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Framing effects in justice perceptions: Prospect theory and counterfactuals

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ABSTRACT

The majority of organizational justice research is underscored by the assumption that individuals form justice perceptions based on deliberate processing of information, using various justice judgment criteria. Taking an alternative view, this research examined how individuals form fairness perceptions in less deliberate ways—in particular, based on the way in which a decision outcome is framed. Drawing on prospect theory (Kahneman & Tversky, 1979), we argued that decision outcomes that are framed in line with prospect theory's predictions would attenuate counterfactual processing because those outcomes are consistent with individuals' biased preferences. Drawing on fairness theory (Folger & Cropanzano, 1998, 2001), we argued that lower levels of counterfactual thinking increases the tendency for a decision to seem fair; therefore, framing a decision in a way that is consistent with a pre-existing bias could increase the extent to which it is perceived as fair. We found support for our hypotheses in two experiments.

Introduction

Perceptual illusions are widely shared, yet people are typically not aware their perceptions have been biased; the perceptions seem to reflect reality rather than distortions of it. In the present research, we argue that decision frames affect perceived fairness in a manner similar to how people are affected by perceptual illusions. For example, a line seems longer with endpoint arrows facing inward (>---<) rather than outward (<--->), or gray seems lighter against a black background and darker against a white background. We argue that the way a decision is framed can act similarly in influencing the way individuals evaluate the fairness of that decision.

Why is it important that different ways of framing a decision can alter what gives people the sense of having being treated fairly? In their pioneering work on dispute resolution, Thibaut and Walker (1975) noted how reactions to decisions give this question special significance. They argued that in order to "resolve conflicts in such a way as to bind up the social fabric and encourage the continuation of productive exchange between individuals," it is vital to study "how each of the possible procedural choices is perceived and evaluated by persons subject to the process and by other persons who may at some future time have their rights decided in a similar setting" (p. 67). When people react to choices made by others, perhaps the framing of what options were considered will affect how the decision itself is received; binding up the social fabric could hang in the balance.

Past efforts have made headway on such issues by exploring criteria used to evaluate the fairness of decisions. These include criteria for evaluating characteristics of the decision outcome (distributive justice), the formal properties of approaches to making decisions (procedural justice), and features of the communication process (i.e., interactional justice). For example, research on distributive justice has focused on criteria such as those used to judge alignment between outcomes and contributions (Adams, 1965). Leventhal (1980) proposed criteria for procedural justice such as the availability of appeal mechanisms (cf. Thibaut & Walker, 1975). Bies and Moag (1986) suggested criteria for interactional justice regarding how certain qualities of communication can foster a sense of fairness about the decision (e.g., politeness, candor).

This criterion-based approach has produced much evidence about the impact of perceived justice[1] on organizational consequences (see meta-analyses by Cohen-Charash & Spector, 2001;

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[1] We use justice and fairness interchangeably, consistent with the organizational justice literature.

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Colquitt, Conlon, Wesson, Porter, & Ng, 2001; Colquitt et al., 2013; Shao, Rupp, Skarlicki, & Jones, 2013). Nonetheless, that research has emphasized the actual *features* of decisions—those that can be judged according to fairness relevant criteria (e.g., presence vs. absence of appeal mechanisms)—without sufficient attention to *decision frames* that might have nothing to do with fairness per se.

Decision frames can bias individuals' preferences in systematic ways. Respondents reading runaway-trolley scenarios (e.g., Foot, 1967; Thomson, 1985), for example, consider whether to sacrifice one life (causing person A to die) in order to save five (persons B–F, who will die unless the respondent acts so as to kill A). The majority decision reverses based on whether the decision is framed as killing or allowing-to-die. Framed as a choice between two trolley tracks, most choose to kill A by throwing a switch that diverts the trolley away from B–F, whereas most allow B–F to die if they can be saved only by pushing A in front of the trolley (e.g., Greene, Sommerville, Nystorm, Darley, & Cohen, 2001; Hauser, Cushman, Young, Jin, & Mikhail, 2007; cited by Cushman, 2013). Similarly, what game theorists call "defection" in a Prisoner's Dilemma format seems more hostile when research participants believe they are involved in a "Wall Street game" rather than a "community game" (Liberman, Samuels, & Ross, 2004).

Our studies provide evidence about justice perceptions as a function of framing effects, drawing on fairness theory (Folger & Cropanzano, 1998, 2001) and prospect theory (Kahneman & Tversky, 1979). The latter provides another framing paradigm in which the choice between two options reverses. The former theory predicts that the perceived fairness of a decision will differ depending on the salience of an unchosen option as a counterfactual alternative to the actual choice. Based on prospect theory, we argue that a decision framed congruently with prospect theory's predictions will attenuate counterfactual processing because such a framing will bias an individual's preference toward that decision, and reduce the individual's consideration of alternative options (counterfactuals). Based on fairness theory, we argue that the less a decision triggers counterfactual thinking, the greater the tendency for the decision to seem fair. Thus, we expect a decision that is consistent with the bias articulated in prospect theory to be perceived as fairer than a decision that is inconsistent with prospect theory, when the outcomes, procedures and interactional aspects of the decision are held constant.

The present research contributes to the organizational justice literature in several ways. First, we examine reactions to decisions that are framed consistent with a cognitive bias of those who are evaluating them, which is different from evaluating a decision based on a set of fixed criteria—such as equity or procedural justice rules. The effect of framing goes beyond any specific feature of the decision. Therefore, this research examines a thus-far unexplored antecedent of perceived fairness.

Second, we examine the way in which decision frames affect the fairness evaluation process. Drawing on fairness theory (Folger & Cropanzano, 1998, 2001), we examine how decision frames influence individuals' counterfactual thinking. Although previous studies have examined the effects of decision frames on individuals' evaluations of decisions (e.g., Gamliel & Peer, 2010; Kahneman, Knetsch, & Thaler, 1986, 1994), no study to date has examined counterfactual thinking as an underlying mediating mechanism of framing effects in relation to perceptions of fairness. In explaining the fairness evaluation process, the integration of prospect theory's framing effects and fairness theory's notion of counterfactual thinking is a unique contribution of the present study.

Overall, the present research addresses conceptual links between organizational justice and the literature on judgment and decision-making (JDM). As Highhouse (2001) noted, although the domain of JDM contains relevant theoretical and empirical findings that could potentially benefit areas of organizational behavior and industrial and organizational psychology, there is a serious lack of integration with those two fields. Recognizing this gap, Dalal et al. (2010), recently called for research that integrates theoretical insights from the JDM literature with other management fields. The theoretical confluence presented in this paper is a step in that direction. Next we discuss the conceptual grounds for making predictions.

Fairness theory and counterfactual thinking

Counterfactuals can be defined as "mental representations of alternatives to the past" (Roese, 1997, p. 133). Counterfactual thoughts can result from conscious and elaborative processing of information or through automatic processes without conscious intent (Kahneman, 1995). This second type of counterfactual processing is the most relevant to framing effects examined in the present research (Roese, 1997). A number of factors can trigger counterfactual thinking. These include the negative affect associated with an outcome, the closeness of an actual outcome to an expected outcome, the degree to which an outcome is controllable and the degree to which an outcome is considered as unusual or unexpected (Roese, 1997).

Fairness theory (Folger & Cropanzano, 1998, 2001) presumes that counterfactuals relevant to accountability influence perceptions of injustice. The perception of an event as unjust occurs when a person holds another party accountable for an action (or inaction) that caused harm. This accountability involves judgments about the following: (a) perceived harm to a decision-outcome recipient, (b) conduct over which a decision maker has discretionary control, and (c) a decision-maker's moral transgression (discretion exercised in an improper manner). Judgments regarding those elements imply *counterfactual* scenarios (imaginable alternatives to actual events, processed consciously or below the level of awareness) that make actual events seem unfair by contrast with "if only…" alternatives.

Comparisons between actual events and their associated counterfactual scenarios (the most easily imaginable) will affect fairness perceptions and related reactions to a decision. The relevant counterfactuals involve contrastive alternative scenarios regarding what the outcomes *would* have felt like if there had been no harm, along with what a decision maker *could* have and *should* have done differently (Folger & Cropanzano, 2001). A recent series of experiments showed that the extent to which a decision prompted such counterfactuals was associated with the extent of perceived unfairness (Nicklin, Greenbaum, McNall, Folger, & Williams, 2011). The present research represents an extension beyond fairness theory's counterfactual analysis by taking into account (a) a decision's frame, and (b) the way in which a decision's frame biases preference for that decision and influence counterfactual activation, thereby affecting perceptions of fairness.

Prospect theory

Putting that line of reasoning to an initial test, we combine the counterfactual orientation of fairness theory (e.g., Folger & Cropanzano, 2001) with predictions from prospect theory (Kahneman & Tversky, 1979). Prospect theory explicates how the manner in which a decision is framed will influence decision choice when holding the objective outcomes of choice options constant. In prospect theory, a decision frame refers to "the decision-maker's conception of the acts, outcomes, and contingencies associated with a particular choice" as affected "partly by the formulation of the problem and partly by the norms, habits, and personal characteristics of the decision-maker" (Tversky & Kahneman, 1981, p. 453). Decision frames can function so that out-