

When Diversity Fails:

A Morgan Stanley Case Study,

Article

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## I. Abstract

Any *Beauty and the Beast* fan will recognize the lyrics, "tale as old as time." They've never rung more true than with the highly publicized case of Marilyn Booker, who sued Morgan Stanley for millions of dollars in June of 2020. Booker filed her suit amid national turmoil surrounding the murder of George Floyd, not long after she was fired as Morgan Stanley's Chief Diversity Officer. Mrs. Booker, who recently settled out of court with Morgan Stanley, included clauses in her suit to prevent further discrimination and retaliation against Black women at the firm. In particular, she highlighted inequitable pay for Black people, lack of resources, institutional barriers to success, and access to career advancement opportunities for Black associates. Over her 26-year tenure at Morgan Stanley, Booker was consistently tokenized; she passed from one department to the next at the whim of white male superiors, cut off from resources, and denied the agency to make changes at the predominantly white institution.

In this article, I will further explore Marilyn Booker's story as a case study on the impacts of token DEI programs established to signal virtue to the public while internally remaining hostile, toxic, and abusive toward Black people—often Black women. Companies like Morgan Stanley typically maneuver in these hypocritical patterns, lacking interest or accountability for the resulting trauma and loss of livelihood as they systematically underfund, gaslight, deny, and scapegoat Black women. When Black women speak up or dare to make changes, they are regularly dismissed.

I will focus mainly on the failure of tokenized DEI, workplace support systems, H.R., and BIPOC led projects in these organizations. Finally, I will outline solutions for entities seeking to create truly effective HR DEI programs. In the United States, success and power are inextricably tied to institutionalized racism and its predecessors, a tale as old as time. Today, I will teach you how to restart the clock.

## II. Problem Statement: Introduction, Literature Review, Organization Background, & Case Background

#### Introduction

This section discusses the New York Times' June 2020 cover article, "She Spent 16 Years as Morgan Stanley's Diversity Chief, Now She is Suing." The story centers on the racial and gender discrimination of Ms. Marilyn Booker by her white superiors Morgan Stanley. Booker tried to lead DEI efforts in the company but was eventually fired for highlighting and promoting initiatives explicitly developed for Black employees.

#### III. Literature Review

This study uses the case of Morgan Stanley and Marilyn Booker to examine institutional racism and the power it wields against Black Americans, particularly Black women. Morgan Stanley represents American institutions at large by refusing to credit its success to Black people and all that was taken from them in the name of preserving institutional power. Before I delve into the background of Marilyn Booker's case against Morgan Stanley, it is essential to contextualize the sources I've used.

Much of the preliminary information in this paper is provided by the New York Times' 2020 article, "She Spent 16 Years as Morgan Stanley's Diversity Chief. Now She's Suing." This source provides an accurate timeline of events and is sparingly supplemented with references listed in Section I of the appendix. It also contains quotes from Booker that illustrate her mindset during the final weeks of her employment at Morgan Stanley. The New York Times article was published on the same day as the original court filing, so it lacks details that were more available in subsequent articles or after the filing was made public.

The original court filing between Marilyn Booker and Morgan Stanley provides explicit instances of institutionalized racism. Morgan Stanley privately suppressed efforts to support Booker and initiatives benefiting the Black community while publicly claiming to support it, but only when it suited their public agenda. For example, In 2013, Booker advocated for a mutual

fund with a \$5000 minimum buy-in to market to the Black community (Flitter, 2020). Not only was she rebuffed, but the fund was later created without her involvement and marketed to millennials instead of Black clientele. In 2020 however, the firm toted its donation to the NAACP's Legal Defense and Education Fund while addressing the country's "turning point in race relations" (CCAJD, 2020). This announcement coincided with the naming of Morgan Stanley's first and only Black operating committee member. This perfectly exemplifies how institutional racism protects the power of its benefactors.

Section II of the appendix lists sources used to illustrate how women of color are often thrust into leading DEI initiatives and then not provided the necessary resources to make the program's work impactful. Additionally, DEI programs often do not fall under the purview of their job description, so DEI leaders ultimately get asked to go uncompensated for their efforts. Seeing as I was unable to find examples of successfully run DEI programs in my research, the question arises as to whether such a thing is possible. The information gained from feedback from DEI leaders, women of color, and Critical Race Theory provides a promising framework on which to build.

While it is not a focus of this piece, Critical Race Theory (CRT) underlies much of the national discussion on making progress for people of color. CRT abides by the tenant that American institutions are inherently racist due to their creation amid a racist society. The theory most importantly challenges the perspective from which power is viewed and seeks to place historical victims of racism and intersectionality at the forefront as institutions evolve. It does not take much resourcefulness to recognize how this approach would improve the environment for people of color at Morgan Stanley.

Lastly, I included the American Chemical Society's (ACS) 2021 article, "A Model for Crafting Diversity, Inclusion, Respect, and Equity (DIRE) Policy Statements Toward Catalyzing Organizational Change." These policies build upon organizational behavior theories and CRT to guide an organization to comprehensively analyze its culture and create actionable commitments to communities and employees of color without further adding to their burdens (GENITTY,

2021). This case study is intended to analyze the failings of institutions and their DEI programs. I recommend the ACS article for evaluating a path forward.

#### IV. Case Background

Marilyn Booker, a 26-year veteran of the New York-based bank, was hired as the firm's first Chief Diversity Officer. According to many news outlets, she was fired for promoting more opportunities for Black employees through senior executives at the company.

The details of Booker's dismissal are particularly egregious. Not only was she given no advanced warning, but she was also told her position had been eliminated with no open positions elsewhere in the company. Finally, she was encouraged to allow the company to draft a memo for circulation stating she left for a different opportunity.

Booker spent each day of her 26-year tenure at Morgan Stanley speaking openly about and pushing for workplace equality for the few black associates at the company, her firing further illustrated her point. On June 16, 2020, Marilyn Booker filed a suit charging Morgan Stanley & Co., LLC, James Gorman, and Barry Krouk with ten causes of action, including: discrimination, retaliation, aiding and abetting unlawful discrimination and retaliation, and violations of equal pay laws.

Ms. Booker pushed for reforms aimed to address the lack of diversity at Morgan Stanley; in particular, she created a proposal to remedy the unequal and marginalized treatment of employees of color. While her efforts cost her her job, she has since gained public notoriety and support.

In her filing, Ms. Booker notes the hypocrisy exhibited by the firm in the wake of George Floyd's murder. On June 9th, 2020, two weeks after the incident, Morgan Stanley's CEO, James Gorman, announced the creation of the firm's new Institute of Inclusion group, the fast-tracking of two promotions for women of color, and advertised a multi-million dollar donation to the NAACP's Legal Defense and Education Fund (COURT FILING). These actions amount to little

more than lip service in the face of the firm's refusal to offer adequate support for its Black employees.

This problem, however, is much larger than Morgan Stanley. Racial discrimination in the workplace is far more common than reported, particularly for Black women like Marilyn Booker. Hopefully, her voice will help lift those of many other people who still feel silenced.

## V. Morgan Stanley Background

Founded in 1935, Morgan Stanley began as a wealth management entity. Today, it is one of the country's leading investment banks and offers a wide range of financial services. The company was formed by a partnership between JP Morgan & Co, Harnod Stanley, and Henry Sturgis Morgan, also big names in the field of banking and financial services (Wright, 2015).

In its first year, Morgan Stanley dominated over the other players with revenue of over 1.1 billion dollars. Today, Morgan Stanley is one of the most prolific wealth management financial institutions in the world. The company now specializes in wealth management, investment management, institutional securities, financial planning for individuals and corporations, merchant banking strategies, and capital raising services (Wright, 2015).

Morgan Stanley trades in a wide range of investments, including equities, foreign currency, real estate, precious metals, and fixed-income securities, among other things. By 2015, they serviced 42 nations, including the U.S., with over 57,630 workers. From 2014–2017, the company's interest income grew from 5.4 to 9 billion dollars, and in the last decade, their net revenue increased from 32.5 to 43.6 billion (Wright, 2015). The firm credits its success to effective management and competent staff, but many argue that their historic growth was only possible at the expense of uncredited Black people.

## VI. Historical Factors & Root Causes Related to The Case

Many wealth management entities were created in the 1930s to help white southerners manage the fortunes they amassed due to the slave trade and slave labor of black people. Despite the abolition of slavery, the United States did not invest in Black communities, initiating today's

wealth gap. These practices help explain how a company like Morgan Stanley grossed over a billion dollars in its first year.

The slave trade continued illegally for years after emancipation; the law was not enforced and many white southerners felt entitled to the status quo. In fact, the first wave of the civil rights era in the 1930s was met with severe backlash in the form of mass lynchings to keep Black communities from growing (Bonilla, 1997). While Black Americans started fighting for their rights, Jim Crow laws swept the South, rooting discrimination in place until the second wave of the civil rights era in 1954, nearly 25 years after the creation of Morgan Stanley.

Much like the slave trade, the constitutionality of Jim Crow laws did little to affet racist mindsets and discriminatory practices, the effects of which are still felt to this day. Morgan Stanley was established to protect wealth on behalf of white people when it was legal to discriminate against Black people. In the early 1930s, around the time of Morgan Stanley's founding, "whites called for African Americans to be fired from any jobs as long as there were whites out of work" in retaliation to poverty initiated by the Great Depression (Bonilla, 1997).

# VII. How Historical Factors Connect to The Case and Create Root Causes in The Present Day

Today, Morgan Stanley's demographics reflect its long tradition of discriminatory and retaliatory actions against Black people. Today less than 8% of Morgan Stanely's staff identify as Black, and according to Bloomberg, a mere 23 of their 1700 executives are Black men while only 14 are Black women. This lack of representation is dismally familiar in the context of the founding of both the United States and Morgan Stanley.

Marilyn Booker's dismissal harkens back to the same cycle of oppression, racism, and discrimination present in the company's founding. Institutionalized racism lives in the fabric of Morgan Stanley and its peer companies, making it much more challenging for Black people to advance and thrive in such environments, than their white counterparts.

Institutionalized racism thrives on protecting those in power and their wealth. It does not acknowledge the historical or continuing contributions of Black people, nor does it seek to allow them access to power. When accused of such practices, the typical reaction is retaliation. Instead, companies pose as philanthropic saviors with shows of solidarity around George Floyd or write a check to one organization that amounts to little more than a drop in the bucket. These companies then often establish disingenuous DEI programs to appear more progressive to the public, like Morgan Stanley's Institute of Inclusion (COURT FILING).

While Black staff often manage the DEI programs set up to mitigate these issues, it is rare the companies they aim to affect value them as anything more than a token for public perception. Morgan Stanley is nearly 90 years old, and less than 1% of its executives are Black women. If the company genuinely valued the needs of its Black associates, this would not be the case, but what incentive do they have to change a system that has worked for them for nearly a century?

## VIII. Internal and External Factors Related to The Case

Some factors regarding institutionalized racism at Morgan Stanley are within their control (intrinsic), while others are not (extrinsic). Organizationally speaking, intrinsic factors are usually divided into strengths and weaknesses, depending on whether their effects are positive or negative, respectively. Extrinsic factors are categorized as either opportunities or threats affecting the company from the outside (Terms, 2020). Here, I've summarized the most critical intrinsic and extrinsic factors for Morgan Stanley.

- External Factors Racial unrest has been a defining characteristic of American culture since the 1600's. While that history affects nearly every ethnic and racial community in the United States, its impact on Black people is particularly harrowing. DEI programs do not typically address this history which is one of the many reasons they are often ineffective. Another reason is that many leaders lack commitment or vision for the program's mission. Primarily though, DEI programs fail because they are used to protect companies from racial tensions and civil unrest.
- Internal Factors In the United States, 64% of Black women agree that their goal is to advance to the top tiers of their profession (Nielsen survey). Black women experience a

unique overlap of discriminatory behavior in the workplace, resulting in them working harder than their white counterparts for the same or fewer commendations. DEI programs, though, don't necessarily provide adequate support for the issues Black women face. These include but are not limited to: microaggressions, double standards, and unconscious bias. Black women of color are most likely to face harassment in the workplace, harsher management and performance evaluation judgement and they are least likely to receive support from their managers. In addition, Black women and Black people are often being lumped monolithically into general People of Color groups/needs when their needs are distinctively, historically and uniquely different.

## IX. Learnings & Alternatives

The alternative methods for those who run DEI programs are wide ranging, but I've highlighted a few most pertinent solutions for Marilyn Booker's case at Morgan Stanley.

- Reporting Structure: Staff tasked with leading DEI initiatives should report to the CEO, and where appropriate, the board (or have a dotted line report to the board). When the board themselves is not diverse a separate advisory board can be set up as a dotted line supervision structure for the DEI led to have support. According to Forbes (2021), many DEI roles fail because they are tucked under compliance or legal departments, separate from the most influential people in the organization (i.e., the CEO or board). In addition, DEI leads are seldom granted titles befitting the autonomy necessary to make institutional changes (e.g., Chief of DEI). They are instead given titles that limit their authority(e.g., Director or V.P. or Diversity). In the case of Morgan Stanely, Marilyn Booker did have the title of chief but did not report to the CEO or the board.
- Authority & Power: DEI staff require legitimate authority over their domain to be successful. Unfortunately, in many organizations, this is not the case. According to the Harvard Review, organizations frequently hire a BIPOC leader to initiate reform, resist the changes said leader proposes, and then scapegoat and fire the leader for lack of progress made during their tenure. Morgan Stanley is a textbook example; Ms. Booker

tried to implement programs to promote, hire, and retain Black talent. She also highlighted discriminatory practices and ultimately was fired from the company for raising too many concerns.

- Support Black leaders in ways that work for them: BIPOC leaders rarely attain adequate resources, staff, and support to execute their vision; instead, they are relegated to scrambling for help and aggressively advocating for their needs. Additionally, these leaders often go unsupported by their supervisors and peers are gaslighted when they identify issues regarding race within the company. Most Fortune 500 companies are led by white men who lack the perspective to support DEI initiatives in the U.S. properly. Ultimately, DEI leaders lack backing and assistance navigating issues of affinity and community. What's more, they often have to fight their own battles against toxic environments and microaggressions alongside those they fight on behalf of others. Booker outlines the toxic environment she suffered from her superiors and colleagues who did not support her work. Furthermore, when people of color are hired for senior positions, they often find themselves the token person of color among senior leadership, an isolating experience indeed.
- Don't fire DEI staff:Research shows that intrinsic and extrinsic factors affecting Marilyn Booker's firing are systemic. Organizations that genuinely wish to take on this fight need to stop firing people who raise solutions and gaslighting them that the dismissal was related to performance issues. Alternatively, they could explore H.R. sanctions, including changing the person's supervisor, establishing a safe space for grievance or truth and reconciliation, exploring the root causes of the issues, using an external investigator, and conducting an external audit of the environment. Racial equity audits are standard, and an independent auditor can make objective recommendations based on an unbiased investigation. Another option is to ensure that a diverse and confidential committee oversees H.R. 's recommendations to terminate someone to review the facts and agree on an objective determination. If a diverse advisory board is set up as a supervising entity, this could control for bias and alleviate many of the issues that were raised.

## X. Plan of Action and Implementation

The most significant threat to many of these solutions is ultimately the seat of power. In the case of Marilyn Booker, two white men held that power. The dilemma arises because those with influence over an environment are often a primary source of harm and lack the desire to establish a new standard of behavior that would hold them accountable.

Marilyn Booker, to her credit, recognized the issues at play in her case and was able to garner national news coverage, resulting in her ability to obtain damages from Morgan Stanley. She also benefited from being able to afford a lawsuit against a large corporation and a national public outcry for justice for Black people in the wake of George Floyd's murder (which happened only a few weeks before she filed).

An important note in Booker's case is that some of the terms of her settlement related to the improvement of conditions of Black associates at Morgan Stanley as well as personal justice. This is highly unusual, particularly considering that she no longer worked at the company. It isn't easy to gauge whether her terms made much practical headway. Still, she undoubtedly set a unique precedent for other Black women doing this work—sometimes against impossible odds. A lawsuit and the resulting media coverage both remain viable options for those seeking justice for wrongful termination, but that said, I am interested in how to keep passionate workers like Ms. Booker in their roles, not their legal recourse post-dismissal.

My final recommendation is for external pressure (e.g., media and legal action) to remain secondary as a tactic for change within an organization. A more effective strategy is for the CEO and the board to align on priorities regarding DEI and retain a special diverse advisory board with the ability to hold others accountable. A feasible implementation plan could go as follows:

Board member requirements should include upholding anti-racist values for the
organization. These should be written into the bylaws, enforceable either by the state or
the federal government through the IRS. These should also include requirements for the
appointment of a DEI advisory board who helps manage DEI staff and has the authority
to hold the CEO, board and DEI lead accountable.

- The board and operating committee should produce an actionable diversity, inclusion, respect, and empathy (DIRE) policy enshrined in the bylaws and provide support for future DEI staff. Special attention should also be given both to Racial Justice and Accessibility and delineating this from general DEI policy and efforts. These standards should be as integral to legal incorporation as a marketing strategy or the bylaws themselves.
- The CEO, board and special advisory team should be directly involved in hiring DEI leads and their department objectives to provide support wherever necessary.
- Support plans for DEI staff must be unambiguous. They should include diversification of
  the senior team and allocation of at least 5% of the company budget for the following
  vital functions: staffing, training, professional development, etc. Other necessary support
  mechanisms may include but are not limited to affinity groups, resource groups, or
  investigation processes.
- DEI goals should be evaluated no less than every six months, preferably by an external party.
- DEI and H.R. departments should work closely to establish a more human-centered H.R. department and ensure DEI has the support of H.R. as they make necessary organizational changes.

## XI. Conclusion

Across the nation, women of color and particularly Black women, lack the necessary support to thrive in their organizations. No case better illustrates this than that of Marilyn Booker and Morgan Stanley. This case serves as a reminder that supporting Black women and women of color and implementing robust, effective DEI programs are essential.

Black Women and Women of color are a motivated, committed group of future leaders with underutilized potential. Corporations and distinctive managers who want to establish more diverse and prosperous teams must do more to guarantee these female leaders are granted the needs to reach their full potential. In addition, corporations founded and thriving due to the contributions of Black people need to reckon with this history, the inequality it created and the underlying challenges that this history presents for Black women and people in the workplace

today. Without this acknowledgement and deep look back, it is unlikely that real change can take place today.

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## XII. Appendix Sources

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