Lesson 6: Equity Theory

Introduction

This lesson consists of:

1. Equity Theory

2. Case Study

3. Student Journal Entry

Assignment

1. **Read** **Course Guide**.

2. When you solve a case study or act like a leader in your organization:

I*.* ***Identify*** the **Areas of Interest**.

II. ***Analyze*** the situation using Equity Theory.

A. ***Classify*** all components of the comparison ratio.

B. ***Identify*** the employee’s resolution technique.

III. ***Explain*** Areas of Interest in terms of the employee’s chosen resolution technique(s).

IV. ***Select*** an appropriate theoretical leader strategy(ies) to address your Areas of Interest.

V. ***Apply*** the theoretical leader strategy(ies) to the situation in the form of a specific leader plan that addresses all Areas of Interest.

3. **Complete a Student Journal entry** for Equity Theory.

Describe a time when, in comparison to another person or persons, you believe you were treated unfairly at work by a supervisor or the organization.

Equity Theory

Most individuals believe life owes them a fair shake. This belief in an equitable distribution of rewards is deeply embedded in our culture and our social system. Most people believe they should get out of a job what they put into it, and that other people should be similarly, not excessively, rewarded.

**Equity Theory**, developed by **John Stacey Adams** in 1963, explains how fairness influences motivation in the workplace. **Equity Theory** observes that human beings frequently compare their skills, talents, and efforts against those of other people. Then, a social comparison is made between the inputs each involved person contributes and the outcomes or rewards received. Especially when a particular reward, such as a promotion, choice days off, recognition, or anything else is sought, people often evaluate whether they received the rewards they believe they deserve. In short, people tend to decide whether or not they are treated fairly. This concept can be found in various current bodies of research, such as equity theory, social exchange theory, and organizational justice.

This expectation of fairness is a powerful motivating force. Research has shown that people who perceive unfairness will take affirmative steps to correct this imbalance. These steps, termed ***Resolution Techniques***, are designed by the employee to make themself feel better about the situation. Resolution Techniques help the person restore their own perception of equity, but they can have unpleasant effects on fellow employees, the leader, and even the organization at large.

Some managers may be tempted to ignore an employee’s perception of inequity, but reflective leaders realize that ***actual or perceived unfairness*** needs to be addressed. As a leader, every decision you make can have equity consequences. Inequity is more than someone else’s problem – it is your problem because it affects the motivation, satisfaction, and performance of your employees.

Definitions

1. ***Comparison Other*** is the person, group of people, or ideal that an individual compares themself to in order to determine if they were treated fairly. The comparison other is “the other person.”

2. ***Inputs*** are the work, effort, time, etc., invested by the individual. Inputs are what each party contributes to the situation.

3. ***Outcomes*** are the rewards and/or punishments received by the individual and the comparison other.

4. ***Comparison Ratio*** is a mathematical depiction of the mental comparison (Figure 6):

**Figure 6.**



Resolution Techniques

A person uses resolution techniques in an attempt to restore their perception of equity. Understand that the person could potentially use multiple resolution techniques. Furthermore, their resolution techniques may not be obvious to you as the leader.

1. ***Altering Inputs*** is changing the amount or quality of work I submit, thereby making my efforts match the relative rewards I am receiving.

2. ***Attempting to Alter Outcomes*** is trying to get more for what I am already doing. This may involve approaching a boss to plead my case, submitting a grievance or lawsuit, or using other means to get my desired rewards.

3. ***Changing the Comparison Other*** is switching the reference point. If I formerly compared myself with someone and I am dissatisfied with the results, I may elect to find a new person to use as a comparison other. The comparison other could also be an ideal, such as a better version of the person making the comparison. Some employees may discover this technique on their own. An informed leader may counsel others to this solution.

4. ***Acting on the Comparison Other***is doing or saying something to the other person in an effort to get them to change the effort they are exerting. This is done in order to make their inputs, or even their outcomes, appear more equal to my own.

5. ***Cognitively Distorting the Situation*** is adjusting my perception of reality to appear more favorable or explain an unfavorable outcome. Statements like, “I really didn’t want that promotion anyway” or “I never had a fair chance” are examples of cognitive distortion.

6. ***Leaving the Field*** is quitting or escaping the situation I believe is unfair. This could include transferring to another division, moving to a different agency, retiring, or resigning and quitting the profession altogether. Some people quit and leave. Others quit and stay – a concept referred to commonly as “retired on duty.”

Leader Strategy

There is only one theoretical leader strategy for Equity Theory: **attempt to restore the employee’s perception of equity in a manner consistent with organizational goals**.

This restoration can be done in various ways and must be customized to the individual and the situation. But, knowing about equity theory is a strong start! By recognizing which technique(s) the employee is using, smart, thoughtful, effective leaders can communicate with their people and redirect employees’ efforts toward more positive goals.

In summary, Equity Theory:

1. Reminds leaders to be aware of their employees’ perceived sense of fairness.

2. Informs leaders of the most commonly used Resolution Techniques.

3. Asks leaders to explore the ramifications of the Resolution Techniques.

4. Encourages leaders to take a more active role in restoring employees’ perception of fairness by replacing employees’ Resolution Techniques with actions that support organizational goals.

**References**

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Case Study

When you reported to the north substation as the new evening watch lieutenant, you met the Captain, John Harmon. As the captain started to fill you in on your new duties, he mentioned that the previous evening watch lieutenant had experienced some problems motivating one of his sergeants, Jack Martin. Furthermore, appearance standards were beginning to fall, and response time was starting to climb in Martin’s watch.

Captain Harmon then discussed his assessment of the situation: “Sergeant Martin is thirty-two years old and has ten years on the department. He’s been a supervisor for three years and was doing a great job until he found out that he had not done well on the recent Lieutenant’s exam. Since Jack scored low on the promotional examination, he’ll have to wait another year for the next test. In the locker room the other morning, another lieutenant overheard Sergeant Martin say, ‘That was really a bogus exam. I am twice as smart, and used to work twice as hard as those golden boys who are gonna get promoted. Don’t worry; I’ve learned my lesson. I’m just gonna lie low for a while.’”

Commander Harmon continued, “Martin just isn’t as committed as he used to be. He still responds to a fair amount of field incidents, but his motivation seems low, and he is much slower to respond to his officers’ requests for assistance. He tries to skate out of projects, and he never gets in early to review subpoenas or the info from the previous watch. He’s starting to show up for duty just a couple of minutes before show-up, and he’s one of the first to leave at end of watch. I don’t know when he last stayed to check on the watch, but I bet it has been quite a while.

“When your predecessor asked what was going on, Martin said he has decided to spend more time with his wife and new daughter. He just doesn’t seem to be putting into the job what he used to. He shows up for work every day, but that’s about it. Sometimes, it seems that he’s just going through the motions.”

The captain added, “I’d really like you to check into this situation. Jack Martin is a good man, but we’re definitely not getting our money’s worth these days. Martin has a bright future in this department, if only he can get motivated again. If he’s not careful, he’s gonna wind up throwing his career and my respect for him right down the drain!”

Use all four steps in the Leader Thought Process.

I. (Step I) ***Identify*** the **Areas of Interest**.

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

(If necessary, continue listing **Areas of Interest** on another page.)

II. (Step II) ***Analyze*** the situation using Equity Theory.

What is the relationship among the Areas of Interest listed above? More specifically, is there a chronological order or **logical chain of events** that helps you make sense of the facts you have? If so, outline the time sequence of events.

Who is Sgt. Martin’s comparison other?

What does Sgt. Martin perceive as his personal inputs?

His outcomes?

What does Martin perceive as the inputs of his comparison other?

His comparison other’s outcomes?

If Sgt. Martin perceives inequity, what Resolution Techniques has he employed?

III. (Step II) ***Explain*** Areas of Interest in terms of the employee’s chosen resolution strategy(ies).

What is the connection between perceived inequity and motivation, satisfaction, and/or performance?

How has a perception of inequity affected Sgt. Martin’s motivation, satisfaction, and/or performance?

Do the facts of the case and your explanation form a pattern that allows you to identify a fundamental or **root cause** (i.e., is there something in the case information that suggests it is the underlying cause of all or most of the Areas of Interest)?

IV. (Step III) ***Select*** an appropriate theoretical leader strategy(ies) to address your

Areas of Interest.

Which theoretical leader strategy will be effective in this situation, according to the theory(ies) you have used in the Analyze and Explain steps above?

V. (Step III) ***Apply*** the theoretical leader strategy(ies) to the situation in the form of a specific leader plan that addresses all Areas of Interest.

Name:

**Complete a Student Journal entry** for Equity Theory.

Describe a time when, in comparison to another person or persons, you believe you were treated unfairly by a supervisor or the organization.

With whom did you compare yourself? What was your perception of your inputs and outcomes? How did you perceive the other person’s inputs and outcomes? What did you do to deal with your perception of inequity? How did your leader(s) respond to your reaction(s)? How effective was the leader’s action(s) in restoring your perception of equity? If your leader(s) did not restore your sense of equity, what could they have done to achieve this, according to Equity Theory? What would you have done if you had been a leader facing a similar Area of Interest?