

Uncertainty Management After Reorganizations: The Ameliorative Effect of Outcome Fairness on Job Uncertainty

*Gestion de l'incertitude après réorganisations :
l'effet bénéfique des solutions équitables sur l'incertitude liée à l'emploi*

*Kees van den Bos**

*Ellen Heuven**

*Eva Burger**

*Marina Fernández Van Veldhuizen**

Abstract

In the current study, it is explored how employees cope with uncertainty caused by reorganizations and whether perceptions of outcome fairness may play a helpful role in these uncertainty management processes. The article presents findings of a survey study in which respondents were employees at a chemical business company in the Netherlands who had survived an influential reorganization process in which the majority of the company's employees had been laid off. As expected on the basis of the uncertainty management model, the experience that the outcomes of the reorganization process were fair made people feel less uncertain about their current jobs. This shows that after reorganizations outcome

Résumé

La présente recherche montre de quelle manière les employés d'une entreprise gèrent l'incertitude liée à une importante restructuration et comment le sentiment de justice peut être amené à jouer un rôle central dans ce processus de gestion de l'incertitude. L'article présente les résultats d'une enquête réalisée auprès d'employés d'une usine de l'industrie chimique aux Pays-Bas qui avaient échappé à une grande vague de licenciements au cours d'un plan de restructuration. Comme attendu sur la base du modèle de gestion de l'incertitude, l'idée d'un juste processus de restructuration est associée chez les employés à moins d'incertitude perçue dans l'exercice de leur travail. Ce phénomène tend à prou-

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Mots-clés

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* Kees van den Bos, Ellen Heuven, Eva Burger, and Marina Fernández Van Veldhuizen, Department of Social and Organizational Psychology, Utrecht University, Utrecht, The Netherlands.

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Address correspondence to Kees van den Bos, Department of Social and Organizational Psychology, Utrecht University, P.O. Box 80140, 3508 TC Utrecht, The Netherlands. Electronic mail may be sent to k.vandenbos@fss.uu.nl.

fairness can have ameliorative effects on job uncertainty and provides suggestive evidence for the uncertainty management model's claim that people may use fairness judgments to cope with the uncertainty resulting from reorganizations. Implications are discussed.

ver que les perceptions de justice après restructuration peuvent avoir un effet positif sur l'incertitude de l'emploi. De plus, les résultats présentés renforcent les assomptions du modèle de gestion de l'incertitude qui postule que les individus utilisent leurs perceptions de justice pour gérer l'incertitude dans laquelle ils se trouvent au travail. Les implications de ces résultats sont discutées en conclusion de l'article.

The world is an uncertain place. For example, many people have jobs with fixed-term contracts, success at work often depends on adaptability and flexibility in the face of an uncertain future, and reorganizations and changes in the workplace occur on a frequent basis (e.g., Brockner, 1994; Brockner, Grover, Reed, DeWitt, & O'Malley, 1987; Brockner, Konovsky, Cooper-Schneider, Folger, Martin, & Bies, 1994; Brockner *et al.*, 1997; Lord & Hartley, 1998). Rapid changes are happening everywhere and news of layoffs as well as national and international conflicts reaches us almost daily. Above all, people are unpredictable, and most of us have experienced both unanticipated disappointments and unexpected successes in our personal, work, or political worlds. In this paper, we will explore how people use perceptions of outcome fairness to cope with uncertainty caused by influential reorganization processes.

Fairness plays a key role in people's lives, and a substantial body of research shows that people's beliefs, feelings, attitudes, and behaviors are affected greatly by whether they feel they have been received fair or unfair outcomes and fair or unfair treatment (for overviews, see, e.g., Brockner & Wiesenfeld, 1996; Folger & Cropanzano, 1998; Greenberg & Folger, 1983; Lind & Tyler, 1988; Tyler & Lind, 1992; Tyler & Smith, 1998). In organizational settings, the experience of fair events typically leads to a variety of positive consequences, such as higher commitment to organizations and institutions, more extra-role citizenship behavior, greater likelihood of conflict prevention and resolution,

increased job performance, and higher levels of job satisfaction (Van den Bos & Lind, 2002). In contrast, people who experience unfair events are more likely to leave their jobs, are less likely to cooperate, show lower levels of morale and higher levels of work stress and overt and covert disobedience, are more likely to initiate lawsuits, and may even start behaving in anti-social ways (Lind & Van den Bos, 2002). In the present paper, we explore the effects of fair and unfair outcomes on feelings of job-related uncertainty. This dependent variable has, according to our knowledge, not been investigated in earlier organizational justice studies.

We derive our research hypotheses from the uncertainty management model of fairness judgments (Van den Bos & Lind, 2002; see also Lind & Van den Bos, 2002). This theoretical framework proposes that people use fairness perceptions to cope with uncertainty in their social lives. A thorough review of the model is beyond the scope of this paper (for details, see Lind & Van den Bos, 2002; Van den Bos & Lind, 2002), but it is noteworthy here that research supports its hypothesis that people react more strongly toward fair and unfair treatment when they are (as opposed to are not) reminded about their uncertainties (e.g., Van den Bos, 2001). These findings are in correspondence with the model and suggest that under conditions of uncertainty people are more in need of fair treatment. An interesting, but not yet tested implication of the model is that the experience of fair outcomes should make people feel less uncertain about their jobs. This potential ameliorative effect of outcome fairness on job uncertainty is the focus of the present paper.

For a number of reasons, we think this is an important issue to study. First of all, the present study explores the role of a number of unexplored yet important variables in organizational justice. These include how employees of a relatively old age with extended years of tenure and diverse educational backgrounds react to real uncertainty that can be assumed to be important following a major reorganization process in which the majority of the company's employees had been laid off as opposed to the effects of two-sentence uncertainty salience manipulations in lab experiments with university students (Van den Bos, 2001). We also focus on the impact of perceptions of outcome fairness on

job uncertainty as opposed to the effects of procedural fairness manipulations on presumably short-lived affective reactions toward treatment (Van den Bos, 2001). Furthermore, respondents of the study to be presented here were working in a small organization. A close inspection of the organizational psychology literature indicates that employees of small organizations tend to be neglected in organizational surveys, perhaps because of the inherently small number of respondents they imply. Because a very large number of people are employed in small organizations we think it is important to survey employees from a small organization and we therefore accept the disadvantage of a relatively small N in our study.

Another reason why we think it is important to study the uncertainty hypothesis mentioned earlier is that it highlights an ironic implication for the organizational justice domain. That is, after having discovered the first instances of the fairness perceptions on employee's reactions, organizational researchers set out to test the effect in what was thought of then as especially difficult circumstances for the effect to occur: The effect was tested in settings where respondents were laid off, where reorganization processes were going on, and so on (see, e.g., Brockner, 1994; Brockner *et al.*, 1987, 1994, 1997). Organizational justice researchers were quite pleased, and rightly so, to find strong effects of fairness perceptions under these harsh conditions. The uncertainty explanation, however, points out that it is not so surprising to find the effects there, but that fairness effects are especially likely to be found in these kind of uncertain situations.

A final reason that we want to mention here why the uncertainty explanation may be important for organizational researchers is that it contradicts economic perspectives on organizational behavior and managerial practice, which tend to think of organizational justice as some luxurious good, to be awarded to employees in quiet times (for overviews of assumptions in economic theory and their relationship with the psychology of fairness judgments, see, e.g., Antonides, 1996; Baron, 1994; Bazerman, 2001; Kahneman, Knetsch, & Thaler, 1986; Thaler, 1992). The uncertainty analysis, however, suggests that organizational justice is especially important in times of turmoil (Lind & Van den Bos, 2002; Van den Bos & Lind, 2002). We tested our

hypothesis by means of a survey study in which respondents were employees at a small chemical company in the Netherlands who had survived an influential three-year reorganization process in which the majority of the company's employees had been laid off.

Method

All employees present in a small chemical business company in the Netherlands were asked to complete a questionnaire about an influential reorganization process their company had been going through for three years in which a total of 230 employees had been fired ($n = 80$), outplaced ($n = 38$), or given an arrangement with which they could retire early ($n = 112$). Respondents were survivors of the reorganization and all persons who were approached to complete the questionnaire were willing to participate, yielding a response rate of 100% and 35 respondents. Respondents' mean age was 45 years and most respondents were men ($n = 33$), were married or living together with a significant other ($n = 34$), worked full time ($n = 31$), and had worked at the company for over 20 ($n = 22$) or 30 years ($n = 12$). Educational background varied widely: Respondents had completed lower ($n = 4$), intermediate ($n = 17$), or higher ($n = 7$) vocational education, intermediate ($n = 3$) or higher ($n = 3$) general secondary education, or had a university degree ($n = 1$). Twenty-seven of the respondents worked at the production department, six at administration, and two respondents were managers. These demographic characteristics did not interact with respondents' outcome fairness judgments and feelings of job uncertainty.

Respondents' ratings were measured on 5-point scales, with labels provided for the anchors and midpoints of the scales. Outcome fairness judgments were assessed by means of a seven-item scale ($\alpha = .71$). Items were derived from previous studies among survivors of lay offs (cf. Brockner, 1994; Brockner et al., 1987, 1994, 1997) and asked respondents, for example, "To what extent do you agree with the statement that lay offs were fair" (1 = completely disagree, 5 = completely agree) and "To what extent do you agree that the company's reorganization was justified and appropriate" (1 = completely disagree, 5 = completely

agree). Job uncertainty was measured by means of a four-item scale ($\alpha = .68$) derived from previous organizational psychological studies (Johnson, Messe, & Crano, 1984; Mohr, 2000) and asked, for instance, "I worry about being laid off" (1 = completely disagree, 5 = completely agree) and "There is a chance of losing my job over the next year" (1 = completely disagree, 5 = completely agree).

Results

In correspondence with the prediction from the uncertainty management model, regressing respondents' feelings of job uncertainty ($M = 3.26$, $SD = 0.80$) on their outcome fairness judgments ($M = 3.39$, $SD = 0.50$) yielded a strong negative Beta-weight, $\beta = -.50$, $p < .01$. This result indicated that experiencing fair outcomes led respondents to feel less uncertain about their job, and (vice versa) that perceiving outcomes to be unfair led people to feel more job uncertainty. The regression analysis further revealed that 25% of the variance in respondents' feelings of uncertainty could be explained by their perceptions of outcome fairness, $R^2 = .25$, $p < .01$, suggesting that at least part of employees' reactions to the reorganization process were affected by the fairness of its outcome.

Based on the uncertainty management model we predicted that especially people who have experienced fair events (such as fair reorganization outcomes) should be less uncertain about their jobs than those who have experienced unfair events (such as unfair reorganization outcomes). To test whether our findings supported this prediction, a median split was conducted on respondents' outcome fairness judgments (Median = 3.43) and the resulting dichotomous variable was used in an analysis of variance to predict respondents' feelings of job uncertainty. As was hypothesized on the basis of the uncertainty management model this revealed that respondents who indicated that reorganization outcomes were fair were less uncertain about their jobs ($M = 2.92$, $SD = 0.72$) than those who had experienced unfair reorganization outcomes ($M = 3.62$, $SD = 0.74$), $F(1, 33) = 8.09$, $p < .01$. A different split (cf. Aiken & West, 1991), in which we focused on respondents who scored one standard deviation above the mean

or higher versus respondents who scored one standard deviation below the mean or lower, yielded similar results: Respondents who had experienced fair reorganization outcomes according to this splitting method also reported less job uncertainty ($M = 2.72$, $SD = 0.60$) than those who had witnessed unfair reorganization outcomes ($M = 3.88$, $SD = 0.65$), $F(1, 32) = 8.61$, $p < .01$. Taken together, these findings indicate, as was expected following the uncertainty management model, that the experience of outcome fairness has an ameliorative effect on feelings of job-related uncertainty.

Discussion

The findings of this study corroborate and extend the laboratory results of Van den Bos (2001), and indicate that if employees have experienced a major reorganization process, in which the majority of their co-workers had been laid off, they refer to their fairness perceptions of the reorganization's outcome to assess how certain they feel about their job. In contrast with previous studies that have been conducted to test elements of the uncertainty management framework, the current findings have been obtained among relatively old, predominantly male employees with extended years of tenure and various educational backgrounds. This stands in contrast with previous studies that mainly tested elements of the uncertainty management framework by means of laboratory experiments in which young, predominantly female university students participated (see, e.g., Van den Bos, 2001; Van den Bos, Poortvliet, Maas, Miedema, & Van den Ham, 2005; for an exception, see See, 2001). The fact that elements of the uncertainty management model have been tested successfully in such diverse populations with such diverse research methods indicates supportive evidence for the robustness of the model.

An interesting, but not yet tested implication of the uncertainty management model was that the experience of fair events should make people feel less uncertain about important aspects of their lives. Although Van den Bos and Lind (2002) argued that previously reported research findings suggested that this hypothesis was based on solid grounds, according to our knowledge,

research findings had not reported an actual decrease in feelings of uncertainty after the experience of fair events. By revealing that when employees perceive the outcomes of influential reorganization processes to be fair they indeed experience less job uncertainty, the findings that were presented here fill this important gap in the uncertainty management model and highlight the ameliorative effect outcome fairness may have on job uncertainty. Besides providing supportive evidence for a newly developed justice model, we think that these findings also have important implications for the field of social justice in general and organizational justice in particular. A history of research on organizational justice (e.g., Van den Bos, 2005) shows that after having discovered the first instances of the effects of fairness perceptions on employee's reactions, organizational researchers set out to test these effects in what was thought of then as especially difficult circumstances for the effects to occur. Organizational justice was thus tested in settings where respondents were laid off, where reorganization processes were going on, and so on. Research findings showed that fairness effects can be found in these situations as well. These uncertain circumstances were thought to be especially harsh conditions under which it would be difficult to obtain justice effects. Organizational justice researchers therefore tended to conclude from these research findings that organizational justice effects are quite strong and robust; after all they had been obtained in situations in which fairness and justice effects presumably were difficult to obtain and observe. The uncertainty management model, however, argues that fairness effects are especially likely to be found in these kind of uncertain situations. The present study is important because it tested important elements of the model in the organizational justice domain. Together with earlier obtained findings (for overviews, see Lind & Van den Bos, 2002; Van den Bos, 2001; Van den Bos & Lind, 2002; Van den Bos, Van Schie, & Colenberg, 2002), the uncertainty framework may have an ironic implication for the organizational justice field: Fairness effects may be especially easy to be found in situations which previously tend to be thought were harsh conditions for justice phenomena and these "harsh conditions" may, in fact, be better conceived of as "conducive circumstances."

This implication of the current findings may not only be important for those of us who are interested in justice only, but also for economists and others. After all, the uncertainty explanation contradicts economic perspectives on organizational behavior and managerial practice, which tend to think of organizational justice as a luxurious good, to be awarded to employees in quiet times (for discussions of the psychological reality of assumptions in economics, see, e.g., Antonides, 1996; Baron, 1994; Bazerman, 2001; Kahneman *et al.*, 1986; Thaler, 1992). The uncertainty model, however, argues that it is especially in times of turmoil that organizational justice is important (Lind & Van den Bos, 2002). In the present paper, important aspects of this line of reasoning were tested among employees who had survived an influential three-year reorganization process in which the majority of the company's employees had been laid off.

We hasten to note here that it would be conducive to the organizational justice field and our model if future research would explore within one set-up the role of uncertainty as both an antecedent and a result of fairness perceptions. Earlier research focused on the former (e.g., Van den Bos, 2001) and the present paper concentrated on the latter. We would especially applaud the use of longitudinal quasi-experimental research in which both these aspects of uncertainty would be followed and thoroughly investigated by extensive questionnaires. We would also welcome if these type of future studies would have a larger sample than the sample that was available to us here. As noted earlier, the organizational justice literature has tended to neglect small organizations in their research studies, perhaps because of the small number of respondents small organizations necessarily imply. Because a very large number of people are employed in small organizations we thought it to be important to survey employees from a small organization. As a result we were faced with a relatively small sample in the current study, but we hope that, together with previously reported studies (e.g., Van den Bos, 2001), the present paper may have some important implications for the field of social and organizational justice and may inspire future research to explore these implications. As research accumulates concerning the psychology of fairness effects, as it has in this study and in other studies (e.g., Brockner, 1994;

Brockner *et al.*, 1987, 1994, 1997; Folger & Cropanzano, 1998; Greenberg & Folger, 1983; Lind & Tyler, 1988; Tyler & Lind, 1992; Tyler & Smith, 1998), we begin to understand not only when these effects disappear, but also a great deal about why they occur at all, why they can be so potent when they do occur, and what the psychological consequences of these effects may be. This knowledge in turn promises to advance our understanding of fundamental issues in the social psychology of organizational justice and of the role of fairness-related phenomena in basic social relations. We hope that the ameliorative effect of outcome fairness on feelings of job uncertainty, revealed in the present paper, may stimulate this quest of the science of social justice.

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