of strategic management. *Academy of Management Review, 33*(1), 32–54.
Hanley, C. (2010). A spatial perspective on rising inequality in the United States. *International Journal of Sociology, 40*(4), 6–30.
Hasanov, F., & Izraeli, O. (2012). How much inequality is necessary for growth? *Harvard Business Review, 90*(1/2), 28.
Heckathorn, D. D. (1996). The dynamics and dilemmas of collective action. *American Sociological Review, 61*, 250–277.
Hillman, A. J., Keim, G. D., & Schuler, D. (2004). Corporate political activity: A review and research agenda. *Journal of Management, 30*(6), 837–857.
Hond, F., Rehbein, K. A., Bakker, F. G. A., & Lankveld, H. K.-V. (2014). Playing on two chessboards: Reputation effects between corporate social responsibility (CSR) and corporate political activity (CPA). *Journal of Management Studies, 51*(5), 790–813.
Hoskisson, R. E., Hitt, M. A., Wan, W. P., & Yiu, D. (1999). Theory and research in strategic management: Swings of a pendulum. *Journal of Management, 25*(3), 417–456.
Husted, B. W. (2000). The impact of national culture on software piracy. *Journal of Business Ethics, 26*(3), 197–211.
Ji, Y.-Y., & Oh, W.-Y. (2014). An integrative model of diffusion and adaptation of executive pay dispersion. *Journal of Managerial Issues, 26*(1), 70–85.
Johnston, D. C. (Ed.). (2014). *Divided: The perils of our growing inequality*. New York: The New Press.
Judge, W. Q., Gaur, A., & Muller-Kahle, M. I. (2010). Antecedents of shareholder activism in target firms: Evidence from a multi-country study. *Corporate Governance: An International Review, 18*(4), 258–273.
Kalleberg, A. L. (2011). *Good jobs, bad jobs: The rise of polarized and precarious employment systems in the United States, 1970s to 2000s*. New York: Russell Sage Foundation.
Kaplan, S. N. (2008). Are U.S. CEOs overpaid? *Academy of Management Perspectives, 22*(2), 5–20.
Katz, M. L., & Shapiro, C. (1986). Technology adoption in the presence of network externalities. *Journal of Political Economy, 94*(4), 822–841.
Kawachi, I., & Kennedy, B. P. (1997). The relationship of income inequality to mortality: Does the choice of indicator matter? *Social Science and Medicine, 45*(7), 1121–1127.
Keister, L. A. (2014). The one percent. *Annual Review of Sociology, 40*, 347–367.
Kierzenkowski, R., & Koske, I. (2013). The drivers of labor income inequality—A literature review. *Journal of International Commerce, Economics and Policy, 4*(1), 1–32.
Kohls, J., & Christensen, S. L. (2002). The business responsibility for wealth distribution in a globalized political-economy: Merging moral economics and Catholic social teaching. *Journal of Business Ethics, 35*(3), 223–234.
Kollock, P. (1998). Social dilemmas: The anatomy of cooperation. *Annual Review of Sociology, 24*, 183–214.
Korten, D. C. (2001). *When corporations rule the world*. San Francisco, CA: Berrett-Koeler Publishers, Inc., and Bloomfield, CT: Kumarian Press, Inc.
Krugman, P., & Wells, R. (2013). *Economics* (3rd ed.). New York: Worth Publishers.
Kuttner, R. (1996). *Everything for sale: The virtues and limits of markets*. New York: Alfred A. Knopf.
Kuznets, S. (1953). *Shares of upper income groups in income and savings*. New York: National Bureau of Economic Research.
Kuznets, S. (1955). Economic growth and income inequality. *American Economic Review, 45*(1), 1–28.
Lanzolla, G., & Suarez, F. F. (2012). Closing the technology adoption-use divide: The role of contiguous user bandwagon. *Journal of Management, 38*(3), 836–859.
Laplume, A. O., Sonpar, K., & Litz, R. A. (2008). Stakeholder theory: Reviewing a theory that moves us. *Journal of Management, 34*(6), 1152–1189.
Lawrence, T. B., Suddaby, R., & Leca, B. (Eds.). (2009). *Institutional work: Actors and agency in institutional studies of organizations*. Cambridge, MA: Cambridge University Press.
Lazonick, W. (2014). Profits without prosperity. *Harvard Business Review, 92*(9), 46–55.

Lemieux, T. (2008). The changing nature of wage inequality. *Journal of Population Economics, 21*(1), 21–48.

Levy, F., & Murnane, R. J. (1992). U.S. earnings levels and earnings inequality: A review of recent trends and proposed explanations. *Journal of Economic Literature, 30*(3), 1333–1381.

Lindblom, C. E. (2001). *The market system: What it is, how it works, and what to make of it*. New Haven, CT: Yale University Press.

Lips, H. (2013). The gender pay gap: Challenging the rationalizations. Perceived equity, discrimination, and the limits of human capital models. *Sex Roles, 68*(3/4), 169–185.

Lux, S., Crook, T. R., & Woehr, D. J. (2011). Mixing business with politics: A meta-analysis of the antecedents and outcomes of corporate political activity. *Journal of Management, 37*(1), 223–247.

Margolis, J. D., & Walsh, J. P. (2003). Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly, 48*(2), 268–305.

Martin, R. L. (2014). The rise (and likely fall) of the talent economy. *Harvard Business Review, 92*(10), 40–47.

Martin, J. A., & Davis, K. J. (2010). Stacked deck: Can governance structures explain CEO compensation differences across countries? *Academy of Management Perspectives, 24*(1), 78–79.

Matten, D., & Crane, A. (2005). Corporate citizenship: Toward an extended theoretical conceptualization. *Academy of Management Journal, 30*(1), 166–179.

Maxwell, J. A. (2013). *Qualitative research design: An interactive approach*. Thousand Oaks, CA: Sage Publications, Inc.

McCall, L., & Percheski, C. (2010). Income inequality: New trends and research directions. *Annual Review of Sociology, 36*, 329–347.

McDonough, W. J. (1996). The challenge to U.S. business. *Harvard Business Review, 74*(5), 125.

Miles, M. B., & Huberman, A. M. (1994). *Qualitative data analysis: An expanded sourcebook* (2nd ed.). Thousand Oaks, CA: Sage Publications, Inc.

Mishel, L., Schmitt, J., & Shierholz, H. (2014). Wage inequality: A story of policy choices. *New Labor Forum, 23*(3), 26–31.

Mitchell, R. K., Agle, B. R., & Wood, D. J. (1997). Towards a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review, 22*(4), 853–886.

Morgan, S. L., & Cha, Y. (2007). Rent and the evolution of inequality in the late industrial United States. *American Behavioral Scientist, 50*(5), 677–701.

Morris, M. A., & Western, B. (1999). Inequality in earnings at the close of the twentieth century. *Annual Review of Sociology, 25*(1), 623.

Mrozek, J. R. (1999). Market failures and efficiency in the principles course. *Journal of Economic Education, 30*(4), 411–419.

Myles, J., & Myers, K. (2007). Introduction: Who get what and why? Answers from sociology. *American Behavioral Scientist, 50*(5), 579–583.

Neckerman, K. M., & Torche, F. (2007). Inequality: Causes and consequences. *Annual Review of Sociology, 33*, 335–357.

Nielsen, F., & Alderson, A. S. (1997). The Kuznets curve and the great u-turn: Income inequality in U.S. counties, 1970 to 1990. *American Sociological Review, 61*(1), 12–33.

Nkomo, S., & Hoobler, J. M. (2014). A historical perspective on diversity ideologies in the United States: Reflections on human resource management research and practice. *Human Resource Management Review, 24*(3), 245–257.

Noah, T. (2012). *The great divergence: America's growing inequality crisis and what we can do about it*. New York: Bloomsbury Press.

Oishi, S., Kesebir, S., & Diener, E. (2011). Income inequality and happiness. *Psychological Science, 22*(9), 1095–1100.

Ostas, D. T. (2001). Deconstructing corporate social responsibility: Insights from legal and economic theory. *American Business Law Journal, 38*, 261–299.

Ostrom, E. (2010). Analyzing collective action. *Agricultural Economics, 41*(6), 155–166.

Parker, M. (2002). *Against management: Organization in the age of managerialism*. Cambridge: Polity Press.

Pies, I., Beckmann, M., & Hielscher, S. (2010). Value creation, management competencies, and global corporate citizenship: An ordonomic approach to business ethics in the age of globalization. *Journal of Business Ethics, 94*(2), 265–278.

Pies, I., Beckmann, M., & Hielscher, S. (2014). The political role of the business firm: An ordonomic concept of corporate citizenship developed in comparison with the Aristotelian idea of individual citizenship. *Business and Society, 53*(2), 226–259.

Piketty, T. (2014). *Capital in the twenty-first century*. Cambridge, MA: The Belknap Press of Harvard University Press.

Piketty, T., & Saez, E. (2003). Income inequality in the United States, 1913–1998. *Quarterly Journal of Economics, 118*(1), 1.

Piketty, T., & Saez, E. (2007). Income and wage inequality in the United States 1913–2002. In A. B. Atkinson & T. Piketty (Eds.), *Top incomes over the twentieth century: A contrast between continental European and English-speaking countries* (pp. 141–225). Oxford: Oxford University Press.

Pontusson, J. (2005). *Inequality and prosperity: Social Europe vs. liberal America*. Ithaca, NY: Cornell University Press.

Porter, M. E. (1980). *Competitive strategy: Techniques for analyzing industries and competitors*. New York: Free Press.

Porter, M. E. (1996). What is strategy? *Harvard Business Review, 74*(6), 61–78.

Porter, M. E. (2008). The five competitive forces that shape strategy. *Harvard Business Review, 86*(1), 78–93.

Powell, W. W., & DiMaggio, P. J. (Eds.). (1991). *The new institutionalism in organizational analysis*. Chicago: The University of Chicago Press.

Priem, R. L., & Butler, J. E. (2001a). Is the resource-based "view" a useful perspective for strategic management research? *Academy of Management Review, 26*(1), 22–40.

Priem, R. L., & Butler, J. E. (2001b). Tautology in the resource-based view and the implications of externally determined resource value: Further comments. *Academy of Management Review, 26*(1), 57–66.

Ramos-Rodríguez, A.-R., & Ruíz-Navarro, J. (2004). Changes in the intellectual structure of strategic management research: A bibliometric study of the Strategic Management Journal, 1980–2000. *Strategic Management Journal, 25*(10), 981–1004.

Rasche, A. (2007). *The paradoxical foundation of strategic management*. Heidelberg: Physica-Verlag.

Reitz, J. G., & Verma, A. (2004). Immigration, race and labor: Unionization and wages in the Canadian labor market. *Industrial Relations, 43*(4), 835–854.

Rogers, E. M. (1995). *Diffusion of innovations* (4th ed.). New York: The Free Press.

Rost, K., & Weibel, A. (2013). CEO pay from a social norm perspective: The infringement and reestablishment of fairness norms. *Corporate Governance: An International Review, 21*(4), 351–372.

Scherer, A. G., Palazzo, G., & Baumann, D. (2006). Global rules and private actors: Toward a new role of the transnational corporation in global governance. *Business Ethics Quarterly, 16*(4), 505–532.

Scherer, A. G., Palazzo, G., & Matten, D. (2014). The business firm as a political actor: A new theory of the firm for a globalized world. *Business and Society, 53*(2), 143–156.

Scherer, A. G., Palazzo, G., & Seidl, D. (2013). Managing legitimacy in complex and heterogeneous environments: Sustainable

development in a globalized world. *Journal of Management Studies, 50*(2), 259–284.

Schuler, D. A. (2008). Peering in from corporate political activity. *Journal of Management Inquiry, 17*(3), 162–167.

Schwandt, T. A. (2000). Three epistemological stances for qualitative inquiry. In N. K. Denzin & Y. S. Lincoln (Eds.), *Handbook of qualitative research* (2nd ed., pp. 189–213). Thousand Oaks, CA: Sage Publications, Inc.

Sen, A. (1992). *Inequality reexamined*. Cambridge, MA: Harvard University Press.

Senge, P. (1990). *The fifth discipline: The art and practice of the learning organization*. New York: Doubleday.

Serwer, A. (2013). The income gap. *Fortune, 168*(4), 10.

Shaw, J. D., Gupta, N., & Delery, J. E. (2002). Pay dispersion and workforce performance: Moderating effects of incentives and interdependence. *Strategic Management Journal, 23*(6), 491.

Shrivastava, P. (1986). Is Strategic management ideological? *Journal of Management, 12*(3), 363.

Siegel, P. A., & Hambrick, D. C. (2005). Pay disparities within top management groups: Evidence of harmful effects on performance of high-technology firms. *Organization Science, 16*(3), 259–274.

Simpson, B. (2009). Wealth and income inequality: An economic and ethical analysis. *Journal of Business Ethics, 89*(4), 525–538.

Sjöberg, O. (2009). Corporate governance and earnings inequality in the OECD countries 1979–2000. *European Sociological Review, 25*(5), 519–533.

Solt, F. (2008). Economic inequality and democratic political engagement. *American Journal of Political Science, 52*(1), 48–60.

Stewart, M. (2009). *The management myth: Why the experts keep getting it wrong*. New York: W. W. Norton and Company.

Stiglitz, J. E. (2012). *The price of inequality: How today's divided society endangers our future*. New York: W. W. Norton and Company.

Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review, 20*, 571–610.

Sud, M., & VanSandt, C. V. (2011). Of fair markets and distributive justice. *Journal of Business Ethics, 99*(1, Supplement), 131–142.

Syed, J. (2008). Employment prospects for skilled migrants: A relational perspective. *Human Resource Management Review, 18*(1), 28–45.

Szmigin, I., & Rutherford, R. (2013). Shared value and the impartial spectator test. *Journal of Business Ethics, 114*(1), 171–182.

Tadajewski, M., Maclaran, P., Parsons, E., & Parker, M. (2011). *Key concepts in critical management studies*. Thousand Oaks, CA: Sage Publications, Inc.

Taibbi, M. (2014). *The divide: American injustice in the age of the wealth gap*. New York: Spiegel and Grau.

Talley, I. (2014, March 14). IMF warns on the dangers of growing income inequality. *Wall Street Journal* (*Eastern Edition*), A9.

The Stanford Center on Poverty and Inequality. (2014). *State of the union*: *The poverty and inequality report*. http://www.stanford.edu/group/scspi/center_events_sotu.html.

Thornton, P. H., Ocasio, W., & Loundsbury, M. (2012). *The institutional logics perspective: A new approach to culture, structure, and process*. Oxford: Oxford University Press.

Trevor, C. O., Reilly, G., & Gerhart, B. (2012). Reconsidering pay dispersion's effect on the performance of interdependent work: Reconciling sorting and pay inequality. *Academy of Management Journal, 55*(3), 585–610.

Turner, S. P. (2006). The philosophy of the social sciences in organizational studies. In S. R. Clegg, C. Hardy, T. B. Lawrence, & W. R. Nord (Eds.), *The Sage handbook of organization studies* (2nd ed., pp. 409–424). London: Sage Publications Ltd.

Uchitelle, L. (2007). *The disposable American: Layoffs and their consequences*. New York: Vintage Books.

U.S. Bureau of Economic Analysis. *Table 2.1*. *Personal income and its disposition*. Retrieved April 1, 2014, from http://www.bea.gov/iTable/index_nipa.cfm.

Wade, J. B., O'Reilly, C. A., I. I. I., & Pollock, T. G. (2006). Overpaid CEOs and underpaid managers: Fairness and executive compensation. *Organization Science, 17*(5), 527–544.

Walsh, J. P. (2008). CEO compensation and the responsibilities of the business scholar to society. *Academy of Management Perspectives, 22*(2), 26–33.

Walters, S. J. K. (1993). *Enterprise, government, and the public*. New York: McGraw-Hill.

Wilkinson, R., & Pickett, K. (2009a). *The spirit level: Why greater equality makes societies stronger*. New York: Bloomsbury Press.

Wilkinson, R. G., & Pickett, K. E. (2009b). Income inequality and social dysfunction. *Annual Review of Sociology, 35*, 493–511.