

Everyone knows that being fair costs little and pays off handsomely. Then why do so few executives manage to behave fairly, even though most want to?

Why It's So Hard to Be Fair

by Joel Brockner

WHEN COMPANY A had to downsize, it spent considerable amounts of money providing a safety net for its laid-off workers. The severance package consisted of many weeks of pay, extensive outplacement counseling, and the continuation of health insurance for up to one year. But senior managers never explained to their staff why these layoffs were necessary or how they chose which jobs to eliminate. What's more, the midlevel line managers who delivered the news to terminated employees did so awkwardly, mumbling a few perfunctory words about "not wanting to do this" and then handing them off to the human resources department. Even the people who kept their jobs were less than thrilled about the way things were handled. Many of them heard the news while driving home on Friday and had to wait until Monday to

learn that their jobs were secure. Nine months later, the company continued to sputter. Not only did it have to absorb enormous legal costs defending against wrongful termination suits, but it also had to make another round of layoffs, in large part because employee productivity and morale plummeted after the first round was mishandled.

When Company B downsized, by contrast, it didn't offer nearly as generous a severance package. But senior managers there explained the strategic purpose of the layoffs multiple times before they were implemented, and executives and middle managers alike made themselves available to answer questions and express regret both to those who lost their jobs and to those who remained. Line managers worked with HR to tell people that their jobs were being eliminated, and they ex-

mean that they will have a chance to be heard. Take the case of an individual who was passed over for a promotion. If he believes that the chosen candidate was qualified, and if his manager has had a candid discussion with him about how he can be better prepared for the next opportunity, chances are he'll be a lot more productive and engaged than if he believes the person who got the job was the boss's pet, or if he received no guidance on how to move forward.

When people feel hurt by their companies, they tend to retaliate. And when they do, it can have grave consequences. A study of nearly 1,000 people in the mid-1990s, led by Duke's Allan Lind and Ohio State's Jerald Greenberg, found that a major determinant of whether employees sue for wrongful termination is their perception of how fairly the termination process was carried out. Only 1% of ex-employees who felt that they were treated with a high degree of process fairness filed a wrongful termination lawsuit versus 17% of those who believed they were treated with a low degree of process fairness. To put that in monetary terms, the expected cost savings of practicing process fairness is \$1.28 million for every 100 employees dismissed. That figure—which was calculated using the 1988 rate of \$80,000 as the cost of legal defense—is a conservative estimate, since inflation alone has caused legal fees to swell to more than \$120,000 today. So, although we can't calculate the precise financial cost of practicing fair process, it's safe to say that expressing genuine concern and treating dismissed employees with dignity is a good deal more affordable than not doing so.

Customers, too, are less likely to file suit against a service provider if they believe they've been treated with process fairness. In 1997, medical researcher Wendy Levinson and her colleagues found that patients typically do not sue their doctors for malpractice simply

because they believe that they received poor medical care. A more telling factor is whether the doctor took the time to explain the treatment plan and to answer the patient's questions with consideration - in short, to treat patients with process fairness. Doctors who fail to do so are far more likely to be slapped with malpractice suits when problems arise.

In addition to reducing legal costs, fair process cuts down on employee theft and turnover. A study by management and human resources professor Greenberg examined how pay cuts were

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handled at two manufacturing plants. At one, a vice president called a meeting at the end of the workweek and announced that the company would implement a 15% pay cut, across the board, for ten weeks. He very briefly explained why, thanked employees, and answered a few questions - the whole thing was over in 15 minutes. The other plant implemented an identical pay cut, but the company president made the announcement to the employees. He told them that other cost-saving options, like layoffs, had been considered but that the pay cuts seemed to be the least unpalatable choice. The president took an hour and a half to address employees' questions and concerns, and he repeatedly expressed regret about having to take this step. Greenberg found that during the ten-week period, employee theft was nearly 80% lower at the second plant than at the first, and employees were 15 times less likely to resign.

Many executives turn to money first to solve problems. But my research shows that companies can reduce ex-

penses by routinely practicing process fairness. Think about it: Asking employees for their opinions on a new initiative or explaining to someone why you're giving a choice assignment to her colleague doesn't cost much money. Of course, companies should continue to offer tangible assistance to employees as well. Using process fairness, however, companies could spend a lot less money and still have more satisfied employees.

Consider the financial fallout that occurs when expatriates leave their overseas assignments prematurely. Conventional wisdom says that expats are more likely to leave early when they or their family members don't adjust well to their new living conditions. So companies often go to great expense to facilitate their adjustment - picking up the tab for housing costs, children's schooling, and the like. In a 2000 study of 128 expatriates, human resources consultant Ron Garonzik, Rutgers Business School professor Phyllis Siegel, and I found that the expats' adjustment to various aspects of their lives outside work had no effect on their intentions to depart prematurely if they believed that their bosses generally treated them fairly. In other words, high process fairness induced expats to stick with an overseas assignment even when they were not particularly enthralled with living abroad.

In a similar vein, some companies have devised expensive solutions to help employees cope with the stress of modern work. They've set up on-site day care centers and sponsored stress management workshops to help reduce absenteeism and burnout. Those efforts are laudable, but process fairness is also an effective strategy. When Phyllis Siegel and I surveyed nearly 300 employees from dozens of organizations, we found that work/life conflict had no measurable effect on employees' commitment - as long as they felt that senior executives provided good reasons for their decisions and treated them with dignity and respect.

Of course, executives should not simply emphasize process fairness over tan-

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gible support. Determining exactly how much tangible support to provide is perhaps best captured by the law of diminishing returns. Beyond a moderate level of financial assistance, practicing process fairness proves much more cost effective because, although money does talk, it doesn't say it all.

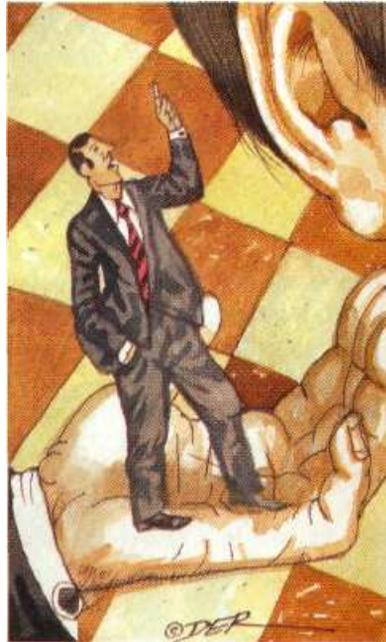
Fair Process as a Performance Booster

Process fairness can not only minimize costs but can also help to increase value, inspiring operational managers to carry out a well-founded strategic plan eagerly or embrace, rather than sabotage, an organizational change. This form of value is less tangible than direct reduction of expenses, but it affects the bottom line nonetheless.

The fact is, most strategic and organizational change initiatives fail in their implementation, not in their conception. Several years ago, I worked with the CEO of a financial services institution that needed a major restructuring. The bank's operational managers, however, were showing signs of resistance that threatened to stop the process dead in its tracks. I advised the CEO and his senior management team to conduct several town hall-type meetings and to hold informal focus groups with the operational managers. During those

senior managers to respond to the root problem. Moreover, since the operational managers felt respected, they showed a similar level of process fairness with *their* direct reports during the actual restructuring, making the change go more smoothly.

Michael Beer, of Harvard Business School, and Russell Eisenstat, president of the Center for Organizational Fitness, recently provided evidence of how systematically practiced process fairness (embedded in an action-learning



egy implementation as well as the shortcomings that could hinder it. Task force members distill the information they gain from these interviews into major themes and feed them back to senior management. Then they discuss how the strategy could be rolled out most effectively. SFP is a model for process fairness: More than 25 companies - including Becton, Dickinson; Honeywell; JPMorgan Chase; Hewlett-Packard; and Merck-have used it with great success to hone the substance of their strategic initiatives and, probably more important, to gain employees' commitment to making those initiatives happen.

Most companies say that they want to promote creativity and innovation, but few use process fairness to achieve those ends. They're missing out on a great opportunity to create value. Harvard Business School professor Teresa Amabile has conducted extensive research on employees working in creative endeavors in order to understand how work environments foster or impede creativity and innovation. She has consistently found that work environments in which employees have a high degree of operational autonomy lead to the highest degree of creativity and innovation. Operational autonomy, of course, can be seen as the extreme version of process fairness.

When employees feel that they are heard in the decision-making process, they are more likely to support-rather than merely comply with-those decisions, their bosses, and the organization as a whole.

talks, it became clear that the managers felt that the CEO and senior executives failed to appreciate the magnitude of the change they were asking for. Interestingly, the managers didn't request additional resources; they simply wanted those at the top to recognize their difficult plight. By expressing authentic interest, senior executives created a trusting environment in which managers felt they could safely voice their true objections to the change effort. That enabled

methodology known as the strategic fitness process, or SFP) has helped numerous organizations capture value by getting employees to buy in to strategies. A critical element of SFP is the appointment of a task force consisting of eight well-respected managers from one or two levels below senior management. Their job is to interview roughly 100 employees from different parts of the company to learn about the organizational strengths that are apt to facilitate strat-

The nature of organizations, though, means that few (if any) employees can have complete operational autonomy-just about everyone has a boss. Creativity and innovation tend to suffer in work environments characterized by low levels of process fairness, such as when employees believe that the organization is strictly controlled by upper management or when they believe that their ideas will be summarily dismissed. When employees believe that

their supervisor is open to new ideas and that he or she values their contributions to projects, however, creativity and innovation are more likely to flourish. Two examples illustrate how process fairness creates value by attracting innovative employees or additional customers.

The CEO of a renowned electrical-engineering firm, for instance, wanted to change the corporate culture to be more receptive to new ideas, so he separated a large group of workers into teams of ten, asking each team to come up with ten ideas for improving the business. Then the team leaders were brought into a room where the company's executives were gathered and were asked to "sell" as many of their team's ideas as possible. The executives, for their part, had been instructed to "buy" as many ideas as possible. The team leaders swarmed like bees to honey to the few executives who had reputations for being good listeners and open to new ideas. The other executives stood by idly because team leaders assumed from past experience that they wouldn't listen.

One company that used process fairness to create value is Progressive Casualty Insurance. In 1994, the firm began to give potential customers comparison rates from two competitors along with its own quotes for auto insurance. Even though Progressive's rates weren't always the lowest, the very act of delivering this information created goodwill. Potential customers felt that they were being treated honestly, and the practice drew many new sales.

Why Isn't Everybody Doing It?

With all that process fairness has going for it, one might expect that executives would practice it regularly. Unfortunately, many (if not most) don't. They'd do well to follow the example of Winston Churchill, who keenly understood the cost-effectiveness of process fairness. On the day after the bombing of Pearl Harbor, Churchill wrote a declaration of war to the Japanese, ending it as follows: "I have the honour to be, with high consideration, Sir, Your obedient

servant, Winston S. Churchill." After being castigated by his countrymen for the letter's deferential tone, Churchill is said to have retorted, "When you have to kill a man, it costs nothing to be polite."

In a change management seminar I've taught to more than 400 managers, I ask participants to rate themselves on how well they plan and implement organizational change. I also ask the managers' bosses, peers, direct reports, and customers to rate them. The measure

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contains more than 30 items, and managers consistently give themselves the highest marks on the item that measures process fairness: "When managing change, I make extra efforts to treat people with dignity and respect." Those rating them, however, are not nearly as positive. In fact, this is the only item in which managers' self-assessments are significantly higher than the ratings they receive from each of their groups. It's not entirely clear why this perceptual gap exists. Perhaps managers are tuned in to their intentions to treat others respectfully, but they aren't as good at reading how those intentions come across to others. Or maybe it's just wishful-and self-serving - thinking.

Some managers wrongly believe that tangible resources are always more meaningful to employees than being treated decently. At a cocktail party, the CEO of a major international bank proudly told me about the hefty severance pay his company gave to its laid-off employees. I expressed admiration for his organization's show of concern toward the people who lost their jobs and then asked what had been done for those who remained. Somewhat defensively, he said that it was only necessary to do something for the employees who were "affected" by the layoffs. The oth-

ers were "lucky enough to still have their jobs." But economically supporting those who lost their jobs doesn't cancel out the need to show process fairness to those affected by the change—which, incidentally, includes everyone. Ironically, the fact that process fairness is relatively inexpensive financially may be why this numbers-oriented executive undervalued it.

Another reason process fairness may be overlooked is because some of its benefits aren't obvious to executives.

Social psychologist Marko Elovainio of the University of Helsinki and his colleagues recently conducted a study of more than 31,000 Finnish employees, examining the relationship between employees' negative life events (such as the onset of a severe illness or death of a spouse) and the frequency of sickness-related absences from work for the subsequent 30 months. The study showed that the tendency for negative life events to translate into sickness-related absences depended on how much process fairness employees experienced before the events occurred. That is, *not* being pretreated with process fairness led to absences waiting to happen.

Sometimes corporate policies hinder fair process. The legal department may discourage managers from explaining their decisions, for instance, on the grounds that disclosure of information could make the company vulnerable to lawsuits. Better not to say anything at all, the thinking goes, than to risk having the information come back to haunt the organization in the courtroom. Clearly, legal considerations about what to communicate are important, but they should not be taken to unnecessary extremes. All too often organizations withhold information (such as the alternatives to downsizing that have

been considered) when revealing it would have done far more good.

Legal and medical advocates in Hawaii, for instance, are currently drafting a statute that would allow health care professionals to apologize for medical errors without increasing the risk of lawsuits. Doctors often refrain from apologizing for mistakes because they fear that admitting them will anger their patients, who will then be more likely to file malpractice suits. In fact, the opposite is true: Patients who feel they've been treated disrespectfully file *more* malpractice suits than those who feel they have been treated with dignity. By making apologies for medical mistakes inadmissible during a trial, the law would let doctors express regrets without worrying that doing so would hurt them in court.

Managers who unwaveringly believe that knowledge is power may fear that engaging in process fairness will weaken their power. After all, if employees have a voice in deciding how things should

be run, who needs a manager? Managers sometimes do run the risk of losing power when they involve others in decision making. But usually the practice of process fairness increases power and influence. When employees feel that they are heard in the decision-making process, they are more likely to support—rather than merely comply with—those decisions, their bosses, and the organization as a whole.

The desire to avoid uncomfortable situations is another reason managers fail to practice process fairness. As Robert Folger of the University of Central Florida has suggested, managers who plan and implement tough decisions often experience conflicting emotions. They might want to approach the affected parties out of sympathy and to explain the thinking behind a decision, but the desire to avoid them is also strong. Andy Molinsky at Brandeis University and Harvard Business School's Joshua Margolis analyzed why managers find it so hard to perform necessary

evils (such as laying off employees and delivering other bad news) with interpersonal sensitivity, which is an important element of process fairness. Leaders in this situation have to manage their own internal dramas, including feelings of guilt (for, say, making poor strategic decisions that led to the downsizing) and anxiety (about having sufficient interpersonal sensitivity to accomplish the task gracefully). Instead of wrestling with those uncomfortable emotions, many managers find it easier to sidestep the issue—and the people affected by it—together.

"Emotional contagion" also comes into play in these situations. Just as we tend to laugh when we see others laugh, even when we don't know why, we also involuntarily feel anxious or sad when those around us feel that way - and that's uncomfortable. No wonder so many managers avoid people in emotional pain. Unfortunately, such avoidance makes it very unlikely that they will practice process fairness.



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I can understand how managers feel. Several years ago, I was working with a telecommunications organization after the first layoffs in the company's history. The CEO and his senior management team wanted me to talk to the midlevel managers about how the layoffs would affect the people who remained and what they could do to help their direct reports "get over it." Feeling betrayed and fearful, however, the midlevel managers were in no mood to help others return to business as usual. They identified me with the problem and implied that I was partly responsible for the decision to downsize. That was a moment of real insight for me: Trying to counsel this unhappy and suspicious group, I completely understood the discomfort that managers experience when they're called on to act compassionately toward people who feel aggrieved. It was much harder than I expected.

The senior managers of the company admitted to me that they were tempted to avoid the rank and file - partly out of guilt and partly because they doubted whether they would be able to keep a cool enough head to practice process fairness. That's a natural response, but ignoring negative emotions only keeps them swirling around longer. When senior managers made themselves more accessible to their workforce, employees reacted positively, and the organization developed a renewed sense of purpose.

Toward Process Fairness

Companies can take several steps to make fair process the norm.

Address the knowledge gaps. Managers need to be warned about the negative emotions they might experience when practicing fair process. Merely acknowledging that it is legitimate to feel like fleeing the scene can help managers withstand the impulse to do so. Studies have shown that people can tolerate negative experiences more easily when they expect them. Just as forewarned surgical patients have been found to experience less postoperative pain, forewarned managers may be bet-

ter able to cope with (and hence not act on) their negative emotions.

Furthermore, managers are more likely to endure a difficult process when they know that the effort will have a tangible payoff. But it's not enough for managers to be vaguely aware that process fairness is cost effective. Corporate executives should educate them about all the financial benefits, using charts and figures, just as they would when making a business case for other important organizational initiatives.

Invest in training. Study after study has shown that fair-process training can make a big difference. Subordinates of the trained managers, for instance, are

not only significantly less likely to steal or to resign from the organization, but they are also more likely to go the extra mile - aiding coworkers who have been absent, helping orient new employees, assisting supervisors with their duties, and working overtime. Several studies by Jerald Greenberg have even found that employees whose managers underwent process fairness training suffered significantly less insomnia when coping with stressful work conditions.

Daniel Skarlicki, of the University of British Columbia's Sauder School of Business, and Gary Latham, of the University of Toronto's Joseph L. Rotman School of Management, have identified some factors of an effective process fairness training program. Participants respond better to active guidance than to a lecture on the benefits of improved process fairness. That's why it's particularly effective to give trainees specific instructions on what they need to do and how they need to do it, such as how to detect resistance to a new strategic initiative. After the participants have practiced these behaviors, give them feedback and let them try again.

When I was working with an executive at a utility company several years ago, for example, I noticed that she made a common mistake: She didn't tell others that she had seriously considered their opinions before making her decisions, even though she had. I advised her to preface her explanations by saying explicitly that she had "given their input some serious thought." Six months later, she told me my advice had been priceless. She learned that it's not enough for executives just to *be* fair, they also have to be *seen* as fair.

Training is most effective when it's delivered in several installments rather than all at once. For example, one suc-

cessful program consisted of a two-hour session each week for eight weeks, along with assigned role-playing homework. That way, participants could receive feedback from instructors during the formal training sessions and from their peers in between meetings. As with most constructive feedback, referring to behaviors ("You never explained why you made this decision") rather than to traits ("You came across as condescending") proved to be most compelling.

Both the process and the outcome of the training need to be communicated to participants - but not at the same time. Before the sessions begin, focus on the outcome. Participants are likely to be far more engaged if they are told that the program will help them gain their employees' commitment to strategy implementation than if they are told it will help them communicate that they've seriously considered other people's points of view. During the course, however, focus on process. Thinking about expected outcomes (improved strategy implementation, for instance) can distract people from learning the specific practical skills they need (such

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as how to involve people in decision making) to achieve the desired results.

Finally, it is important for trainees to maintain expectations that are both optimistic and realistic. Once again, the distinction between outcome and process is useful to keep in mind. You can generate optimism by focusing on the outcomes: Touting the improvements that previous trainees have made should help people feel positive about their own chances for growth. And you can inject realism by focusing on the process: Behavioral change is difficult and rarely takes a linear course. Trainees shouldn't expect to get better at process fairness day by day; but, if they keep working at it, they will improve. I suggest trainees ask themselves three months after the program if they are practicing process fairness more on average than they were three months prior to it. Conducting after-action reviews also helps managers continue to hone their skills long after the training sessions are over.

Make process fairness a top priority. Like most managerial behaviors, the practice of process fairness must begin at the top. When senior managers explain why they have made certain strategic decisions, make themselves available for honest two-way communication with the rank and file, involve employees in decision making, provide ample advance notice of change, and treat people's concerns with respect, the practice of process fairness is likely to spread like wildfire throughout the rest of the organization.

By modeling process fairness, senior management does more than communicate organizational values; it also sends a message about "the art of the possible." People are more likely to try to tackle difficult challenges when they see others whom they respect doing so. In one company that was trying to implement a much-needed restructuring, senior executives effectively served as role models not only by describing the mixed feelings they had about practicing process fairness but also by articulating the process they went through that ultimately convinced them to do

so. The message they sent was that it was legitimate for operational managers to have mixed emotions, but, at the end of the day, the reasons in favor of practicing process fairness prevailed.

In addition to acting as role models, senior managers may communicate the value they place on process fairness by making its practice a legitimate topic of conversation throughout the organization. I worked with one company, for example, that selected its employee of the month based on process fairness skills as well as bottom-line results. Other organizations have made managers' annual pay raises partly dependent on 360-degree feedback about how they plan and implement decisions, in which perceptions of process fairness figure prominently.

Recent corporate scandals show that giving workforces outcome-only directives ("I don't care how you get there, just get there") can be disastrous. Forward-thinking organizations care not only about the outcomes their managers produce but also about the fairness of the process they use to achieve them. This is not a call for micromanagement. Just as there is usually more than one way to produce financial results, there is more than one way to involve people in decision making, to communicate why certain actions are being undertaken, and to express thoughtfulness and concern.

There is a moral imperative for companies to practice process fairness. It is, simply put, the right thing to do. As such, process fairness is the responsibility of all executives, at all levels, and in all functions; it cannot be delegated to HR. But with that moral responsibility comes business opportunity. An executive must minimize the costs of decisions that might threaten employees and maximize the benefits of decisions that may be sources of opportunity for them. In both instances, practicing process fairness will help get you there. The sooner you realize it, the better off you and your company will be.

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