How Workplace Fairness Affects Employee Commitment

New research offers insights into the effects that fair procedures and outcomes — or a lack of them — have on employees’ commitment to an organization.
What makes workers feel engaged? The quest to answer this riddle is becoming increasingly important for organizations, because employee engagement is linked to work performance: Engaged employees tend to be more productive. Moreover, workplace engagement is an important determinant for the level of commitment and loyalty that employees show toward their respective organizations. Executives must understand what motivates employees to excel in their jobs to reduce the risk of “brain drain” and, ultimately, to create sustainable organizational success.

One of the crucial prerequisites for workforce well-being is that employees feel they can trust their line managers. Trust in decision-making authorities fundamentally shapes employees’ expectations about how they will be treated in the future — in terms of both what the authorities are likely to do and how they will execute their decisions. The more trust employees have in their managers, the more likely the employees are to expect organizational outcomes to be favorable and the more likely they are to expect that the procedures used by authorities to plan and implement decisions will be fair.

However, at least one study found that for many workers, interacting with their line manager is the least pleasant moment of the day. This is problematic, because a prominent research finding in the domain of social psychology suggests that people tend to perceive and respond to decisions in ways that are consistent with their prior expectations. That finding suggests that employees who expect their line managers to be untrustworthy are more likely to be disloyal toward the organization and exhibit lower levels of motivation, which may ultimately result in suboptimal work performance. Moreover, the relationship between workers’ trust in decision-making authorities and their commitment toward the organization is a self-perpetuating one: According to several studies, untrusting employees who show a low level of commitment are likely to be treated less positively by their superiors, which in turn discourages the employees from being more committed. In other words, employees who show low commitment as a result of not trusting management are often caught in a vicious cycle.

Our research offers insights into the specific types of workplace behaviors that may give rise to such cycles as well as (Continued on page 16)
How Workplace Fairness Affects Employee Commitment (Continued from page 15)

Behaviors that can allow managers to exit them. In our research study, we examined the drivers behind employee commitment in high- and low-trust environments. Our study offers a systematic test of the conditions that allow employees and managers to interrupt a self-perpetuating vicious cycle between trust and commitment. We examined the effect of workers' initial trust in decision-making authorities, outcome favorability, and procedural fairness on how committed employees felt toward their respective organizations.

Our research generally confirmed the view that workers who show a high level of trust in management are more committed toward their organization than those who mistrust their superiors. More interestingly, though, we made two important observations: First, by far the steepest decline in organizational commitment occurred when employees who started with a high level of trust in their management experienced unfair work processes combined with unfavorable outcomes; and second, by far the steepest increase in organizational commitment occurred when workers who exhibited a low level of trust in decision-making authorities encountered fair processes combined with favorable outcomes. Our findings thus suggest that when the experience of outcome and process fairness diverged from how workers expected to be treated, that unexpected experience had a strong effect on their level of organizational commitment.

Our research study was carried out via two field studies and a laboratory experiment. The first field study involved 153 management trainees in a U.K.-based shipping company that operates more than 100 container ships around the world, and the second study drew on 362 people who were employed full-time and who were also members of an online research panel in the United States. In a third study, we recruited 247 adults for a laboratory experiment to evaluate the reliability of our findings in a controlled environment. In each study, participants completed a survey designed to capture their individual perceptions about different aspects of their current employment relationship.

Hierarchical regression models were then built using outcome favorability, procedural fairness, and trust in management as predictors of participants' level of organizational commitment. The diversity of empirical samples allowed us to study trust-based relationships and organizational fairness perceptions in a broad range of professional settings. (Our findings were reported in detail in the January 2015 issue of Personality and Social Psychology Bulletin. See “Related Research.”)

The results were highly consistent across the three studies and prove high generality in a number of respects. In particular, we found that when workers experience something divergent from how they expected to be treated, they react strongly in the direction of the unexpected experience; and when procedures and outcomes are as they expect — whether fair or otherwise — workers react in a way consistent with their prior expectations. More specifically, in low-trust environments, establishing fair procedures accompanied by fair outcomes leads to a substantial increase in employee commitment; on the other hand, in high-trust environments, commitment to the organization wanes greatly when leaders fail to manage both procedures and outcomes fairly. This pattern was particularly characteristic for employees who were relatively new in their positions.

Our findings have clear implications for managing employee well-being. Organizations can achieve a higher level of workforce engagement by proactively building and maintaining trust-based relationships. The key appears to be the continuous anticipation and management of the so-called “expectation-experience gap.” Any identified negative divergences between expectations and experiences should be interpreted as precursors to a potential loss in employee motivation and commitment, which may ultimately result in a reduction in productivity. On the positive side, when untrusting employees are on the receiving end of both fair procedures and favorable outcomes, they may show a much-needed increase in their organizational commitment. Taking these points into consideration, we propose the following guidelines for managers:

1. Establish clear rules and be transparent in implementing them. Since the perceived fairness of procedures and outcomes fundamentally affects employee commitment, executives should be transparent in their decisions. This requires both establishing clear rules and implementing them consistently across different hierarchical levels of the
In high-trust environments, the failure to manage procedures and outcome fairness only can make a difference. It is important to keep the following two issues in mind:

- In low-trust environments, establishing clear rules about procedures and outcome distributions represents an opportunity, as this can have a strong positive effect on employee commitment to the extent that fair procedures and fair or favorable outcomes can be delivered.
- In high-trust environments, the failure to establish clear rules about procedures and outcomes represents a threat, as it can severely harm employee commitment if unfair procedures and unfair or unfavorable outcomes are meted out.

2. Understand that even managing only procedural or outcome fairness can make a difference. Sometimes executives may have more control over the outcomes of decisions than they do over the process used to make those decisions, or vice versa. In addition, decision makers commonly tend to communicate more about either outcomes or processes. Our research indicates that managing (or failing to manage) only one of these aspects is still likely to result in a substantial change in employees’ commitment if prior expectations differ from the employees’ actual experience. For example, if a previously untrusted manager was to use an unambiguously fair process but outcome information was still unknown, then employees might still show a significant rise in organizational commitment. However, while either procedural fairness or outcome favorability information will influence employees’ commitment, our studies show that when the two of them are going in the same direction and are contrary to employees’ trust-based expectations, there will be a particularly big bump in commitment for better (when untrusting employees receive fair procedures and favorable outcomes) or for worse (when trusting employees receive unfair procedures and unfavorable outcomes).

3. Know your employees’ expectations. Identifying the “expectation-experience gap” requires management to make the needs of employees explicit. In other words, since workers’ personal circumstances, work-life needs, demographics, job responsibilities, ambitions, and objectives vary greatly from person to person, managers cannot simply assume they know what their subordinates expect. For instance, a part-time worker may have very different expectations about what being treated fairly means than a full-time one.

Instead, expectations should be identified individually and on a personal basis. This could be done in some settings by scheduling informal one-on-one chats throughout the year, as well as in formal annual evaluation meetings. In addition, online-based feedback polls, which, for instance, could be distributed among workers each time an important project is completed, might help to efficiently measure employees’ experience and capture critical divergences from their expectations.

4. Commit to an open information flow between management and workers. Effectively managing the expectation-experience gap requires organizations both to be attentive to emerging signs of discontent and to learn from situations in which workers’ expectations are exceeded. This will enable executives to build an understanding of the reasons behind matched and mismatched expectations. For instance, organizations may want to seek answers to questions such as “Were employees’ expectations realistic?” or “Did any unanticipated incidents occur during project completion that required employees to revise their objectives?” On a broader scale, communication is key to managing and building strong trust-based relationships at work. Organizations should be committed to an open information flow between management and workers that allows for continuous and honest communication about the critical issues that impact work performance. Continuously monitoring employee satisfaction, sharing the results of formal assessments with employees, and jointly developing action plans will help prevent possible negative expectation-experience gaps from widening over time.

In sum, our findings point to how important it is for executives to proactively manage organizational fairness. Doing so requires a coordinated organizational effort that should be embedded in a company’s values and traditions. Such an effort is likely to result not only in an increase in worker engagement but also in more sustainable company success.

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