J Bus Ethics
DOI 10.1007/s10551-014-2062-6

Peoples' Views About the Acceptability of Executive Bonuses and Compensation Policies

Marco Heimann · Étienne Mullet · Jean-François Bonnefon

Received: 22 March 2013 / Accepted: 13 January 2014

Abstract We applied a technique borrowed from the field of bioethics to test whether justice-related factors influence laypersons' decisions concerning business ethics. In the first experiment, participants judged the acceptability of remuneration policies and in the second that of executive bonuses. In each study, participants judged a set of 36 situations. To create the scenarios, we varied (a) retributive justice—the amount of remuneration; (b) procedural justice—the clarity of the procedure that determined the remuneration; (c) distributive justice—the extent of the distribution of bonus payments amongst employees; and (d) restorative justice—a special compensation for hazardous working conditions or accidents at work. *K*-means clustering of all 36 judgments revealed four different personal positions in both experiments. One group of people readily accepted all situations. The other three groups' judgments were mainly a function of distributive justice modulated in different ways by the context determined by the other variables. Furthermore, people conceive of distributive justice as categorical: Acceptability judgments only increase if companies give bonuses to all employees. Granting bonuses to a subset (i.e. mangers or executives) does not increase acceptability. Our results are useful for policy makers and provide business ethics researchers with a novel technique.

Keywords Corporate social responsibility · Remuneration policy · Information integration · Executive compensation · Justice theory

Introduction

People hold passionate opinions about remuneration and bonuses as is shown by the public outcry about greedy CEOs who, despite leading their companies to historic losses, walk away unrepentant with significant annual pensions, or blue-collar workers who think their wages are unfair. Virtually everyone holds an opinion on how socially responsible remunerations should be determined. The aim of the present study was to explore lay people's views on the acceptability of remuneration plans and bonuses for senior executives, and to assess the effect of social justice factors on these views.

Why the Acceptability of Remunerations and Bonuses Matters

From a social perspective, it is preferable if remuneration policies are acceptable to the public. Most corporate social responsibility (CSR) theorists hold the view that firms are, at least to some extent, accountable to society (Crane 2008). CSR means the voluntary contribution by businesses to sustainable development that goes beyond the legal requirements.[1] From this perspective, a company with

M. Heimann (✉)
University of Toulouse, Toulouse, France
e-mail: marcoheimann@gmail.com

É. Mullet
École Pratique des Hautees Études, Paris, France

J.-F. Bonnefon
University of Toulouse and CNRS, Toulouse, France

[1] We omit a detailed discussion of the terms corporate citizenship, sustainable business, and responsible business which make similar claims.

Published online: 01 February 2014

remuneration and bonus systems acceptable to laypeople acts in a more socially responsible way than those without such systems.

Another aspect is that acceptable remunerations and bonuses can benefit business. Even though the question of whether the motivation for CSR should be economic or normative is a controversial one (Wühle 2007), scholars have argued that a voluntary, non-normative implementation of CSR may increase benefits for the company itself.[2] The reason cited for this beneficial effect and valuation of intangible assets, such as trust, reputation, employee motivation, and customer satisfaction (Marcos and Sales 2006).

Remuneration acceptability influences intangible economic variables because it is linked to workers' perceptions of the fairness of remuneration. Most models of fairness perceptions include comparisons with referent others on multiple dimensions. According to equity theory (Adams 1965), people largely evaluate the fairness of their own pay through comparisons with referent others. For example, an assessment of the fairness of one's own pay, is derived from comparisons between the ratio of personal inputs and outcomes with the same ratio observed in referent others. This view has been complemented by a cognitive perspective based on information integration. In this model, the ratio approach is first applied along each separate input dimension (e.g. effort, performance) and the results of multiple dimensions are then integrated (averaged, multiplied and/or added) to yield a final judgment. Nevertheless, both models derive fairness from comparisons with referent others (i.e. executives). This view is also supported by Dornstein (1989) who conducted a questionnaire-based study among 222 industrial workers from different sectors and showed that pay fairness evaluations may be based on comparisons with similar or dissimilar others.

Fairness perceptions are relevant for businesses because workers who perceive their own pay as unfair are more likely to suffer in terms of health, more likely to work inefficiently, and may engage in counterproductive behavior. Shaw and Gupta (2001) found the perception of unfair pay to be associated with depression, somatic complaints, and decreased life satisfaction in a cross-sectional study of US-based organizations. Cowherd and Levine (1992) have shown that increased pay inequity between employees and management accounted for lower product quality in a sample of 102 corporations. Furthermore, workers who perceived their wages as unfair and developed episodic envy towards managers were found to exhibit higher levels of interpersonal counterproductive behavior in a study conducted by Cohen-Charash and Muller (2007). In a similar vein, Skarlicki and Foler (1997) have shown that organizational injustice can lead to adverse behavior, precisely procedural justice, distributive justice, and interactional justice interacted to predict organizational retaliation behavior. Whereas Arnold et al. (1996) found that training workers in the principles of organizational justice can lead to increased citizenship behavior. In simple terms, if executive remuneration is perceived as unfair or unacceptable, the company's functioning may suffer due to employee health issues, work outcomes, and counterproductive behavior.

[2] The normative approach justifies regulatory pressure from governments and transnational institutions, which require social responsibility from corporations, whereas the economically motivated approach, by contrast, tries to establish an intrinsic motivation for companies to implement CSR.

Moral Judgments of Complex Situations

People's judgments of complex situations involving multiple pieces of information follow sets of rules used to combine each piece of information in a psychological integration process first described in Anderson's IIT (Anderson 1981, 2008). This information integration process has been well documented in a large number of everyday judgments, and most specifically in the case of moral decisions in the fields of medical ethics (Kpanake et al. 2013a; Teisseyre et al. 2010; Munoz Sastre et al. 2007; Frileux et al. 2004), conflict resolution (Kpanake and Mullet 2011), and legal situations (Kpanake et al. 2013c). However, to the best of our knowledge, this study is the first to focus on the issue of remuneration policies and bonuses and, more broadly, business ethics.

We predict that the integration process participants use to combine information about remuneration is a complex one. The term "complex" means that we expect the different pieces of information to interact.

Studies of moral issues involving acceptability judgments have shown that different points of view frequently coexist. Kamble et al. (2012, 2013), for example, have investigated the acceptability of actively ending the lives of newborns with genetic defects amongst populations from India and Kuwait. Using cluster analysis techniques, they identified four groups of people who resorted to different rules when making their judgments. To some extent, these rules seemed to be associated with the religious ideologies present in the two countries. Another study has identified two clusters of judgments of the acceptability of physician assisted suicide (PAS) (Kpanake et al. 2013a). One cluster judged PAS to be always unacceptable, whereas the other considered acceptability to be dependent on the circumstances.

The aim of our study was to examine the acceptability of remuneration policies and executive bonuses and we assessed the cognitive process by which participants arrived at a judgment of the acceptability of a remuneration system or executive bonus, and not just the output of this process. Most people have personal positions regarding many societal issues, and these positions can be complex. The individual

differences in participants' responses to ethical dilemmas cannot be considered as simple linear variations along response scales. They usually reflect participants' basic philosophical positions regarding the appropriateness of behaving in such and such way in general or under specific circumstances (e.g., Mullet et al. 2012). Consequently, we rigorously replicated the methodology used by Kamble et al. (2013) in their study of the acceptability of PAS to people in Kuwait and India because this methodology makes it possible to characterize the potentially complex personal views held by different individuals.

Based on these findings, our second prediction is that French people's views on remuneration policies and executive bonuses can be segmented into various groups. Each group will follow distinct rules to combine the variables that constitute a remuneration situation. We further speculate that these views can be linked to yield ideological and/or moral conceptions.

People's Views on Remuneration Policies and Executive Bonuses

Empirical studies of laypersons' opinions about remuneration policies and executive bonuses are rare. Scholars have described how the discourse of social actors has helped to legitimize bonuses (Joutsenvirta 2012) and have provided a conceptualization of important ethical notions such as equity and equality (Morand and Merriman 2012). Others have successively considered descriptive, normative, and prescriptive perspectives (Dunham and Washer 2012).

The traditional economic perspective explains the rise in executive compensation in terms of enterprise competition for a limited number of skilled executives and as a way of aligning managerial and stockholder interests (Jensen and Murphy 1990). However, from a layperson's perspective, executive compensation seems to be above all an issue of social justice: To such observers, it is irrelevant whether, for instance, the bonus curve follows a linear, a convex, or a concave function.

Kpanake and Mullet (2011) predicated their study of conflict resolution on a distinction between four types of justice: Retributive justice, procedural justice, distributive justice, and restorative justice. The present study attempts to examine the extent to which each of these types of justice is associated with perceived acceptability of remuneration policies and executive bonuses among lay people. In the following, we consider each dimension of social justice and identify the aspect of a remuneration situation that corresponds to it.

Higher remuneration for managers is often justified because managers might have to work late or at weekends, and answer phone calls at night. This is a matter of retributive justice. According to the concept of retributive justice, the amount of the bonus must be proportional to the burden imposed by the effort expended. In other words, the role of retributive justice is to compensate for the restriction of individual freedom suffered by executives. People generally express retributive justice in terms of a number of monthly wages. Indeed, company workers often receive a thirteenth month's salary, that is, a discretionary annual bonus that generally represents 1 month's salary. We consider this extra month's salary to reflect the way laypersons reason about bonuses and predict that greater retributive justice increases acceptability.

Procedure is as important to stakeholder theory as the final distributions (Phillips et al. 2003). Procedural justice relates to the transparency and fairness of the decision-making process (Thibaut and Walker 1975; Lind and Tyler 1988), and draws on the question of who determines the remuneration received, and how she/he determines it (Murphy 1999).

Fairness in the resource allocation process is unattainable if the person who decides on the allocation has conflicting interests (e.g. deciding on the most efficient solution for the company and, at the same time, maximizing the outcome for oneself as a beneficiary of the decision, Bebchuk and Fried 2003). Lay people probably do not care too much about the mechanisms by which executives influence their own pay. Instead, they consider whether the calculation of the bonus is comprehensible, traceable, and follows clear rules.

Folger and Konovsky (1998) have shown that procedural justice can moderate perceptions of pay rise decisions. In parallel, we predict that people perceive remunerations established by clear rules as more acceptable.

Donaldson and Preston (1995) have argued that an underlying principle of distributive justice is that it affirms property rights. Distributive justice theory relates to the socially fair allocation of goods in society: It is therefore primarily concerned with outcomes (Eatwell et al. 2008; Rawls 1971). For instance, the extent to which all categories of employees in a company receive bonus payments is a good proxy for distributive justice. In other words, the acceptability of a remuneration will depend on attribution, i.e. whether only senior executives, junior and senior executives, or everyone (executives, management and workers) receives a bonus. In a recent study, Folger and Konovsky (1998), showed that distributive justice can moderate reactions to pay rise decisions. Similarly, we predict that greater distributive justice in remuneration policies and executive bonuses will increase acceptability.

Finally, restorative justice (sometimes called reparative justice) refers to the needs of victims and offenders and is probably the oldest ethical principle applied in the field of remuneration: The history of compensation for physical injury began shortly after the advent of written history itself (Guyton 1999). For instance, a Nippur Tablet from ancient

Sumaria outlines the law of Ur-Nammu, king of the city–state of Ur, which provided monetary compensation for specific injury to workers' body parts, including fractures (Kramer 1988). Special bonuses for employees who have endured hazardous working conditions or have suffered from occupational injuries are an instance of restorative justice.

To summarize, we test the hypothesis that people judge the acceptability of remuneration policies and executive bonuses as a function of variables relating to retributive justice, procedural justice, distributive justice, and restorative justice. We further expect to find similar positions that relate to ideological and/or moral conceptions. Experiment 1 was conducted to test these predictions in the context of general remuneration policies, and Experiment 2 in that of executive bonus payments.

Experiment 1

Experiment 1 explored lay people's judgments of the acceptability of companies' remuneration policies as a function of the extent to which these policies implemented the four types of justice discussed above.

Method

In the same way as in the many studies conducted in the field of empirical ethics (e.g. Kpanake and Mullet 2011; Nann et al. 2012; Teisseyre et al. 2005), the method represented an application of Functional Measurement (Anderson 1981, 1982, 2008, 2013). This methodology makes it possible to evaluate the cognitive processes by which individuals arrive at a response in the presence of multiple stimuli. Building on the methodology of functional measurement, Hofmans and Mullet (2013) have developed a framework for identifying the distinct cognitive processes used by different individuals during the integration of information. This methodology is therefore particularly suitable for testing how people arrive at judgments about the acceptability of remuneration policies as well as for examining the participants' personal views.

This research methodology has been used in several studies involving research questions into social issues in different societies. What they have in common with our research question is that they (a) are of great social importance, (b) examine the way people cognitively integrate different pieces of information to arrive at a judgment about a situation, and (c) demonstrate that different personal views of a situation exist within society. For example, López-López et al. (2012) applied this technique to conflict resolution research in Colombia. Kpanake et al. (2013b) have addressed the Togolese social issue of malaria treatment. And in France, Camus et al. (2013) have studied the acceptability of drug policy by focusing on social issues related to organized crime, fatal casualties, and health issues (e.g. HIV).

The Ethics and Work laboratory of the Institute for Advanced Studies, Paris, France approved the study.

Participants

The participants (30 women and 39 men of average age 24 years) were unpaid volunteers recruited nearby the university, and tested by one student trained in the application of the functional measurement methodology. The experimenter contacted the participants individually, explained the study, and asked them to participate. Subsequently, the experimenter obtained informed consent and arranged when to administer the experiment. Of the 112 persons contacted, 69 (61.6 %) participated.

Materials

The material consisted of 36 scenarios. They were constructed based on a four within-subject factor design: Extent of the bonus policy of the company (every worker in the company vs. only executives) × Amount of bonus attributed (corresponding to about 1 vs. 3 months of salary) × Transparency of the bonus attribution procedures in the company (clear attribution rule, unclear rules or completely arbitrary) × Existence of a special bonus for increased responsibility (corresponding to 3 months, 1 month or no special bonus), 2 × 2 × 3 × 3. Below is an example of such a vignette:

> *The STATAGEM Company manufactures and sells appliances. Like many other medium- or large-sized companies it applies a bonus policy. In this company, the principle for the distribution of bonuses is:*
> *(a) everybody, i.e. top executives, managers and workers, receives a bonus, (b) equivalent to three months' salary; (c) the procedure for assigning the bonus is rather questionable (there are rules but they are not always rigorously enforced), and (d) there is no complementary bonus for jobs of great responsibility or hardship.*

The question following each vignette was, "*To what extent do you think that such a bonus policy is acceptable?*" Ratings were indicated on a 10-point scale with a left-hand anchor of "*Not at all*" (1) and a right-hand anchor of "*Completely*" (10).

Procedure

The experiment was performed in an empty room in the university. The experimenter tested each person individually.

The session consisted of two phases. In the familiarization phase, the experimenter explained what was expected and presented each participant with 18 vignettes taken from the complete set. For each vignette, participants read the description aloud and then, after the experimenter had reminded them of all items of information in the vignette, they made an acceptability rating by placing a mark on the rating scale. After completing the 18 ratings, they could look back at their ratings, compare, and change them.

In the experimental phase, each participant gave ratings for the whole set of 36 vignettes, working at her own pace, but was no longer allowed to look back and change previous responses. In both phases, the experimenter made certain that each participant was able to grasp all the necessary information before making a rating. The participants took 20–40 min to complete both phases. The experimental phase was performed quickly because the participants were already familiar with the task and the material. The participants knew in advance how long the experiment would last. They did not complain about the number of vignettes they were required to evaluate or about the credibility of the proposed situations. They then completed the questionnaires.

Results

For each of the 36 scenarios in the experimental phase, we measured the distance between the left anchor (1) and each answer given by the participant on the rating scale. All subsequent analyses were performed on these distance measures. The overall mean value of all the ratings was 5.54 and therefore close to the center of the response scale. The lowest mean rating, 3.13, and the highest mean rating, 8.59, were quite distant from the possible minimum and maximum answers (10 and 10). There were therefore no ceiling or floor effects to complicate the interpretation of the results.

We conducted a cluster analysis based on the statistical recommendations provided by Hofmans and Mullet (2011) using *k*-means clustering (Euclidean distances), which is a non-hierarchical centroid-based method. Outliers and the type of distance measure have a lesser influence in this method. Furthermore, it makes immediate use of all data. Recent applications of the k-means clustering technique in the field of bioethics can be found in Nann et al. (2012) or Kamble et al. (2012).

A four-cluster solution was retained. Figure 1 shows the main results of this analysis. The first cluster was called "Always acceptable" because participants' ratings were always well above the midpoint (mean = 7.62; SD = .22), that is, the participants judged all the remuneration policies to be acceptable. Their judgments did not change much as a function of variations in the levels of the four justice factors. An ANOVA showed no significant main effects (see Table 1 in Appendix).

The second cluster was called "Undecided" (mean = 5.9, SD = .11). Participants in this cluster judged the policies as sometimes acceptable and sometimes not. The most important factors were the extent to which all employees benefited from bonuses (the distributive justice factor) and the existence of compensations for occupational injuries and/or hard work (the restorative justice factor). The effect of the special bonus was greater when only executives benefited. In other words, when the level of distributive justice was low, special compensations for people who had suffered occupational injuries or who worked in onerous conditions played a greater role in the judgment of the acceptability of policies. An ANOVA showed that the distributive factor and the restorative factor had significant effects, and that their interaction was significant (see Table 1 in Appendix).

The third cluster was called "Distribution" (mean = 4.6, SD = .32). For the participants in this cluster, policies were always largely acceptable if a company gave all workers a bonus and always largely unacceptable if only executives received bonuses. In other words, the distributive factor was, by far, the most important one for judging acceptability. For these participants, however, acceptability was also, albeit to a lesser extent, a function of procedural justice and distributive justice. An ANOVA showed that all three factors had significant effects (see Table 1 in Appendix).

The fourth cluster was called "Distribution and Procedure" because of the great importance of a clear procedure to these participants in their judgments of acceptability. The participants in this cluster reported the lowest mean acceptability (mean = 3.9, SD = .19). For these participants, the acceptability of remuneration policies depended mainly on the establishment of clear rules governing remuneration and on distributive justice. The two factors interacted in the following way: The effect of clarity of procedure was all the stronger when companies granted a bonus to everyone than when this was not the case. An ANOVA showed that the procedural factor and the distributive factor had significant effects, and that their interaction was significant (see Table 1 in Appendix).

Discussion

Experiment 1 provided a detailed mapping of people's views regarding the acceptability of remuneration policies. We identified four distinct positions. A first group of people was seen to be insensitive to policy factors. This group considered that bonuses were always mostly acceptable. A second group of people judged bonus

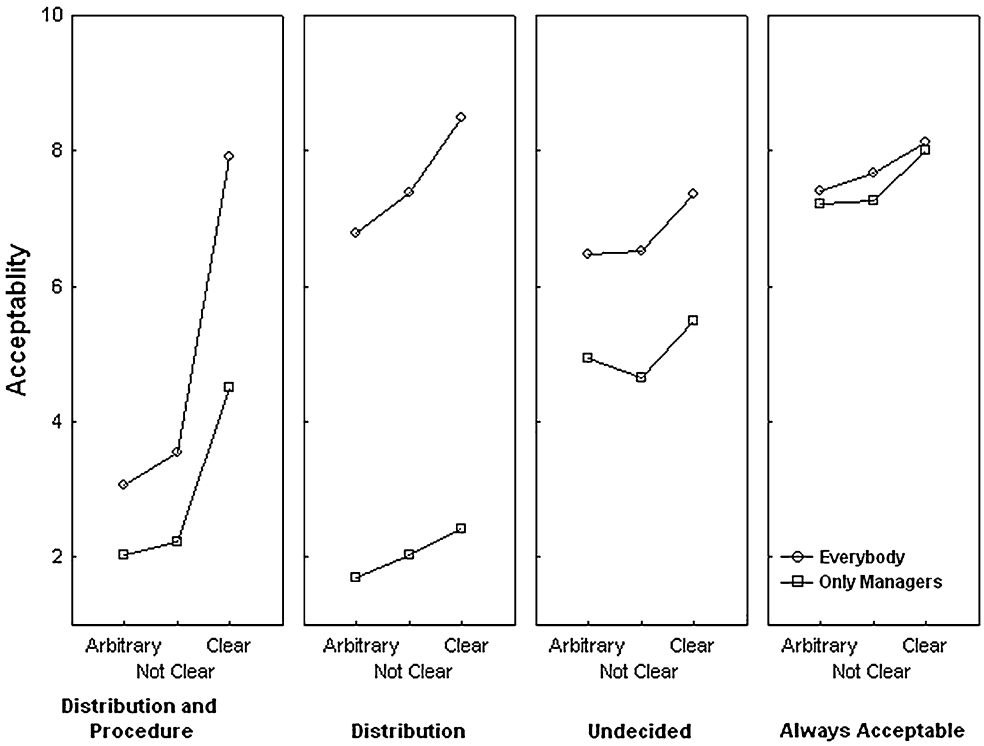

Fig. 1 Pattern of results observed for four different personal views: the "Distribution and Procedure" view (*left panel*), the "Distribution" view (*second panel*), the "Undecided" view (*third panel*), and the "Always Acceptable" view (*fourth panel*). In each panel, (a) the mean judgments of the acceptability of a company's remuneration policy are shown on the *y*-axis, (b) the three levels of procedural justice are shown on the *x*-axis, and (c) the two curves correspond to the two levels of distributive justice

policies largely unacceptable, with the exception of policies based on a transparent procedure and provided that all employees benefited from them. A third group judged bonus policies to be generally acceptable. Their judgments improved when companies gave bonuses to all employees and had established a clear procedure to determine the bonus. A fourth group considered bonus policies to be largely unacceptable when a company only gave bonuses to executives. Policies in which all employees received bonuses were generally considered acceptable and all the more so if there was a clear procedure.

Experiment 2

Experiment 2 explored lay people's judgments of the acceptability of Chief Executive Officer bonuses as a function of the extent to which a company implements the four types of justice discussed above. Our main hypothesis was that, as in Experiment 1, qualitatively different personal positions exist among participants.

Method

The method was the same as in Study 1 (Anderson 1981, 1982, 2008). The Ethics and Work laboratory of the Institute for Advanced Studies, Paris, France approved the study.

Participants

As in Experiment 1, all the participants (36 women, and 23 men, average age 23 years) were unpaid volunteers recruited nearby the university and tested by one student trained in the application of Anderson's methodology. The experimenter explained the study and invited the participants to take part. He obtained informed consent and arranged when to administer the experiment. Of the 80 persons contacted, 59 (73 %) participated.

Materials

The material consisted of 36 cards, each containing a vignette of a few lines, a question, and a response scale. The vignettes were constructed based on a four within-subject factor design: Amount of bonus attributed to senior executives (corresponding to about 6, 12, or 18 months of salary) $\times$ Transparency of the bonus attribution procedures in the company (clear attribution rule versus obscure procedure) $\times$ Extent of the company's bonus policy (only senior executives, middle/senior executives or every worker in the company) $\times$ Special bonus for special responsibility and onerous working conditions), $3 \times 2 \times 3 \times 2$. Below is an example of such a vignette:

> *Mr. Bouillot is CEO of Builtup Inc., a construction company.*

(a) This year Mr. Bouillot will receive a bonus equivalent to eighteen months of his salary. This bonus rewards good management efforts. (b) It is calculated based on clear rules that take into account the benefits and the attainment of certain fiscal targets. (c) In this company, everyone, workers and managers, is given a bonus. This bonus varies with effective responsibilities. (d) In addition, a special bonus is awarded to people who have suffered from accidents, additional responsibilities or onerous working conditions.

The question following each vignette was, "*To what extent do you think that such a bonus for senior executives is acceptable?*" The rating scale was an 10-point scale with a left-hand anchor of "*Not at all*" (1) and a right-hand anchor of "*Completely*" (10).

Procedure

The procedure was the same as in Study 1.

Results

A cluster analysis, using the same technique as in Experiment 1, was applied to the raw data after ceiling and floor effects had been controlled for (lowest mean rating = 2.61; highest mean rating = 7.92).

As expected, the participants responded in very different ways and we retained a four-cluster solution. Figure 2 displays the main results with mean acceptability ratings pooled across the full distribution and amount for each cluster. Four separate analyses of variance were conducted on the raw data for each cluster using an Extent × Amount x Procedure × Special design, 3 × 3 × 2 × 2 (Table 2 in Appendix). Owing to the great number of comparisons conducted, the significance threshold was set at .01.

We named the first cluster "Always Acceptable", because acceptability ratings were well above the midpoint of the response scale ($M = 5.7$; SD = 3). Participants judged bonuses for executives acceptable in any situation. Variations in the justice factor levels did not change their judgments very much, as is confirmed by a repeated measure ANOVA (see Table 2 in Appendix).

We named the second cluster Distribution ($M = 4.4$; SD = 1.9). For participants in this cluster executive bonuses were only acceptable if the company awarded a bonus to executives, managers, and all workers. This means that the distributive justice factor was by far the most important for acceptability judgments. Situations in which a company gave bonuses to executives and managers (but not workers) were considered as acceptable as situations in which only executives had a bonus. Post-hoc Tukey HSD tests confirmed this finding. These participants also used information about special bonuses, the procedure followed and the amount when making their judgments. An ANOVA showed that restorative, procedural, and retributive justice had significant effects (see Table 2 in Appendix). However, these factors were all of little importance in comparison to distributive justice. Furthermore, acceptability increased only when everyone received bonuses.

We named the third cluster "Distribution or Retribution" ($M = 5.8$; SD = 2.4). Participants judged the acceptability of executive bonuses as a function of the extent to which all workers also received bonus payments (the distributive justice factor) and as a function of the amount of the bonus (retributive justice factor). In the same way as for Distribution, participants' judgments of acceptability increased only when everyone received bonuses. Situations in which a company gave bonuses to executives and managers (but not workers) were judged to be as acceptable as situations in which only executives had a bonus. Post-hoc Tukey HSD tests confirmed this finding. Reductions in executive bonuses gradually increased acceptably. The procedure used to establish the bonus (procedural justice) was also important for the participants, albeit to a lesser extent. An ANOVA revealed that the effects of Extent, Amount and Procedure were significant (see Table 2 in Appendix).

Because the amount a company's executives received was of such importance in the judgments of acceptability, we named the fourth cluster "Distribution and Retribution" ($M = 2.72$, SD = 1.6). Participants in this cluster judged the acceptability of executive bonuses as a function of the amount received (retributive justice). Additionally, the effect of the amount was greater when all employees received bonuses. In other words, when everyone received bonuses (distributive justice), small bonuses for executives gained in importance when the acceptability of executive bonuses was judged. An ANOVA showed that both Extent and Amount had significant effects and that their interaction was significant (Table 2 in Appendix). Again, the participants did not differentiate between the chief executives alone, and the chief executives and managers conditions. It is worthy of note that in the most "favorable" scenario, in which a bonus was granted to all workers and the amount was only 6 month, there was a qualitative change within the answers of this cluster (mean = 5.56, SD = .78). Indeed, when these two conditions were satisfied, the participants deemed executive bonuses acceptable.

Discussion

Experiment 2 provided a mapping of people's views on the acceptability of chief executive bonus compensations as a function of four justice factors. We found four distinct positions. A first group was insensitive to policy factors. For them executive bonuses were always acceptable. A

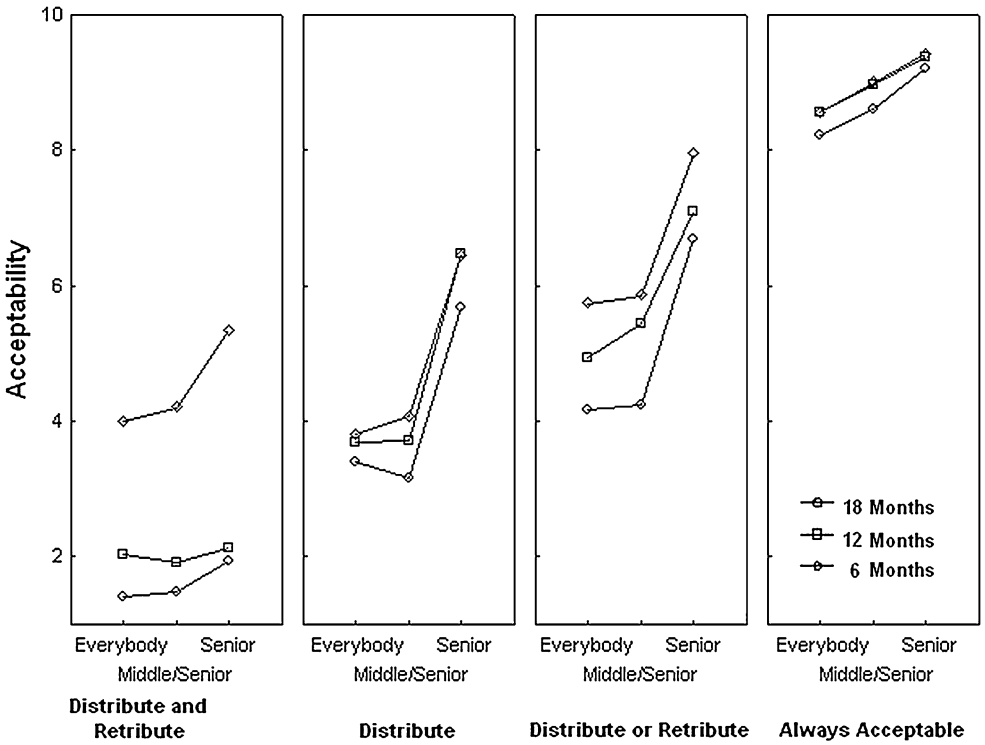

Fig. 2 Pattern of results observed for four different personal views: the "Distribute and Retribute" view (*left panel*), the "Distribute" view (*second panel*), the "Distribute or Retribute" view (*third panel*), and the "Always Acceptable" view (*fourth panel*). In each panel, (a) the mean judgments of the acceptability of a company's CEO bonus are shown on the *y*-axis, (b) the three levels of distributive justice are shown on the *x*-axis, and (c) the three curves correspond to the three levels of retributive justice

second group of people judged executive bonuses to be generally unacceptable. However, this group considered executive bonuses acceptable if the company gave bonuses to all employees and if the amount of the executive bonus was small. A third group thought that executive bonuses were only acceptable if a company gave bonuses to all employees. A fourth group judged executive bonuses to be generally acceptable. However, the judgments were more favorable if everybody received a bonus and the executive bonus was small. This group deemed executive bonuses unacceptable if they were high and the company did not give other employees a bonus.

General discussion

We explored laypeople's views on the acceptability of remuneration policies and executive bonuses as a function of justice factors using a technique taken from studies conducted in the domains of medical ethics, conflict resolution, and legal studies. Our first prediction was that people would judge the acceptability of remuneration policies and executive bonuses as a function of the extent to which retributive justice, procedural justice, distributive justice, and restorative justice are present in the situation. In both of our experiments, the variance in acceptability judgments explained by the four justice factors was quite large. We also expected to find different personal positions, which reflect participants' basic philosophical positions regarding the appropriateness of a given situation. In both experiments, we were able to identify four groups of participants that judged the situations in a similar way. The individuals in each group used cognitive rules to combine pieces of information about the situation that were similar to those adopted by other members of the group but different from those used by the other groups.

A common position held by all but one cluster in both cases was that acceptability depends to a great extent on distributive justice, that is to say the extent of a company's distribution of remuneration and bonuses. People judged remuneration policies and executive bonuses more acceptable when all employees received bonuses then if only a subgroup did.

Experiment 2 also showed that people judge distributive justice in a categorical manner. Indeed, no group thought that executive bonuses were more acceptable in companies that gave bonuses to managers and executives than they were in companies that gave bonuses only to chief executives. In the three groups that were sensitive to distributive justice, executive bonuses were more acceptable only if all employees received bonuses.

In Experiment 1, a small minority of people considered that bonus policies were always acceptable, and in Experiment 2, a small minority of people considered that executive bonuses were always acceptable. In both studies, this group was not sensitive to justice factors and it is likely

that the underlying ideology was the same: A company's only social responsibility is to increase shareholder values (Friedman 2009).

Additionally, Experiment 2 revealed that the amount of executive bonuses is not a function of retributive justice as might have been expected. According to retributive justice, the amount of the bonus must compensate for the burden imposed by the work undertaken and compensate for the restrictions to the executive's individual freedoms. However, the participants considered executive bonuses to be more acceptable in companies that gave smaller amounts, thus suggesting that the equation is imbalanced: The participants thought that remuneration for the restriction of an executive's individual freedom was too high. The direction of the effect of the nominal amount was reversed in Experiment 1 (not sig). As a result, future studies should examine whether the monetary amount has a direct effect on acceptability in the case of bonuses attributed to workers and an inverse effect on acceptability in the case of bonuses attributed to executives.

This study has several limitations. First, the group of participants was a convenience sample of moderate size, and the participants were relatively well educated. Second, the participants responded to scenarios and not to real situations. The use of vignettes is, however, useful as it permits statistical analyses that reveal how people weigh and combine information when formulating their judgments. Third, only the justice factors were considered while others were held constant. Additional studies should also be conducted on larger and more diversified samples from other countries.

Despite its limitations, this study offers the first empirical findings on French people's views regarding the acceptability of remuneration policies and executive bonuses as a function of social justice factors. It also provides practical insights for the development and implementation of publicly supported remuneration policies and executive bonuses.

Business ethics researchers could usefully extend our technique of using concrete scenarios. Future studies with larger samples should check whether the four-category taxonomy found in the present study fully reflects the diversity of public opinion. They should also examine how classical constituents of executive bonuses, such as the extent to which the objectives fixed by the company have been achieved, the global, economic context in which the company has performed, or the availability of experienced senior executives in the sector, influence the acceptability of bonuses.

Finally, future studies should explore cultural aspects of lay people's ethics and thinking about economic affairs. For instance, Walters et al. (1995) have pointed out that in Asian countries, economic decisions are usually taken by teams rather than by individuals. This may greatly influence the way people share rewards. The scenario approach used in the present study was flexible enough to permit meaningful comparisons with samples observed in other fields in different countries (e.g., Kamble et al. 2013).

Our findings could be implemented at the practical level in the form of remuneration policies and executive bonuses similar to those operated by Volkswagen AG. Its CEO Martin Winterkorn earned €17.5 million in 2011, compared with €9.3 million a year earlier—more than any other German executive before him. However, there were almost no critics. Why? Volkswagen also decided to divide 10 % of the company's profit amongst all 100,000 workers. Everyone in the company thus received an annual bonus of €7,500 in 2011.

Appendix

Experiment 1

See Table 1.

Table 1 ANOVA following an extent (3) × amount (3) × procedure (2) × special (2) within-subject design for each cluster

	SS	DF	MS	F	p	η^2
Always acceptable						
Extent (E) × amount (A)	5	1	5	7.0	.03	.50
E × special (S)	10	2	5	3.8	.05	.35
Distribute and compensate						
E	951	1	951	64.1	.00	.66
A	48	1	48	8.5	.01	.20
Procedure (P)	170	2	85	14.0	.00	.30
S	766	2	383	26.5	.00	.45
E × A	7	1	7	3.5	.07	.10
E × S	30	2	15	6.6	.00	.17
Distribution						
E	4634	1	4634	340.5	.00	.96
P	156	2	78	12.9	.00	.45
S	129	2	65	14.6	.00	.48
E × S	13	2	7	3.5	.04	.18
Legalists						
E	333	1	333	28.3	.00	.76
P	984	2	492	28.3	.00	.76
S	58	2	29	6.3	.01	.41
E × P	102	2	51	13.3	.00	.60
P × S	19	4	5	2.5	.06	.22

Non-significant coefficients not reported

Experiment 2

See Table 2.

Table 2 ANOVA following an extent (2) × amount (2) × procedure (3) × special (3) within-subject design for each cluster

	SS	DF	MS	*F*	*p*	η^2
Distribution						
Special (S)	636	1	636	25.4	.00	.70
Extent (E)	676	2	338	43.6	.00	.80
Procedure (P)	524	1	524	19.0	.00	.63
Amount (A)	23	2	11	3.8	.04	.26
S × P	40	1	40	20.1	.00	.65
E × P	28	2	14	4.5	.02	.29
E × A	21	4	5	4.5	.00	.29
Distribute and small amounts						
S	181	1	181	6.8	.02	.22
E	952	2	476	35.3	.00	.60
P	435	1	435	10.3	.00	.30
A	328	2	164	14.9	.00	.38
S × P	8	1	8	3.9	.06	.14
P × A	15	2	8	4.5	.02	.16
Depends on amount						
Extent (E)	29	2	15	3.3	.06	.29
Amount (A)	530	2	265	7.4	.01	.48
S × E	3	2	2	5.4	.02	.40
E × A	15	4	4	2.9	.04	.27

Non-significant coefficients not reported. No significant interaction in the always acceptable Cluster

References

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.

Anderson, N. H. (1981). *Foundations of information integration theory*. Boston: Academic Press.

Anderson, N. H. (1982). *Methods of information integration theory*. New York: Academic Press.

Anderson, N. H. (2008). *Unified social cognition*. New York: Psychology Press Ltd.

Anderson, N. H. (2013). Unified psychology based on three laws of information integration. *Review of General Psychology, 17*(2), 125.

Arnold, H., Evans, M., Flowers, D., & Ondrack, D. (1996). Increasing citizenship behavior within a labor inion: A test of organizational justice theory. *Journal of Applied Psychology, 81*(2), 161–169.

Bebchuk, L. A., & Fried, J. M. (2003). Executive compensation as an agency problem. *Journal of Economic Perspectives, 17*(3), 71–92.

Camus, J., Munoz Sastre, M. T., Sorum, P. C., & Mullet, E. (2013). French people's positions regarding national policies about illicit drugs: A preliminary study. *Social Indicators Research,*. doi:10.1007/s11205-013-0454-0.

Cohen-Charash, Y., & Mueller, J. S. (2007). Does perceived unfairness exacerbate or mitigate interpersonal counterproductive work behaviors related to envy? *The Journal of Applied Psychology, 92*(3), 666–680.

Cowherd, D. M., & Levine, D. I. (1992). Product quality and pay equity between lower-level employees and top management: An investigation of distributive justice theory. *Administrative Science Quarterly, 37*, 302–320.

Crane, A. (2008). In A. Crane, A. McWilliams, D. Matten, J. Moon, & D. S. Siegel (Eds.), *The oxford handbook of corporate social responsibility*. Cary, NC: Oxford University Press.

Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of Management, 20*(1), 65–91.

Dornstein, M. (1989). The fairness judgments of received pay and their determinants. *Journal of Occupational Psychology, 62*(4), 287–299.

Dunham, L. M., & Washer, K. (2012). The ethics of hedging by executives. *Journal of Business Ethics, 111*(2), 157–164.

Eatwell, J., Milgate, M., & Newman, P. (2008). In S. N. Durlauf & L. E. Blume (Eds.), *The New Palgrave dictionary of economics*. Redwood City: Palgrave Macmillan.

Folger, R., & Konovsky, M. A. (1998). Effects of procedural and distributive justice on reactions to pay raise decisions. *Academy of Management Journal, 32*(1), 115–130.

Friedman, M. (2009). *Capitalism and freedom: Fortieth anniversary edition* (p. 230). Chicago: University of Chicago Press.

Frileux, S., Munoz Sastre, M. T., Antonini, S., Mullet, E., & Sorum, P. C. (2004). Acceptability for French people of physician-assisted suicide. *Death Studies, 28*(10), 941–953.

Guyton, G. P. (1999). A brief history of workers' compensation. *The Iowa Orthopedic Journal, 19*, 106–110.

Hofmans, J., & Mullet, E. (2013). Towards unveiling individual differences in different stages of information processing: A clustering-based approach. *Quality & Quantity, 44*(1), 1–10.

Jensen, M. C., & Murphy, K. J. (1990). Performance pay and top-management incentives. *Journal of Political Economy, 98*(2), 225–264.

Joutsenvirta, M. (2012). Executive pay and legitimacy: Changing discursive battles over the morality of excessive manager compensation. *Journal of Business Ethics, 116*, 459.

Kamble, S. V., Sorum, P. C., & Mullet, E. (2012). Young Indians' views of the acceptability of physician-assisted suicide. *International Perspectives in Psychology: Research, Practice, Consultation, 1*(3), 165–176.

Kamble, S., Ahmed, R., Sorum, P. C., & Mullet, E. (2013). The acceptability among young hindus and muslims of actively ending the lives of newborns with genetic defects. *Journal of Medical Ethics, 0*, 1–6.

Kpanake, L., Dassa, S. K., & Mullet, É. (2013a). Willingness to seek malaria treatment among Togolese people. *Psychology, Health and Medicine, 18*(1), 30–36.

Kpanake, L., Dassa, K. S., Sorum, P. C., & Mullet, E. (2013b). Togolese lay people's and health professionals' views about the acceptability of physician-assisted suicide. *Journal of Medical Ethics,*. doi:10.1136/medethics-2013-101424.

Kpanake, L., & Mullet, E. (2011). Judging the acceptability of amnesties: A togolese perspective. *Conflict Resolution Quarterly, 28*(3), 291–313.

Kpanake, L., Patassi, A., & Mullet, E. (2013c). Criminal prosecution of a male partner for sexual transmission of infectious diseases: the views of educated people living in Togo. *Sexually Transmitted Infections, 89*(4), 290–294.

Kramer, S. (1988). *History begins at sumer: Thirty-nine firsts in man's recorded history*. Philadelphia: University of Pennsylvania Press.

Lind, E. A., & Tyler, R. T. (1988). *The social psychology of procedural justice*. New York: Springer.

López-López, W., Pineda Marín, C., Murcia León, M. C., Perilla Garzón, D. C., & Mullet, E. (2012). Forgiving perpetrators of

violence: Colombian people's positions. *Social Indicators Research, 114*(2), 287–301.

Marcos, S., & Sales, P. (2006). Effects of internal and external pay comparisons. *Journal of Applied Social Psychology, 36*(10), 2578–2598.

Morand, D. A., & Merriman, K. K. (2012). Equality theory as a counterbalance to equity theory in human resource management. *Journal of Business Ethics, 111*, 133.

Mullet, E., Sorum, P. C., Teysseire, N., Nann, S., Martinez, G. E. M., Ahmed, R., et al. (2012). Functional measurement in the field of empirical bioethics. *Psicológica, 33*, 665–681.

Munoz Sastre, M. T., Peccarisi, C., Legrain, E., Mullet, E., & Sorum, P. (2007). Acceptability in France of induced abortion for adolescents. *The American Journal of Bioethics, 7*(8), 26–32.

Murphy, K. J. (1999). Executive compensation. In O. Ashenfelter & D. Card (Eds.), *Handbook of labor economics* (Vol. 3, pp. 2485–2563). Boston: McGraw-Hill.

Nann, S., Dousset, J.-P., Chanty, S., Pisey, K., Sopheap, Y., Sorum, P., et al. (2012). Cambodians patients' and health professionals views regarding the allocation of antiretroviral drugs. *Developing World Bioethics, 8731*, 1–9.

Phillips, R., Freeman, R. E., & Wicks, A. C. (2003). What stakeholder theory is not. *Business Ethics Quarterly, 13*(4), 479–502.

Rawls, J. (1971). *A theory of justice*. Boston: Harvard University Press.

Shaw, J. D., & Gupta, N. (2001). Pay fairness and employee outcomes: Exacerbation and attenuation effects of financial need. *Journal of Occupational and Organizational Psychology, 74*(3), 299–320.

Skarlicki, D. P., & Folger, R. (1997). Retaliation in the workplace: The roles of distributive, procedural, and interactional justice. *Journal of Applied Psychology, 82*(3), 434–443.

Teisseyre, N., Mullet, E., & Sorum, P. C. (2005). Under what conditions is euthanasia acceptable to lay people and health professionals? *Social Science and Medicine, 60*(2), 357–368.

Teisseyre, N., Vanraet, C., Sorum, P. C., & Mullet, E. (2010). The acceptability among lay persons and health professionals of actively ending the lives of damaged newborns. *Monash Bioethics Review, 29*(2), 12.1–12.24.

Thibaut, J. W., & Walker, L. (1975). *Procedural justice: A psychological analysis*. Hillsdale: L. Erlbaum Associates.

Walters, B. T., Hardin, T., & Schick, J. (1995). Top executive compensation: Equity or excess? Implications for regaining american competitiveness. *Journal of Business Ethics, 14*, 227–234.

Wühle, M. (2007). *Mit CSR zum Unternehmenserfolg: Gesellschaftliche Verantwortung als Wertschöpfungsfaktor*. Saarbrücken: Vdm Verlag.