

24.5: Reading- Process-Based Theories

Equity Theory

Imagine that your friend Marie is paid \$10 an hour working as an office assistant. She has held this job for six months. She is very good at what she does, she comes up with creative ways to make things easier in the workplace, and she is a good colleague who is willing to help others. She stays late when necessary and is flexible if asked to rearrange her priorities or her work hours. Now imagine that Marie finds out her manager is hiring another employee, Spencer, who is going to work with her, who will hold the same job title and will perform the same type of tasks. Spencer has more advanced computer skills, but it is unclear whether these will be used on the job. The starting pay for Spencer will be \$14 an hour. How would Marie feel? Would she be as motivated as before, going above and beyond her duties?

If your reaction to this scenario was along the lines of “Marie would think it’s unfair,” your feelings may be explained using equity theory. According to this theory, individuals are motivated by a sense of fairness in their interactions. Moreover, our sense of fairness is a result of the social comparisons we make. Specifically, we compare our inputs and outputs with someone else’s inputs and outputs. We perceive fairness if we believe that the input-to-output ratio we are bringing into the situation is similar to the input/output ratio of a comparison person, or a referent. Perceptions of inequity create tension within us and drive us to action that will reduce perceived inequity. This process is illustrated in the Equity Formula.^[1]

Person		Referent Other
$\frac{\text{Outcomes}}{\text{Inputs}}$	=	$\frac{\text{Outcomes}}{\text{Inputs}}$

Figure 24.5.1: The Equity Formula

What Are Inputs and Outputs?

Inputs are the contributions the person feels he or she is making to the environment. In the previous example, the hard work Marie was providing, loyalty to the organization, the number of months she has worked there, level of education, training, and her skills may have been relevant inputs. Outputs are the rewards the person feels he or she is receiving from the situation. The \$10 an hour Marie is receiving was a salient output. There may be other outputs, such as the benefits received or the treatment one gets from the boss. In the prior example, Marie may reason as follows: “I have been working here for six months. I am loyal and I perform well (inputs). I am paid \$10 an hour for this (outputs). The new guy, Spencer, does not have any experience here (referent’s inputs) but will be paid \$14 (referent’s outcomes). This situation is unfair.”

We should emphasize that equity perceptions develop as a result of a subjective process. Different people may look at exactly the same situation and perceive different levels of equity. For example, another person may look at the same scenario and decide that the situation is fair because Spencer has computer skills and the company is paying extra for these skills.

Who Is the Referent?

The referent other may be a specific person or an entire category of people. For example, Marie might look at want ads for entry-level clerical workers and see whether the pay offered is in the \$10-per-hour range; in this case, the referent other is the category of entry-level clerical workers, including office assistants, in Marie’s local area. Referents should be comparable to us—otherwise the comparison is not meaningful. It would be illogical for Marie to compare herself to the CEO of the company, given the differences in the nature of inputs and outcomes. Instead, she would logically compare herself to those performing similar tasks within the same organization or a different organization.

Reactions to Unfairness

The theory outlines several potential reactions to perceived inequity, which are summarized in Table 1, “Potential Responses to Inequity.” Oftentimes, the situation may be dealt with perceptually, by distorting our perceptions of our own or referent’s inputs and outputs. For example, Marie may justify the situation by downplaying her own inputs (“I don’t really work very hard on this job”), valuing the outputs more highly (“I am gaining valuable work experience, so the situation is not that bad”), distorting the other person’s inputs (“Spencer really is more competent than I am and deserves to be paid more”) or distorting the other person’s outputs (“Spencer gets \$14 but will have to work with a lousy manager, so the situation is not unfair”).

Table 24.5.1. Potential Responses to Inequity^[2]

Reactions to Inequity	Example
Distort perceptions	Changing one's thinking to believe that the referent actually is more skilled than previously thought
Increase referent's inputs	Encouraging the referent to work harder
Reduce own input	Deliberately putting forth less effort at work. Reducing the quality of one's work
Increase own outcomes	Negotiating a raise for oneself or using unethical ways of increasing rewards such as stealing from the company
Change referent	Comparing oneself to someone who is worse off
Leave the situation	Quitting one's job
Seek legal action	Suing the company or filing a complaint if the unfairness in question is under legal protection

Another way of addressing perceived inequity is to reduce one's own inputs or increase one's own outputs. If Marie works less hard, perceived inequity would be reduced. And, indeed, research shows that people who perceive inequity tend to reduce their work performance or reduce the quality of their inputs.^[3] Increasing one's outputs can be achieved through legitimate means such as negotiating a pay raise. At the same time, research shows that those feeling inequity sometimes resort to stealing to balance the scales.^[4] Other options include changing the comparison person (for example, Marie may learn that others doing similar work in different organizations are paid only minimum wage) and leaving the situation by quitting one's job.^[5] We might even consider taking legal action as a potential outcome of perceived inequity. For example, if Marie finds out that the main reason behind the pay gap is gender, she may react to the situation by taking legal action because sex discrimination in pay is illegal in the United States.

Overpayment Inequity

What would you do if you felt you were overrewarded? In other words, how would you feel if you were the new employee, Spencer (and you knew that your coworker Marie was being paid \$4 per hour less than you)? Originally, equity theory proposed that overrewarded individuals would experience guilt and would increase their effort to restore perceptions of equity. However, research does not provide support for this argument. Instead, it seems that individuals experience less distress as a result of being overrewarded.^[6] It is not hard to imagine that individuals find perceptual ways to deal with a situation like this, such as believing that they have more skills and bring more to the situation compared with the referent person. Therefore, research does not support equity theory's predictions with respect to people who are overpaid.^[7]

Individual Differences in Reactions to Inequity

So far, we have assumed that once people feel that the situation is inequitable, they will be motivated to react. However, does inequity disturb everyone equally? Researchers identified a personality trait that explains different reactions to inequity and named this trait equity sensitivity.^[8] Equity sensitive individuals experience distress when they feel they are overrewarded or underrewarded and expect to maintain equitable relationships. At the same time, there are some individuals who are benevolents who give without waiting to receive much in return and entitlements who expect to receive a lot without giving much in return. Thus, the theory is more useful in explaining the behavior of equity sensitive individuals, and organizations will need to pay particular attention to how these individuals view their relationships.

Fairness Beyond Equity: Procedural and Interactional Justice

Equity theory looks at perceived fairness as a motivator. However, the way equity theory defines fairness is limited to fairness regarding rewards. Starting in the 1970s, researchers of workplace fairness began taking a broader view of justice. Equity theory deals with outcome fairness, and therefore, it is considered to be a distributive justice theory. Distributive justice refers to the degree to which the outputs received from the organization are fair. Two other types of fairness have been identified: procedural justice and interactional justice.

Let's assume that Marie found out she is getting a promotion that will include a pay raise, increased responsibilities, and prestige. If Marie feels she deserves to be promoted, she would perceive high distributive justice ("getting the promotion is fair"). However,

Marie later found out that the department manager picked her name out of a hat! What would she feel? She might still like the outcome but feel that the decision-making process was unfair since it wasn't based on performance. This response would involve feelings of procedural injustice. Procedural justice refers to the degree to which fair decision-making procedures are used. Research shows that employees care about procedural justice for many organizational decisions, including layoffs, employee selection, surveillance of employees, performance appraisals, and pay decisions.^[9] They tend to care about procedural justice particularly when they do not get the outcome they feel they deserve.^[10] If Marie does not get the promotion and finds out that management chose the candidate by picking a name out of a hat, she may view this as adding insult to injury. When people do not get the rewards they want, they tend to hold management responsible if procedures are not fair.^[11]

Research has identified many ways of achieving procedural justice. For example, giving employees advance notice before laying them off, firing them, or disciplining them is perceived as fairer.^[12] Allowing employees voice into decision making is also important.^[13] When designing a performance appraisal system or implementing a reorganization, asking employees for their input may be a good idea because it increases perceptions of fairness. Even when it is not possible to have employees participate, providing explanations is helpful in fostering procedural justice.^[14] Finally, people expect consistency in treatment.^[15] If one person is given extra time when taking a test while another is not, individuals would perceive decision making as unfair.

Now let's imagine Marie's boss telling her she is getting the promotion. The manager's exact words: "Yes, Marie, we are giving you the promotion. The job is so simple that we thought even you can handle it." Now what is Marie's reaction? The unpleasant feelings she may now experience are explained by interactional justice. Interactional justice refers to the degree to which people are treated with respect, kindness, and dignity in interpersonal interactions. We expect to be treated with dignity by our peers, supervisors, and customers. When the opposite happens, we feel angry. Even when faced with negative outcomes such as a pay cut, being treated with dignity and respect serves as a buffer and alleviates our stress.^[16]

Employers would benefit from paying attention to all three types of justice perceptions. In addition to being the right thing to do, justice perceptions lead to outcomes companies care about. Injustice is directly harmful to employee psychological health and well-being and contributes to stress.^[17] High levels of justice create higher levels of employee commitment to organizations, are related to higher job performance, higher levels of organizational citizenship (behaviors that are not part of one's job description but help the organization in other ways such as speaking positively about the company and helping others), and higher levels of customer satisfaction, whereas low levels of justice lead to retaliation and supporting union certification movements.^[18]

Expectancy Theory

According to expectancy theory, individual motivation to put forth more or less effort is determined by a rational calculation.^[19] According to this theory, individuals ask themselves three questions.

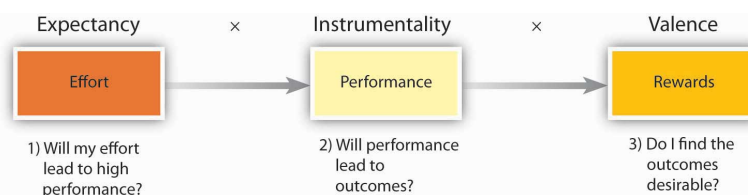


Figure 24.5.2: Summary of Expectancy Theory. Based on Porter, L. W., & Lawler, E. E. (1968). *Managerial attitudes and performance*. Homewood, IL: Irwin; Vroom, V. H. (1964). *Work and motivation*. New York: Wiley.

The first question is whether the person believes that high levels of effort will lead to desired outcomes. This perception is labeled as expectancy. For example, do you believe that the effort you put forth in a class is related to learning worthwhile material and receiving a good grade? If you do, you are more likely to put forth effort.

The second question is the degree to which the person believes that performance is related to secondary outcomes such as rewards. This perception is labeled as instrumentality. For example, do you believe that passing the class is related to rewards such as getting a better job, or gaining approval from your instructor, from your friends, or parents? If you do, you are more likely to put forth effort.

Finally, individuals are also concerned about the value of the rewards awaiting them as a result of performance. The anticipated satisfaction that will result from an outcome is labeled as valence. For example, do you value getting a better job or gaining approval from your instructor, friends, or parents? If these outcomes are desirable to you, you are more likely to put forth effort.

As a manager, how can you influence these perceptions to motivate employees? In fact, managers can influence all three perceptions.^[20] To influence their expectancy perceptions, managers may train their employees, or hire people who are qualified

for the jobs in question. Low expectancy may also be due to employees feeling that something other than effort predicts performance, such as political behaviors on the part of employees. In this case, clearing the way to performance and creating an environment in which employees do not feel blocked will be helpful. The first step in influencing instrumentality is to connect pay and other rewards to performance using bonuses, award systems, and merit pay. Publicizing any contests or award programs is helpful in bringing rewards to the awareness of employees. It is also important to highlight that performance and not something else is being rewarded. For example, if a company has an employee-of-the-month award that is rotated among employees, employees are unlikely to believe that performance is being rewarded. In the name of being egalitarian, such a reward system may actually hamper the motivation of highest performing employees by eroding instrumentality. Finally, to influence valence, managers will need to find out what their employees value. This can be done by talking to employees, or surveying them about what rewards they find valuable.

Reinforcement Theory

Reinforcement theory is based on the work of Ivan Pavlov in behavioral conditioning and the later work B. F. Skinner did on operant conditioning.^[21] According to this theory, behavior is a function of its consequences. Imagine that even though no one asked you to, you stayed late and drafted a report. When the manager found out, she was ecstatic and took you out to lunch and thanked you genuinely. The consequences following your good deed were favorable, and therefore you are more likely to do similar good deeds in the future. In contrast, if your manager had said nothing about it and ignored the sacrifice you made, you would be less likely to demonstrate similar behaviors in the future, or your behavior would likely become extinct.

Despite the simplicity of reinforcement theory, how many times have you seen positive behavior ignored or, worse, negative behavior rewarded? In many organizations, this is a familiar scenario. People go above and beyond the call of duty, and yet their behaviors are ignored or criticized. People with disruptive habits may receive no punishments because the manager is afraid of the reaction the person will give when confronted. They may even receive rewards such as promotions so that the person is transferred to a different location and becomes someone else's problem! Moreover, it is common for people to be rewarded for the wrong kind of behavior. Steven Kerr labeled this phenomenon "the folly of rewarding A while hoping for B."^[22] For example, a company may make public statements about the importance of quality. Yet, they choose to reward shipments on time regardless of the number of known defects contained in the shipments. As a result, employees are more likely to ignore quality and focus on hurrying the delivery process.

Reinforcement Interventions

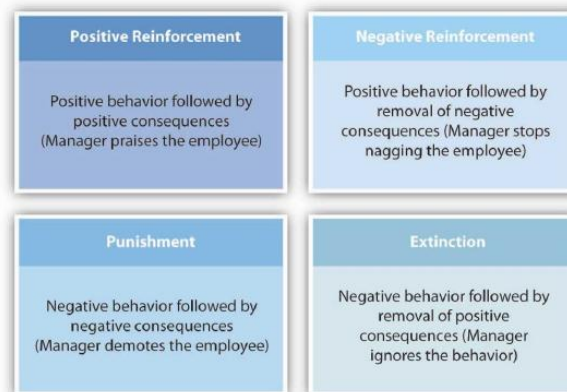


Figure 24.5.3: Reinforcement Methods

Reinforcement theory describes four interventions to modify employee behavior. Two of these are methods of increasing the frequency of desired behaviors while the remaining two are methods of reducing the frequency of undesired behaviors.

Positive reinforcement is a method of increasing the desired behavior.^[23] Positive reinforcement involves making sure that behavior is met with positive consequences. Praising an employee for treating a customer respectfully is an example of positive reinforcement. If the praise immediately follows the positive behavior, the employee will see a link between behavior and positive consequences and will be motivated to repeat similar behaviors.

Negative reinforcement is also used to increase the desired behavior. Negative reinforcement involves removal of unpleasant outcomes once desired behavior is demonstrated. Nagging an employee to complete a report is an example of negative reinforcement. The negative stimulus in the environment will remain present until positive behavior is demonstrated. The problem

with negative reinforcement may be that the negative stimulus may lead to unexpected behaviors and may fail to stimulate the desired behavior. For example, the person may start avoiding the manager to avoid being nagged.

Extinction occurs when a behavior ceases as a result of receiving no reinforcement. For example, suppose an employee has an annoying habit of forwarding e-mail jokes to everyone in the department, cluttering up people's in-boxes and distracting them from their work. Commenting about the jokes, whether in favorable or unfavorable terms, may be encouraging the person to keep forwarding them. Completely ignoring the jokes may reduce their frequency.

Punishment is another method of reducing the frequency of undesirable behaviors. Punishment involves presenting negative consequences following unwanted behaviors. Giving an employee a warning for consistently being late to work is an example of punishment.

Reinforce for Performance

This is a systematic application of reinforcement theory to modify employee behaviors. The model consists of five stages. The process starts with identifying the behavior that will be modified. Let's assume that we are interested in reducing absenteeism among employees. In step 2, we need to measure the baseline level of absenteeism. In step 3, the behavior's antecedents and consequences are determined. Why are employees absent? More importantly, what is happening when an employee is absent? If the behavior is being unintentionally rewarded, we may expect these to reinforce absenteeism behavior. For example, suppose that absences peak each month on the days when a departmental monthly report is due, meaning that coworkers and supervisors must do extra work to prepare the report. To reduce the frequency of absenteeism, it will be necessary to think of financial or social incentives to follow positive behavior and negative consequences to follow negative behavior. In step 4, an intervention is implemented. Removing the positive consequences of negative behavior may be an effective way of dealing with the situation, for example, starting the monthly report preparation a few days earlier, or letting employees know that if they are absent when the monthly report is being prepared, their contribution to the report will be submitted as incomplete until they finish it. Punishments may be used in persistent cases. Finally, in step 5 the behavior is measured periodically and maintained. Studies examining the effectiveness of OB Mod have been supportive of the model in general. A review of the literature found that OB Mod interventions resulted in an average of 17% improvement in performance.^[24]

Properly designed sales commissions are widely used to motivate sales employees. The blend of straight salary and commissions should be carefully balanced to achieve optimum sales volume, profitability, and customer satisfaction.

Check Your Understanding

Answer the question(s) below to see how well you understand the topics covered in this section. This short quiz does **not** count toward your grade in the class, and you can retake it an unlimited number of times.

Use this quiz to check your understanding and decide whether to (1) study the previous section further or (2) move on to the next section.

<https://assessments.lumenlearning.com/assessments/206>

1. Based on Adams, J. S. (1965). Inequity in social exchange. In L. Berkowitz (Ed.), *Advances in Experimental Social Psychology* (Vol. 2, pp. 267–299). New York: Academic Press. ↩
2. Based on research findings reported in Carrell, M. R., & Dittrich, J. E. (1978). Equity theory: The recent literature, methodological considerations, and new directions. *Academy of Management Review*, 3, 202–210; Goodman, P. S., & Friedman, A. (1971). An examination of Adams's theory of inequity. *Administrative Science Quarterly*, 16, 271–288; Greenberg, J. (1993). Stealing in the name of justice: Informational and interpersonal moderators of theft reactions to underpayment inequity. *Organizational Behavior and Human Decision Processes*, 54, 81–103; Schmidt, D. R., & Marwell, G. (1972). Withdrawal and reward reallocation as responses to inequity. *Journal of Experimental Social Psychology*, 8, 207–211. ↩
3. Carrell, M. R., & Dittrich, J. E. (1978). Equity theory: The recent literature, methodological considerations, and new directions. *Academy of Management Review*, 3, 202–210; Goodman, P. S., & Friedman, A. (1971). An examination of Adams' theory of inequity. *Administrative Science Quarterly*, 16, 271–288. ↩
4. Greenberg, J. (1993). Stealing in the name of justice: Informational and interpersonal moderators of theft reactions to underpayment inequity. *Organizational Behavior and Human Decision Processes*, 54, 81–103. ↩
5. Schmidt, D. R., & Marwell, G. (1972). Withdrawal and reward reallocation as responses to inequity. *Journal of Experimental Social Psychology*, 8, 207–211. ↩

6. Austin, W., & Walster, E. (1974). Reactions to confirmations and disconfirmations of expectancies of equity and inequity. *Journal of Personality and Social Psychology*, 30, 208–216. ↵
7. Evan, W. M., & Simmons, R. G. (1969). Organizational effects of inequitable rewards: Two experiments in status inconsistency. *IEEE Engineering Management Review*, 1, 95–108. ↵
8. Huseman, R. C., Hatfield, J. D., & Miles, E. W. (1987). A new perspective on equity theory: The equity sensitivity construct. *Academy of Management Review*, 12, 222–234. ↵
9. Alge, B. J. (2001). Effects of computer surveillance on perceptions of privacy and procedural justice. *Journal of Applied Psychology*, 86, 797–804; Bauer, T. N., Maertz, C. P., Jr., Dolen, M. R., & Campion, M. A. (1998). Longitudinal assessment of applicant reactions to employment testing and test outcome feedback. *Journal of Applied Psychology*, 83, 892–903.; Kidwell, R. E. (1995). Pink slips without tears. *Academy of Management Executive*, 9, 69–70. ↵
10. Brockner, J., & Wiesenfeld, B. M. (1996). An integrative framework for explaining reactions to decisions: Interactive effects of outcomes and procedures. *Psychological Bulletin*, 120, 189–208. ↵
11. Brockner, J., Fishman, A. Y., Reb, J., Goldman, B., Spiegel, S., & Garden, C. (2007). Procedural fairness, outcome favorability, and judgments of an authority's responsibility. *Journal of Applied Psychology*, 92, 1657–1671. ↵
12. Kidwell, R. E. (1995). Pink slips without tears. *Academy of Management Executive*, 9, 69–70. ↵
13. Alge, B. J. (2001). Effects of computer surveillance on perceptions of privacy and procedural justice. *Journal of Applied Psychology*, 86, 797–804; Kernan, M. C., & Hanges, P. J. (2002). Survivor reactions to reorganization: Antecedents and consequences of procedural, interpersonal, and informational justice. *Journal of Applied Psychology*, 87, 916–928; Lind, E. A., Kanfer, R., & Earley, C. P. (1990). Voice, control, and procedural justice: Instrumental and noninstrumental concerns in fairness judgments. *Journal of Personality and Social Psychology*, 59, 952–959. ↵
14. Schaubroeck, J., May, D. R., & William, B. F. (1994). Procedural justice explanations and employee reactions to economic hardship: A field experiment. *Journal of Applied Psychology*, 79, 455–460. ↵
15. Bauer, T. N., Maertz, C. P., Jr., Dolen, M. R., & Campion, M. A. (1998). Longitudinal assessment of applicant reactions to employment testing and test outcome feedback. *Journal of Applied Psychology*, 83, 892–903. ↵
16. Greenberg, J. (2006). Losing sleep over organizational injustice: Attenuating insomniac reactions to underpayment inequity with supervisory training in interactional justice. *Journal of Applied Psychology*, 91, 58–69. ↵
17. Greenberg, J. (2004). Managing workplace stress by promoting organizational justice. *Organizational Dynamics*, 33, 352–365; Tepper, B. J. (2001). Health consequences of organizational injustice: tests of main and interactive effects. *Organizational Behavior and Human Decision Processes*, 86, 197–215. ↵
18. Blader, S. L. (2007). What leads organizational members to collectivize? Injustice and identification as precursors of union certification. *Organization Science*, 18, 108–126; Cohen-Charash Y., & Spector P. E. (2001). The role of justice in organizations: A meta-analysis. *Organizational Behavior and Human Decision Processes*, 86, 278–321; Colquitt, J. A., Conlon, D. E., Wesson, M. J., Porter, C. O. L. H., & Ng, K. Y. (2001). Justice at the millennium: A meta-analytic review of 25 years of organizational justice research. *Journal of Applied Psychology*, 86, 425–445; Cropanzano, R., Bowen, D. E., & Gilliland, S. W. (2007). The management of organizational justice. *Academy of Management Perspectives*, 21, 34–48; Masterson, S. S. (2001). A trickle-down model of organizational justice: Relating employees' and customers' perceptions of and reactions to fairness. *Journal of Applied Psychology*, 86, 594–604; Masterson, S. S., Lewis, K., Goldman, B. M., & Taylor, S. M. (2000). Integrating justice and social exchange: The differing effects of fair procedures and treatment on work relationships. *Academy of Management Journal*, 43, 738–748; Moorman, R. H. (1991). Relationship between organizational justice and organizational citizenship behaviors: Do fairness perceptions influence employee citizenship? *Journal of Applied Psychology*, 76, 845–855; Skarlicki, D. P., & Folger, R. (1997). Retaliation in the workplace: The roles of distributive, procedural, and interactional justice. *Journal of Applied Psychology*, 82, 434–443. ↵
19. Porter, L. W., & Lawler, E. E. (1968). Managerial attitudes and performance. Homewood: IL: Irwin; Vroom, V. H. (1964). Work and motivation. New York: Wiley. ↵
20. Cook, C. W. (1980). Guidelines for managing motivation. *Business Horizons*, 23, 61–69. ↵
21. Skinner, B. F. (1953). Science and human behavior. New York: Free Press. ↵
22. Kerr, S. (1995). On the folly of rewarding A while hoping for B. *Academy of Management Executive*, 9, 7–14. ↵
23. Beatty, R. W., & Schneier, C. E. (1975). A case for positive reinforcement. *Business Horizons*, 18, 57–66. ↵
24. Stajkovic, A. D., & Luthans, F. (1997). A meta-analysis of the effects of organizational behavior modification on task performance, 1975–1995. *Academy of Management Journal*, 40, 1122–1149. ↵

Contributors and Attributions

CC licensed content, Original

- Adaptation and revision. **Authored by:** Linda Williams and Lumen Learning. **Provided by:** Tidewater Community College. **License:** [CC BY-NC-SA: Attribution-NonCommercial-ShareAlike](#)

CC licensed content, Shared previously

- Management Principles. **Authored by:** Anonymous. **Provided by:** Anonymous. **Located at:** <http://2012books.lardbucket.org/books/management-principles-v1.1/s18-03-process-based-theories.html>. **License:** [CC BY-NC-SA: Attribution-NonCommercial-ShareAlike](#)

24.5: Reading- Process-Based Theories is shared under a [not declared](#) license and was authored, remixed, and/or curated by LibreTexts.