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The Price of Equality:

Suboptimal Resource Allocations Across Social Categories

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Keywords: Profit Maximization, Choice, Decision Making, Social Categories, Transaction Utility, Ethical Dilemmas

Abstract

This paper explores the influence of social categories on the perceived trade-off between a relatively bad but equal distribution of resources between two parties and a profit maximizing yet unequal one. Study 1 and 2 showed that people prefer to maximize profits when interacting within their social category, but chose not to maximize individual and joint profits when interacting across social categories. Study 3 demonstrated that outside observers, who were not members of the focal social categories, also were less likely to maximize profits when resources were distributed across social category lines. Study 4 showed that the transaction utility of maximizing profits required greater compensation when resources were distributed across, in contrast to within social categories. We discuss the ethical implications of these decision making biases in the context of organizations.

Keywords: Profit Maximization, Choice, Decision Making, Social Categories, Transaction Utility, Ethical Dilemmas

The Price of Equality: Suboptimal Resource Allocations Across Social Categories

Distribution of resources within and across organizational boundaries inevitably raises ethical concerns. Engaging in a process of ethical decision making that is influenced by an array of person-situation factors (Trevino, 1986) may lead people to perceive an equity, inverse equity, or equality (Adams, 1963; Messick, 1993) distribution norm as most appropriate (Weber, Kopelman, & Messick, 2004). When people evaluate a distribution of resources to oneself and another they consider both the economic utility of the payment they receive and the social utility derived by the social comparison (Messick & Sentis, 1985). Although disadvantageous inequality among peers may be perceived as unethical and intolerable, when given a choice of equal (e.g. we both get a salary of $100,000) but relatively low outcomes, rational decision makers prefer higher, yet asymmetric (e.g. I get $120,000 and you get $140,000) payoffs (Bazerman, Loewenstein, & White, 1992; Bazerman, White, & Loewenstein, 1995; Blount & Bazerman, 1996). We explore the boundary conditions of these findings, by examining social factors that may lead people to financially punish themselves and others by instead choosing the former "worse but equal" payoffs. We specifically focus on how our memberships in a wide range of different social categories such as gender, nationality, alma mater, or business unit – social categories which can evoke ad-hoc, subtle, or formal organizational boundaries – impact our choice to maximize payoffs. We suggest that getting paid less than another social category group raises concerns of fairness (Greenberg & Cropanzano, 2001) and negatively impacts self-esteem that is derived from memberships in groups (e.g., Abrams & Hogg, 1988; Deaux, 1996), thus representing an instance when people deliberately choose "worse but equal" payoffs.

Indeed, this paper investigates more broadly whether social category lines can trigger economically inefficient resource distributions in organizational contexts.

Fairness of Payoff Systems in Organizations

Our platform for understanding the ethics of payoff systems resides in the organizational behavior literature (e.g., Bazerman, Loewenstein, & White, 1992; Bloom, 2004; Greenberg & Cropanzano, 2001; Greenberg & Bies, 1992; Schminke, Ambrose, & Noel, 1997) and the literature's three perspectives on fairness: distributive fairness, procedural fairness, and interactional fairness (see Greenberg & Cropanzano, 2001). *Distributive fairness* focuses on how fair any given payoff is perceived, typically with regard to equity, equality, or need (Deutsch, 1985). *Procedural fairness*, however, focuses on how the payoffs are determined, and such fair procedures are typically unbiased and objective. Indeed, perceptions of procedural fairness often influence perceptions of distributive fairness, as any given distributive outcome or payoff becomes increasingly fair as the perceived procedural fairness increases (Brockner, Siegel, Daly, Tyler, & Martin, 1997). Still, *interactional fairness*, which concerns how people are treated or respected, can also impact the perceived fairness of any given payoff, even when controlling for both distributive and procedural fairness (Greenberg & Cropanzano, 2001).

The present analysis builds on the extant justice literature by exploring an important moderator of distributive justice based allocation decisions – social category membership. Social category memberships represent another important feature of the broader social context that impact perceptions of fairness (e.g., Garcia & Miller, 2007; Garcia & Ybarra, 2007) and have implications for interactional fairness. For instance, ordinarily an unbiased and procedurally fair coin toss can readily resolve trivial disputes (e.g, color of carpet) between two parties. Findings suggest, however, that the coin toss is only fair when the disputing parties belong to the same

social category group (e.g., all are Americans). When the disputing parties belong to different social categories (e.g., Americans versus French), people do not want to flip a coin; they would rather pursue a more costly compromise (Garcia & Miller, 2007). Along these lines, the present analysis contributes to the ethical considerations in this domain, and shows how social category lines –ingroup versus outgroup dynamics – are an important feature of the broader social context that can affect whether outcomes, however uneven, are maximized, or forgone altogether, for the sake of equality.

Transaction Utility and Profit Maximization

To understand why it would be difficult to maximize outcomes across social categories lines, we must first consider the meaning and nature of "transaction utility." Thaler (1985, 1999) posits that people derive two kinds of utilities from transactions: *acquisition utility* and *transaction utility*. *Acquisition utility* is "the measure of the value of the good obtained relative to its price," whereas *transaction utility* "measures the perceived value of the 'deal'." (Thaler, 1999; p. 188-189). In a clever study (Thaler, 1985), participants imagined being at the beach on a hot day with nothing but ice water. They also imagined that a friend was going alone to fetch some drinks and asked them the highest price they would be willing to pay for a bottle of their favorite beer from either a "fancy resort hotel" or a "run-down grocery store." The median response in the "resort" condition was $2.65 compared to $1.50 in the "store" condition. Even though the retail venue should be irrelevant to the consumption experience (acquisition utility), the reference price was higher in the "resort" context than in the "store" context. Hence, someone who would tell their friend to only spend $4 for a beer from a resort but only $2 from the store would pass up the opportunity to enjoy a refreshing beer from the store if it cost $2.50,

even though it would be consumed on the beach. Thus, the transaction utility – the perceived value of the deal – shapes people's choices.

The present analysis posits that transaction utility similarly influences the tradeoff between profit maximization and disadvantageous inequality (Bazerman et al., 1992; Bazerman`, Schroth, Shah, Diekmann, & Tenbrunsel, 1994; Blount & Bazerman, 1996). Individuals tend to maximize profit when they are given a choice. Getting a more lucrative payoff, albeit disadvantageously unequal, is objectively a good deal. In fact, Bazerman and colleagues (1992; Bazerman, Schroth, Shah, Diekmann, & Tenbrunsel, 1994; Blount & Bazerman, 1996) showed how the choice setting can help individuals comprehend this good deal. Although individuals consider equal payoffs to be more attractive than more lucrative but disadvantageously unequal payoffs when these payoffs are presented separately, Bazerman and colleagues (1992; Blount & Bazerman, 1996) showed that individuals actually choose profit maximization when individuals simultaneously evaluated these two payoffs in a choice setting. Profit maximization in this tradeoff is perceived as a good deal: "Surely it is worth $200 in inequality to receive an extra $100" (Bazerman et al., 1992; p. 222). But social factors may diminish the transaction utility of this deal.

Why Social Category Lines Diminish Transaction Utility

Although individuals may see trading inequality for extra profit as a good deal, the transaction utility can change as the referential context changes (Thaler, 1985; 1999). We posit that the social category context is one important contextual factor that can influence the transaction utility of any given tradeoff. What was a good deal in the absence of social category lines appears less attractive across social boundaries.

Why would the transaction utility of profit maximization be lower in inter-category allocations, where allocation recipients are members of different social categories, than intra-category ones, where allocation recipients are members of the same social category? To address this question, we turn to social identity theory (Deaux, 1996; Hogg & Terry, 2000; Tajfel et al., 1979), which emphasizes the affective component of intergroup relations. Individuals place emotional value on their social category memberships (Tajfel, 1981), from which they derive self-esteem – one of the core motives of social identification (Abrams & Hogg, 1988; Deaux, 1996; Hogg & Hains, 2001; Turner, Brown, & Tajfel, 1979; c.f., Hogg & Mullin, 1999). With respect to the present analysis, profit maximization should become psychologically more painful for a person whose ingroup is getting paid less than an outgroup. After all, profit maximization in the inter-category context not only means getting paid less than other individuals, but, even more costly to their self-esteem, is the fact that these other individuals are from a different group. Such inequalities can threaten the self-esteem of ingroup members in the disadvantageous position and undermine one of the core motives of social identification (Abrams & Hogg, 1988; Deaux, 1996; Hogg & Hains, 2001; Turner, Brown, & Tajfel, 1979; c.f., Hogg & Mullin, 1999).

Research on social categories and social comparison (e.g., Garcia & Miller, 2007; Garcia, Tor, Bazerman, & Miller, 2005) supports a self-esteem based explanation. For instance, people report that the "hedonic gap" – the difference between the happiness of the winners and losers following a toss of a coin – is greater between two groups from different social category memberships (e.g., Americans vs. French), compared to two groups that share the same social category membership (e.g., Americans vs. Americans). Moreover, other research finds that the pain of upward social comparison is greater when inequalities cleave along social category lines than when they do not. Of course, models such as the Self-Evaluation Maintenance Model

(Tesser, 1988) explain more precisely how such social comparison processes feed into self-esteem.

In the original Bazerman et al. studies (1992, 1995), the tradeoff between disadvantageous inequality and profit was perceived as a good deal; the transaction utility was sufficiently attractive that individuals overwhelmingly chose to get paid more money even though it meant getting paid less than another person. Despite this robust finding, however, we hypothesize that such opportunities to maximize profits will subside when allocation recipients belong to different social categories. Under these circumstances, the lower transaction utility requires a higher premium in order to compensate the additional threat to self-esteem that getting paid less than members of another social category entails.

Overview

The goal of this paper is to explore how the transaction utility of maximizing profit when making a choice depends on social category context. Profit maximization may be rational absent a social context, but when allocating resources between members of different groups the transaction utility is diminished and people may prefer relatively worse but equal payoffs. Using a psychological decision-making methodology across four studies, we examined the choice of interdependent parties and that of objective observers on how to allocate resources when social categories differed in contrast to a control condition where both parties shared the same social category.

Study 1: Profit Maximization Along Gender Lines

We tested the hypothesis that the transaction utility of trading disadvantageous inequality for extra profit is lower when payoffs are allocated across social category lines. Accordingly, we placed individuals in two different conditions. In the *control condition*, allocation recipients

shared the same social category. In the *inter-category condition*, allocation recipients came from two different social categories. Our prediction was that fewer participants in the *inter-category*, in contrast to the *control condition* would choose a more lucrative but disadvantageous payoff over a less profitable but equal distribution.

Participants

A total of 26 undergraduates from the University of Michigan volunteered to participate in 3-page questionnaire. The key manipulation and dependent variable were on the third page.

Procedure

In a between-subjects design, participants were assigned to either a *control condition* (neutral) or *inter-category condition* (gendered). The *control condition* read as follows: "Following this survey, you may participate in one of the following two experiments. Experiment A pays you and other participants $1.00 for completing a 3-minute survey. Experiment B pays you and 50% of the participants $1.25. The other 50% of participants will receive $2.25 for completing the 3-minute survey." Participants then chose the experiment in which they would like to participate. Incidentally, we chose those specific dollar amounts because they seemed reasonable for a 3-minute survey.

The *inter-category condition* was written similarly, although we slightly modified the payoffs for females ("Experiment A pays female and male participants $1.00…Experiment B pays female participants $1.25. Male participants…$2.25…") and males ("Experiment A pays male and female participants $1.00…Experiment B pays male participants $1.25. Female participants…$2.25…") to ensure that the ingroup was always in a disadvantageous position relative to the outgroup in the asymmetric payoff. After completing the brief questionnaire, we

told the participants that they did not need to complete another experiment and gave them $1.00 for their willingness.

Results and Discussion

Results from a chi-square analysis revealed a significant pattern in the predicted direction ($\chi^2 = 7.5$, $p < 0.01$). That is, 75 percent of the participants in the *control condition* chose Experiment B and thus maximized profit. However, only 21 percent of the participants in the *inter-category condition* maximized profit. Incidentally, there were no apparent gender differences (p=.55) in the tendency to maximize profit in inter-category allocations. Although this finding is consistent with the prediction, it also transpires with rather small differences in pay ($1.00). Moreover, these results suggest that trading disadvantageous inequality for extra profit is more difficult across social category lines because of the lower transaction utility. What is a good deal within social category lines becomes a worse one between them, and presumably this general pattern of results, however different the magnitudes, would remain even if larger dollar amounts were used.

That said, we do note that the basis for the differences in pay was arbitrary; we did not explain why payoffs would be different in the more lucrative but disadvantageously unequal option. Even so, the greater majority of the participants (75 percent) in the control condition felt this arbitrariness sufficiently nonaversive to choose profit maximization, while individuals in the inter-category condition did not. When payoff differences cleave along social category lines, they are no longer acceptable. However, in the next study, we provide explicit justification for such differences in pay.

Study 2: Profit Maximization Along University Lines

Whereas Study 1 establishes support for the predicted effect, Study 2 seeks to replicate this effect in a different context by providing explicit justification for differences in pay – tests scores on an internship exam. Again, we posit that the transaction utility in trading disadvantageous inequality for extra profit is lower when the advantaged others are members of a different social category. We predict that, even when providing justification, individuals will still be less inclined to maximize profit in inter-category allocations relative to the control conditions.

Participants

A total of 39 University of Michigan students (17 males) was asked to choose between two payoff options.

Procedure

In a between-subjects study, participants read about an internship offer from a major bank in the U.S. (Citibank). The *control condition* read as follows: "Imagine that Citibank is revising summer internship offers to college students. Like many other companies, Citibank requires that all interns take an Internship Exam in order to assess skill level. It turns out that half the students offered an internship (including yourself) scored just below the 85th percentile, while the other half offered internships scored above the 95th percentile." To be sure, this implied that no one scored between the 85^{th} and 95^{th} percentile. At this point participants were asked, "If Citibank was deciding between two possible offers, which would you prefer?: – EQUAL PAY: All students earn $4,000 – OR – PAY BY EXAM: Half the students (including yourself) earn $4,500, Half the students earn $5,000." Note that the 10% difference in exam performance is commensurate with the differences in pay.

The *inter-category condition* was similar except that payoffs divided along university lines: "all University of Michigan students offered an internship (including yourself) scored just below

the 85th percentile, while all Ohio State University students offered internships scored above the 95th percentile."

Results and Discussion

The results were consistent with our prediction. In the *control condition*, 76 percent maximized profit. However, in the *inter-category condition*, only 33 percent chose the more lucrative payoff (χ^2=7.24, $p < .01$). Hence, it appears that the transaction utility is not the same across both conditions, even when justification for the payoff differences is made apparent. What is a good deal in the control condition, in the absence of category lines, becomes a worse deal in the inter-category condition, across social category lines. While these results on ingroup members choices are consistent with other findings (Garcia, Tor, Bazerman, & Miller, 2005), Study 3 examines whether one need not even be a member of the focal groups to recognize that the transaction utility is lower across social category lines. In other words, not even an objective third party would recommend maximizing gains across social category lines.

Study 3: The Observer's Perspective

While Studies 1 and 2 show evidence that the transaction utility in trading disadvantageous inequality for extra profit may be lower in inter-category allocations, this result is based on the decisions of payoff recipients. Quite possibly, outside observers, who are not members of the focal social categories, can also recognize that intergroup relations between members of different social categories are fraught with more emotion than intergroup relations between among members of the same social category. Indeed, research demonstrates that witnesses – uninvolved parties – to group conflict readily recognize that disputes between members of different social categories are more serious in nature than identical disputes between members of the same social category (Garcia & Miller, 2007; Garcia & Ybarra, 2007; Miller & Prentice, 1999). Accordingly,

we hypothesize that outside observers, who are not members of the focal social categories, will likewise recognize that the transaction utility is lower in allocations across social category lines. We test the prediction that individuals will tend to maximize profit for groups that share the same social category but forgo profit for groups that do not.

Participants

A total of 71 college undergraduates (38 males) from the Boston area participated in a questionnaire day at Harvard Business School. The key materials for this between-subjects study were embedded within the pages of a larger questionnaire packet that required forty-five minutes to complete and contained a variety of decision-making questions unrelated to the present study. Participants were paid $15 for their time.

Procedure

Participants in the *control condition* read about research grant allocations: "Imagine that the National Science Foundation (NSF) has decided to award grants to two graduate schools within the University of Utah. If the NSF was considering the two following distribution options, which option should the NSF choose?" Participants were given the following two options: "Option A – School 1 of the University of Utah gets $50,000,000, School 2 of the University of Utah gets $50,000,000"; "Option B – School 1 of the University of Utah gets $65,000,000, School 2 of the University of Utah gets $75,000,000."

The *inter-category condition* was phrased similarly, except that the payoffs were between the University of Utah and the University of Wyoming (e.g., "Option A –University of Utah gets $50,000,000, University of Wyoming gets $50,000,000"; "Option B – University of Utah gets $65,000,000, University of Wyoming gets $75,000,000").

Results and Discussion

Results were consistent with the prediction. In the *control condition*, 63 percent of the observer participants preferred to maximize profit, whereas only 27 percent maximized profit in the *inter-category condition*. This data pattern was significant (χ^2= 9.1, p<0.01). Remarkably, not even an uninvolved third party could endorse maximizing gains when the profitable but unequal payoffs cleave along social category lines. Taken together, Studies 1 – 3 provide compelling evidence that ingroup members and outside observers alike are less likely to maximize profit in *inter-category* allocations, relative to the control conditions. Because the same pattern of results emerges for both the self and outside observers, it is interesting to note that this effect is unaffected by naive realism – the tendency for self and others to construe different perceptions of reality based on their unique perspectives on the social landscape (Garcia, Darley, & Robinson, 2000; Robinson, Keltner, Ward, & Ross, 1995; Ross & Ward, 1996). For instance, people who are on opposite stances on the abortion debate think each side is more extreme than they actually are (Robinson et al., 1995). Despite the tendency toward naïve realism, the lowered transaction utility across social category lines is readily apparent to both the self (e.g., Study 1 and 2) and observers (Study 3).

Study 4

Another way to test the central hypothesis that the transaction utility is lower across social categories is to test the prediction that individuals would require higher premiums (acquisition utility) in inter-category allocations relative to a control condition. Testing this prediction, Study 4 asked participants what minimum dollar amount they would need to accept disadvantageous inequality in the choice setting (e.g., Thaler, 1985).

Participants

A total of 54 University of Michigan undergraduates (29 males) volunteered to participate. Participants were recruited at student centers on campus.

Procedure

Participants read a modified scenario from Study 2 in a between-subjects design, except that this time the outgroup was Harvard (not O.S.U.) and there was a mandatory difference in pay. The *control condition* read, "Like many other companies, Citibank requires that all interns take an Internship Exam to assess skill level. It turns out that half the students offered an internship (including yourself) scored just below the 85th percentile, while the other half offered internships scored above the 95th percentile. As a result, Citibank will pay half the students (including yourself) $500 less than the other half. Assume you also had another offer from Bank One that pays you a $4,000 summer stipend, and so here are your two options: Bank One's Offer: All interns get $4,000; Citibank's Offer: Half the students (including yourself) get $ x; Half the students get $ x + 500" Participants were then asked the following question, "What MINIMUM amount of summer stipend (x) must Citibank pay you in order for you to accept their offer (which would be $500 less than half the students' offer)?" Participants indicated their response in the following phrase, "x must equal at least $_____ for me to accept the Citibank offer."

The *inter-category condition* was identical, except that the payoff was between students from the University of Michigan and Harvard. Hence, the University of Michigan participants were always in the disadvantageously unequal position.

Results and Discussion

The results were consistent with the prediction. Participants in the *control condition* on average required at least $3,907.48 ($SD$ = $395.35) in order to accept Citibank's offer.

Participants in the *inter-category condition*, however, required on average at least $4,137.07 (*SD*= $385.38) in order for them to accept the Citibank offer – a significantly higher premium ($F(1,54)=4.7$, $p<.05$). We note that participants in the control condition would rather accept less money to work for Citibank ($3907.48) than work for Bank One at a salary of $4000, perhaps because Citibank has broader brand recognition and thus more prestigious. Nevertheless, these results further confirm that the transaction utility in trading disadvantageous inequality is lower in tradeoffs across social category lines than it is within them. The benefits of a "deal" within category lines attenuates across them, as trading disadvantageous inequality for extra profit requires an additional premium, in this case of about 5%.

General Discussion

Individuals at all levels of management generally try to maximize resources, even though doing so often means that resources cannot be distributed equally across recipients. Indeed, research has long shown that people would rather be paid, say, $500 and a co-worker $600 instead of both being paid a lower but equal amount, say, $400 each (Bazerman, et al.,1992; Bazerman, et al., 1994; Bazerman, et al., 1995; Blount & Bazerman, 1996). In the present analysis, however, we show that the social categories to which we belong – such as our gender, alumni affiliation, nationality, ethnicity, to name a few – can actually weaken, if not reverse, our preference to maximize resources that result in unequal distributions. For example, if the choice is between American employees earning $500 and French employees earning $600 versus both American and French employees earning $400, Americans would generally prefer the lower but equal amount of $400. In other words, when the resource allocation is across social category lines, people do not prefer profit maximization. To this point, Studies 1 – 2 showed that people tend to prefer lower but equal payoffs when payoffs are distributed across social category lines.

Study 3 showed further that not even third parties endorse profit maximization across social category lines, even though both groups would be better off financially. Moreover, Study 4 provided evidence that people dislike being paid less than another social category group so much that, in order for them to accept this disadvantageous position, they require a significant increase in the dollar amount distributed to them.

Theoretical Implications and Limitations

The present analysis contributes to the business ethics literature by examining the impact of group membership on allocation decisions, and it simultaneously helps bring the judgment and decision-making literature to the realm of behavioral ethics. The judgment and decision-making literature has a long tradition of research on perceived fairness of business processes and outcomes (e.g. Greenberg & Cropanzano, 2001). On the one hand, individuals consider the social utility factor (Messick & Sentis, 1985; Loewenstein, Thompson, & Bazerman, 1989) and therefore may consider resource allocation situations such as compensation to be an ethical issue (e.g. Bloom, 2004) that needs to be addressed rationally. On the other hand, they may not rationally refer to philosophical theories as a basis for their moral reasoning for the distribution of payoffs. Instead, they may be influenced by an array of psychological factors (e.g. Trevino, 1986), which according to the appropriateness framework (Weber et al, 2004; Kopelman, 2008) are represented by the question: "what does a *person* like me (identity) *do* (rules) in a *situation* like this (recognition) given this *culture* (group)?" Furthermore, the sensemaking-intuition model cautions us that ethical decisions may not result from a deliberate process of moral reasoning, but a sensemaking endeavor that is comprised of issue construction, intuitive judgment, and explanation and justification of choices (Sonenshein, 2007). We suggest that when facing a disadvantageous yet profit maximizing outcome in the context of resource allocation between

members of different groups, people do not follow a deliberate process of moral reasoning, rather their choice behavior is driven by a threat to their self-esteem. In these situations, people may fear that a relatively disadvantageous payoff is symbolic of deeper issues and may represent some form of group discrimination that also devalues the self. They may intuitively choose the relatively worse but equal compensation to maintain self-esteem, and may subsequently justify this choice with a moral narrative that propagates equality.

Future research will need to address why people forgo profit maximization when social categories are crossed, whether group differences actually lead to a threat to self-esteem due to social identity processes (Abrams & Hogg, 1988; Deaux, 1996; Hogg & Hains, 2001; Turner, Brown, & Tajfel, 1979), or what other psychological factors might serve as mechanisms that explain these outcomes. Furthermore, certain people may be more prone to the diminished transaction utility of the maximized yet asymmetric distributions. For example, individual differences in social motives such as intentions to cooperate or compete (Messick & McClintock, 1968) may influence the degree to which people notice the asymmetry of the profit maximizing option. Likewise, power may attenuate the diminished transaction utility because individuals in high power positions may be less sensitive to the social category related self-esteem threat of the asymmetric resource allocation. Furthermore, factors such as moral identity (e.g. Weaver, 2006), moral emotions (e.g. Haidt, 2001, 2003), and culture (e.g. Kopelman, 2009) may influence allocation norms and choices between worse but equal, or profit maximizing but unequal resource distributions.

Implications for Ethics in Organizations

Although managers may strive to treat people fairly and maximize resources, this study suggests that they face a pickle when such resources are divided across social categories. Given

the emphasis on diversity in the workplace, resources are constantly allocated to people who belong to different social categories, which may increase the likelihood that organizations are plagued by "worse but equal" distributions and succumbing to lower economic outcomes for all. If made aware of the impact of social categories on choice in such settings, the "worse but equal" in contrast to the "disadvantageous profit maximizing" choice may present an ethical dilemma for managers. Assuming outcome distributions are transparent, "worse but equal" symbolizes fair treatment of all sub-groups (whether resources are distributed among individuals or different divisions in an organization). However, profit maximizing, which is rarely split equally, could signal merit or need and provides higher economic outcomes to all parties. If resource distribution by management is perceived as unethical, this effect may trickle down from one organizational level to the next (Mayer et. al., 2008) and socially constructed accounts may be used to rationalize actions and maintain a favorable identity in the face of unethical behavior (Ashforth & Anand, 2003). A simple solution to the ethical dilemma presented by this study ("worse but equal" versus "disadvantageous profit maximizing") could be to engage in a process of "re-categorization" – a strategy to safeguard against the unwanted salience of social categories. Based on the "common ingroup identity model" (Gaertner, Dovidio, Anastasio, Bachman, & Rust, 1993), re-categorization is a process by which a larger, more inclusive, social category is made salient to foster trust and cooperation between groups from different social categories (Gaertner & Dovidio, 2000). Whether organizations can socially construct a superordinate category to avoid the "worse but equal" syndrome while at the same time champion diversity, presents a theoretical, empirical, and practical question.

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