

**ELEMENTS OF JUSTICE AND ORGANIZATIONAL COMMITMENT:**

**THE IMPACT OF LEADER-MEMBER EXCHANGE**

by

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## ABSTRAK

Kami telah meneliti kesan interaksi di kalangan elemen keadilan bersama dengan kesan perantaraan dan suaitala pertukaran ketua dan ahli ("LMX") ke atas pertalian di antara keadilan di dalam organisasi dan komitmen terhadap organisasi. Angkubah-angkubah yang digunakan di dalam kajian ini telah dioperasikan sebagai konstruk multidimensi. 248 ahli dari Institut Akauntan Malaysia--yang memberikan kadar balasan sebanyak 16.5%--telah melengkapkan borang soal selidik yang diedarkan. Analisis statistik yang dijalankan telah memberikan sedikit sokongan bagi kesan suaitala "LMX". Dua dimensi "LMX"--sumbangan dan "affect" telah didapati menyuaitalkan perhubungan di antara keadilan organisasi (pengagihan dan maklumat) dan komitmen berbentuk afektif. Analisis statistik yang lain pula telah memberikan separa sokongan bagi kesan interaksi di kalangan elemen keadilan--hanya dua daripada 11 interaksi telah memberikan kesan ketara. Lebih penting lagi, analisa yang diadakan telah memberikan sokongan padu bagi kesan perantaraan "LMX": (a) Semua dimensi "LMX" bertindak sebagai perantara di antara tiga elemen keadilan--keadilan proses, keadilan interpersonal, dan keadilan maklumat--dan komitmen berbentuk afektif; (b) Semua dimensi "LMX" selain daripada sumbangan bertindak sebagai perantara di antara keadilan pengagihan dan komitmen berbentuk afektif; dan (c) Semua dimensi "LMX" bertindak sebagai perantara di antara keadilan proses dan komitmen berbentuk normatif. (d) Kesan perantaraan didapati paling ketara bagi komitmen berbentuk afektif. (e) Komitmen berbentuk "continuance" tidak dipengaruhi oleh kesan langsung, interaksi, suaitala, ataupun perantara. Implikasi penemuan ke atas organisasi serta kajian di masa hadapan juga dibincangkan.

## ABSTRACT

We examined the impact of the interaction among justice elements as well as the mediating and moderating impact of leader-member exchange (LMX) on the relationship between organizational justice and organizational commitment. The three variables employed in this study--justice, LMX, and commitment--were operationalized as multidimensional constructs. 248 chartered accountants of the Malaysian Institute of Accountants--a response rate of 16.5%--voluntarily completed our survey questionnaire. A 4-step hierarchical multiple regression analysis provided only partial support for the moderating hypothesis: The two LMX dimensions--contribution and affect--moderated the relationship between organizational fairness (distributive and informational) and affective commitment. A 3-step hierarchical multiple regression analysis, in turn provided marginal support for the hypothesis on the effect of the interaction among justice elements--only 2 (informational justice and distributive justice, and 4-way interaction among all justice elements) of the 11 interactions were significant. Interestingly, the analysis provided rather strong support for the mediating hypothesis: (a) All LMX dimensions mediated the relationship between three justice elements--procedural justice, interpersonal justice, and informational justice--and affective commitment; (b) All LMX dimensions except contribution mediated the relationship between distributive justice and affective commitment; and (c) All LMX dimensions mediated the relationship between procedural justice and normative commitment. (d) The mediating impact was strongest for affective commitment. (e) Continuance commitment was completely unaffected by direct, interacting, moderating, or mediating impacts. Implication of the findings both for future research and for organizations are highlighted.

## Chapter 1

### INTRODUCTION

In recent years, there has been an explosion of research on organizational justice and its impact on organizational commitment (see such reviews as those of Beugre, 1998 and Colquitt, Conlon, Wesson, Porter, & Ng, 2001). Most of the research use American samples. In addition, there is a lack of research which examines all dimensions within the construct of organizational justice and which reviews all forms of their relationships (i.e., direct effect, interactive effect, and moderating/mediating impact of leader-member exchange) on different types of organizational commitment. Also, in instances where the interactive effect of justice elements on organizational commitment has been examined, a unidimensional measure of organizational commitment has been used. Furthermore, the examination has been confined to the interaction between distributive justice and procedural justice. Finally, there is a dearth of studies, which examines the moderating effect of the different currencies of leader-member exchange (LMX) on the relationship between the dimensions of fairness and the different types of organizational commitment. The same applies to the mediating impact of LMX on the relationship between dimensions of fairness and the different types of organizational commitment.

This present study is an attempt to bridge the above gap in the organizational behavior literature. More specifically, it examines the direct and interactive relationships of all the different dimensions of fairness with the different types of organizational commitment using Malaysian samples. In addition, it uses a multidimensional measure of leader-member exchange both as a moderator and as a mediator. Using that as the backdrop we next proceed to the background to this study, the research problem, salient research objectives, and the significance.

## 1.1 The Background

Driven by globalization, money capital is widely available, technology can be readily imitated, labor costs are not crucial, and the premium is on quality rather than price of goods and services. This has prompted an awakening within the corporate fraternity that a highly skilled and effective workforce is one of the few remaining sources of competitive advantage. It is a source of competitive advantage, which is rare, impossible, or costly for competitors to imitate and thus sustainable. Numerous positive actions by employees around the world are exemplary proof of the human asset's importance. One such action is that of Delta Air Line employees "pitching in" in the 1980s and buying the airline a new airplane (Noe, Hollenbeck, Gerhart, & Wright, 2000). The awakening mentioned is especially relevant with the rapid service evolution that is taking place locally as well as internationally.

In spite of the above awakening, the 1997 Asian economic crisis or flue, as it is fondly called, resulted in many companies slashing their labor costs through layoffs. This was done with a view of coping with global competition, deregulation, takeovers, and unprecedented levels of corporate debt. As a consequence, there was significant erosion of the bond between employers and workers. The effects of this erosion are even prevalent today where voluntary turnover is a major problem for companies in many Asian countries such as Hong Kong, South Korea, Malaysia, Singapore, and Taiwan (Khatri, Fern, & Budhwar, 2001). This phenomenon is a major hindrance to the economic development of the said countries as most are progressing toward a knowledge based economy which is very much dependent on human assets.

As thus today, in the aftermath of the economic crisis, we see organizations intensifying their efforts in increasing their employees' levels of organizational commitment. Such efforts include changing management philosophy from being

control based (that is emphasizing compliance or obedience over commitment, written rules over informal norms, and authority over participation) to being commitment-based, encouraging proactive socialization of employees (Aryee, 1991) and by managing appropriately the organizational culture (Debrah, 1993). This is so because organizational commitment is by far the most important factor influencing turnover intention (Khatri et al., 2001). Individuals who are committed to an organization are less likely to leave their jobs than those uncommitted who are often waiting for the first good opportunity to quit their jobs (Porter, Steers, Mowday, & Boulian, 1974). In addition, individuals who are committed to an organization are easier to motivate and tend to perform better--leading to increased organizational effectiveness.

## **1.2 Statement of Research Problem**

Given the above background, this study sought to find a solution to the problem: How do we manage organizational justice in order to enhance employee organizational commitment? Therefore, this study used organizational commitment as its prime criterion variable. Organization commitment was related to the predictor variables of global distributive justice, procedural justice, and interactional justice (which in turn consists of interpersonal and informational justice)--collectively known as justice--which is among the most widely used and frequently debated, constructs in organizational science (Bradfield, 1999).

Distributive justice is related to outcome distribution and may be based on equity, equality, or need. It refers to the perceived fairness of the evaluation that employees receive in performance appraisal exercises or to the amounts of compensation employees receive (Folger & Konovsky, 1989). Procedural fairness refers to the fairness perceptions of rules or procedures that regulate decision

processes (Tyler, 1986) or the perceived fairness of the means used to determine those amounts (Folger & Konovsky, 1989). Interactional justice, a distinct construct of justice refers to the impersonal nature of how the outcomes were implemented (Noe et al., 2000) or the quality of the interpersonal treatment received during the execution of a procedure (Masterson, Lewis, Goldman, & Taylor, 2000).

### **1.3 Research Objectives**

The relationship between organizational justice and organizational commitment was examined with the following two objectives in mind. The first was to rank the four justice elements--distributive, procedural, informational, and interpersonal--in terms of their relative ability in predicting the level of the different types of organizational commitment. This objective was connected with the question: If one were to look at each justice element in isolation, which is the most important predictor of organizational commitment?

The second objective was to examine the effects of justice elements on the different types of employee commitment. This objective sought to answer four questions. (a): What is the direct impact of organizational justice on the different types of organizational commitment? (b): What is the impact of numerous combinations (in terms of level) of the four justice elements on the different types of organizational commitment? For example, if distributive justice were low what would be the impact of fair procedures on affective commitment? (c): Will the direct relationship between the justice elements and the different types of organizational commitment be altered (neutralized or enhanced) by any of the elements within the dimension of leader-member exchange? (d): What is the extent to which LMX mediates the relationships between organizational justice and organizational commitment?

#### **1.4 Significance of the Study**

The significance of the study hinges upon the fact that it integrates two theories of organizational justice--referent cognition and social exchange relationship--in order to better understand the impact of organizational justice on organizational commitment. In addition, the findings help managers to effectively use organizational justice and leader-member exchange (LMX)--two key organizational behavior drivers--to manage organizational commitment.

## Chapter 2

### LITERATURE REVIEW

Organizational justice has been labeled as “the mortar of social cohesion” and identified as being the true key to employee motivation (Moorman, 1991). This chapter reviews literature on organizational justice, leader-member exchange, and organizational commitment in order to ascertain gaps in the literature, which can be filled. It also puts forward the theoretical framework of the study and the proposed hypotheses.

The literature review addresses four questions pertinent to the notion of organizational fairness, or justice, which has become an increasingly visible construct in the social sciences over the last three decades. They are: What is organizational justice, what are the elements that make up this construct, what are the determinants of organizational justice, and what are its consequences?

In addition, the present review examines what is leader-member exchange, its consequences, and its relationships with organizational fairness. Finally, it reviews numerous definitions of organizational commitment, antecedents of, and the outcomes upon which commitment has been found to have a significant impact.

#### **2.1 Organizational Justice**

##### **2.1.1 Definition**

The “term organizational justice” was first coined by Jerald Greenberg (1987) in organizational behavior. He defined it as perceptions of fairness within organizations. Subsequently, Bies and Tripp (1995) defined justice in organizations to refer to the rules and social norms in organizations governing: how outcomes should be allocated; the procedures that should be used to make decisions, and how people

should be treated interpersonally. Building on this conceptualization, Beugre (1998, p. xiii) suggested a broader definition: "Organizational justice refers to the perceived fairness of the exchanges taking place in an organization, be they social or economic, and involving the individual in his or her relations with superiors, subordinates, peers, and the organization as a social system."

### **2.1.2 *Organizational Justice Elements***

In respect of the second question, initially, researchers focused on the justice of decision outcomes, termed as distributive justice (Deutsch, 1975). Distributive justice is fostered where outcomes are consistent with implicit norms for allocation, such as equity or equality. Subsequent research focused on the justice of the processes that lead to decision outcomes, which is termed as procedural justice. Procedural justice is fostered through voice during a decision-making process or influence over the outcome or by adherence to fair process criteria such as consistency, lack of bias, correctability, representation, accuracy, and ethicality. This brought upon a two-factor conceptualization of organizational justice that was highly controversial. Many studies were unable to distinguish between these two types of justice. High correlations were found between the two--for example, Welbourne, Balkin, and Gomez-Mejia (1995) found an uncorrected correlation of .74 between procedural justice and distributive justice and McFarlin and Sweeney (1992) reported an uncorrected correlation of .67. This suggested that procedural and distributive justice were elements, more similar than envisaged. The reasons for this among else are that procedural evaluations are based in large part on outcomes attained, and the same event can be seen as a process in one context and an outcome in another.

The already questionable clarity of the two-factor model of organizational justice was later brought to question with the introduction of a third element--interactional justice--which is defined as the interpersonal treatment people receive as procedures are enacted (Bies & Moag, 1986). Interactional justice is fostered when decision makers treat people with respect and sensitivity and explain the rationale for decisions thoroughly. While some researchers treated interactional justice as a third type of justice on the grounds that it would primarily impact attitudes and behaviors toward the person carrying out the treatment, unlike procedural justice perceptions, which impacted reactions to the organization (Skarlicki & Folger, 1997), others considered it a subset of procedural justice (Niehoff & Moorman, 1993). Still others employed separate measures of procedural and interactional justice, but combined them in subsequent analysis because of high intercorrelations. Thus, it became unclear whether organizational justice is best characterized by two factors or three factors. Among studies that propagated the three-factor construct of organizational justice was a field study by Masterson and Taylor (1996). In that study, the authors reported that employees' interactional justice perceptions predicted supervisor related outcomes, while procedural justice perceptions predicted organizational commitment and intentions to leave the organization. Also, a field study by Malatesta and Byrne (1997) found that employees' interactional justice perceptions were positively related to their commitment and citizenship behaviors directed at the supervisor level, whereas procedural justice perceptions were positively related to commitment at the organizational level. In the same breath, a study which used organizational justice theory to predict the acceptability of arbitrators in dispute resolution processes, noted that procedural and interactional justice are differently related to evaluation of

arbitrators--suggesting that they are reasonably distinct elements (Posthuma, Dworkin, & Swift, 2000).

This already clouded arena was brought to disarray when Greenberg (1993) revisited the concept of organizational justice by bringing in a new perspective to this debate by suggesting a four-factor structure for organizational justice. In addition to procedural justice and distributive justice, he proposed two "new" classes of justice that focus on socially fair treatment: informational justice and interpersonal justice. Informational justice is viewed as the social determinants of procedural justice, the adequacy of information used to explain how decisions are made, and the thoroughness of the accounts. Interpersonal justice in turn has been treated as the social interactions between individuals and others in an organizational setting or a social exchange. It also includes the considerateness and courtesy shown by partners responsible for dividing available rewards.

Similarly, Beugre (1998) suggested a four-factor structure for organizational justice. The difference being that his four factors were procedural justice, distributive justice, interactive justice, and a fourth dimension known as systemic justice. Systemic justice represents a global assessment of the degree to which the organization itself is fair--treats employees fairly (Bies & Tripp, 1995). It deals with the organization as a social entity and may also apply to particular subsystems within the organization.

The above-described lack of clarity as to the dimensionality of organizational justice has been somewhat settled by Colquitt (2001). In Colquitt's study, the above said conceptualization by Greenberg (1993) was empirically tested. A series of exploratory and confirmatory factor analyses supported a four-factor structure to the

measure, with distributive, procedural, interpersonal, and informational justice as conceptually distinct dimensions.

### ***2.1.3 Antecedents of Organizational Justice***

Having understood the numerous elements within organizational justice, we next proceed to review its determinants. Determinants of organizational justice can be placed into two broad categories: individual variables and organizational factors.

#### ***2.1.3.1 Individual Variables***

The effects of the following four demographic variables--gender, occupational status, organizational tenure, and level of education--on perceptions of fairness have been subject to a reasonable research. The same applies to the effects of personality variables (such as negative affectivity and hostile attribution bias), and cognitive variables (such as perceptions, causal attributions, and self-serving bias) on the same outcome. Following are some of the major findings for each of the said variables.

***Gender.*** Several researches (Elliot & Meeker, 1986; Kahn, Nelson, & Gareddert, 1980; Leventhal & Lane, 1970; Major & Deaux, 1982) suggest that females are more inclined toward equality or even self-sacrificing patterns of reward distribution while men tend to follow a norm of equity. In addition, women react less negatively than men when they are treated unjustly by a partner (Major & Deaux, 1982). Sweeney and McFarlin (1997) in turn noted that perceptions of procedural justice make more of a difference for females in affecting their stay intentions than it does for males; the relationship between distributive justice and satisfaction has been reported to be stronger for males than for females; procedural justice is a more important predictor of commitment for females than for males; and that distributive

justice is a stronger predictor of commitment for males than for females. They argued that women have to rely on more formal procedures and systems to obtain various organizational outcomes because of a history of discrimination and sex-role stereotyping, in addition to having a lack of access to informal mechanisms that men often possess to get things like pay raises and promotions.

*Occupational Status.* Giacobbe-Miller (1995) in comparing reactions of labor and management toward the fairness of distributive justice found that the former perceived pay as unfair, whereas the latter perceived it as fair. Lansberg (1984) in turn noted that upper-level and middle-level managers viewed equity-based allocation of a hypothetical windfall pool of bonus money as more fair than equality or need-based allocations. Lower level employees from the same organizations, however, were found to endorse equity allocations significantly less, and equality allocations significantly more than did higher managerial groups.

*Organizational Tenure.* Leventhal, Karuza, and Fry (1980) argued that group members hold more positive attitudes towards allocation procedures that ensure stability. Likewise, Lerner (1970) noted that as people become familiar with existing procedures, they begin to accept them. However, this assumption was empirically contradicted by Beugre (1998) who found a negative correlation between organizational tenure and perceptions of systemic justice.

*Level of Education.* Gillerman (1963) noted that educated employees were more sensitive to issues of fairness than their less-educated counterparts. Dailey and Delaney (1992) opined that since skilled employees may have high job mobility, if they experience distributive and procedural inequities, they will be dissatisfied and likely leave the organization. Similarly, Ross, Thibaut, and Evenbeck (1971)

suggested that competent individuals tend to react more negatively to a situation of unfairness than their less-competent counterparts.

*Negative Affectivity.* Individuals high on negative affectivity have been found to perceive injustices where others see justice. Bazerman (1993) contended that individuals high on negative affectivity will perceive unfairness no matter what decisions are made by the manager or organization. In line with that, Ball, Trevino, and Sims (1993), in studying the effects of negative affectivity on reactions to organizational punishment, found that high negative affectivity subordinates perceived more negative demeanor, arbitrariness, harshness, and less explanation in the punishment administered. They also viewed the punishment as less distributively and procedurally fair, were less trusting of and less satisfied with the supervisor who administered the punishment, and expressed less organizational commitment and higher turnover intentions.

*Hostile Attributional Bias.* Dodge (1980) found that employees with hostile attributional tendencies tended to perceive bad intentions in their supervisor's behavior. Instead of viewing the situation objectively, they tended to convince themselves that their supervisor was against their self-interest. In the same vein, Baron, Neuman, and Geddes (1999) contended that when individuals conclude that they have been treated unfairly, they consider such treatments as stemming from malevolent intentions on the part of others.

*Perceptions.* In studying justice, what is important is not the reality itself, but the perceptions of reality. Furby (1986) noted that the value attached to an outcome influences justice evaluation where if the outcome is relevant to the person, failure to get it may raise greater feelings of injustice. Major and Deaux (1982) as well as Brockner, Tyler, and Cooper-Schneider (1992) subsequently noted that individuals

with high expectancies may be more dissatisfied with a given outcome than those with lower expectations. Their results were explained by suggesting an expectancy-violation effect; that is, people react more strongly to another party's actions that violate their previous expectations as to how the other party is likely to behave.

*Causal Attributions.* Stepina and Perrewé (1991) contended that once people develop feelings of equity (or inequity), they tend to retain these feelings over time. Major and Deaux (1982) in turn suggested that people who tend to attribute their success to external factors and their failure to internal factors may allocate factors equally when they are the superior performers and equitably when they are the inferior performers.

In the same vein, Sweeney, McFarlin, and Cotton (1991) found that internals who perceived that their job allowed them the opportunity to influence a decision process had higher ratings of procedural justice than did internals who did not perceive such influence. In addition, internals who experienced high-perceived influence gave higher ratings of procedural justice than did externals that also had high-perceived influence.

*Self-Serving Bias.* Greenberg (1983) found that respondents considered gasoline allocation plans that were believed to have the least negative effect on themselves, as being fair. Correspondingly, in a study related to employee attitude toward parental leave policies, Grover (1991) found that respondents who were planning to bear children or who intended to take leave considered these policies fair, compared to those who did not. In addition, Grienberger, Rutte, and Van Knippenberg (1997) found that when participants received the more favorable treatment or procedure, they did not seem to focus on differences in treatment between themselves and the comparison others. However, they tended to focus on these differences when

their outcomes and procedures were perceived as unfair. Similarly, Greenberg (1983) found that participants rated overpayments to themselves as being less unfair than overpayments to other, and underpayment to themselves as being more unfair than underpayment to others. Finally, in respect to this cognitive variable, it has been shown that people react aggressively when they feel unfairly treated but are unlikely to react so when they witness injustices (Baron, Neuman, & Geddes, 1999; Folger & Baron, 1996).

In conclusion, it is clear that the above said individual variables shape perceptions of fairness. Therefore, they are important components in the integrative model of organizational justice.

#### **2.1.3.2 Organizational Factors**

Several organizational factors have been considered as potential trigger of justice judgments. Among them the major factors are organizational change, leader behavior, performance appraisal, punishment, pay systems, employee selection, and organizational culture. An elaboration of each of these factors is as follows:

**Organizational Change.** Research in this area has focused on three types of changes: cost-cutting, structural, and role reduction. In general, researches (Konovsky & Brockner, 1993; Novelli, Kirkman, & Shapiro, 1995) indicate that it is not the changes per se that lead to perceptions of unfairness, but the way employees are treated during the implementation of specific changes.

Specifically, with respect to the first type of change, Novelli et al. (1995) reported that if employees are fairly treated during a change program, they may be likely to accept it and contribute to its successful implementation. However, when they are unfairly treated, they may resist the changes and withhold effort to implement

them. Konovsky and Brockner (1993) in turn found that survivors of layoffs reacted negatively when outcome negativity was high and interpersonal justice was low, and experienced resentment toward the employing organization and its management.

Progressing toward the second type of change (i.e., structural), research (Heilman, 1994) indicates that implementation of affirmative action policies leading to workplace diversity may result in feelings of unfair treatment, with the level of perceived injustice being directly related to the discrepancy in merits between the successful minority candidate and the other candidates. In addition, Leck, Saunders, and Charbonneau (1996) found that when affirmative action policies are perceived as fair, employees tend to develop positive reactions. However, they are likely to resist integration (of newcomers) when they perceive that notions of equity are violated (distributive justice) and employment-related decisions are inconsistently applied (procedural justice).

Finally, as to the third type of change (i.e., role reduction), Kidwell and Bennett (1994) who studied employee reactions to electronic control systems, found that employee perceptions of procedural fairness were important antecedents of attitudinal responses related to the use of electronic control system technologies to monitor performance. They also found that employees considered collection of accurate information consistently and in an unbiased manner as well as flexibility of the system as important factors in enhancing perceptions of fairness.

**Leader Behavior.** McFarlin and Sweeney (1992) found that subordinates who perceived reward allocation and procedures to be unfair tended to give low ratings to their supervisors. Related to this, Tyler and Caine (1981) found that in natural settings, individuals tended to focus on procedures, whereas in experimental situations, they tended to consider the outcomes in evaluating a leader's fairness.

Meindll (1989) in turn studied the leadership style of several managers in relation to perceived fairness. Results showed that high task-oriented leaders preferred equity-based allocation rules.

Last but not least, in respect of leader behavior, Cobb and Frey (1996) found that subordinates were more satisfied and committed to procedurally fair leaders. In addition, subordinates chose to remain with the supervisor who enacted procedurally fair behavior and leave the supervisor who did not, regardless of the supervisor's performance assessment and the pay outcome associated with it.

*Performance Appraisal.* Research by organizational scholars (Greenberg, 1986; Landy, Barnes, & Murphy, 1978) on the relationship between performance appraisal and fairness shows the following to be key determinants of procedural fairness in performance appraisal: solicitation of input prior to evaluation, two-way communication during interview, provision of the opportunity to challenge evaluation, rater familiarity with ratee's work, consistent application of standards, frequent evaluation of performance, and willingness of supervisor to help the subordinate to eliminate performance weakness. Relative to this, Folger and Greenberg (1985) suggested that there is a tendency for fair procedures to engender greater outcome acceptance than unfair procedures.

*Punishment.* Ball, Trevino, and Sims (1994) found that subordinates reacted more positively to a punishment that they perceived to be fair. Similarly, Leventhal (1976) found that observers evaluated the punishment outcome as fair if the punishment process was viewed as fair. In addition, Arvey and Jones (1985) found that fairness of punishment increases observer's performance and that punishments are perceived as fair when they are private and delivered in a timely manner.

*Pay Systems.* Pay systems raise concerns for distributive justice as well as procedural justice. Lawler (1971) conceived that employees considered their pay as equitable when it was proportionate to their inputs. He also noted that consideration of procedural matters may suggest that a pay system, which allows participation and inputs from the employee, will be perceived as fairer than the one that does not.

Pursuant to the above, Folger and Greenberg (1985) noted that an open pay system is likely to enhance perceptions of justice because they provide information about how others make pay decisions and provide important assurances that these procedures are not being violated. They also suggest that the very transparency of the open pay system discourages abuse and favoritism, thereby promoting procedural fairness based on consistency and bias suppression.

*Employee Selection.* Research on justice issues in hiring (Bies & Moag, 1986) suggests that fair treatment during the hiring process influences job applicant's perceptions of fairness. It has also been suggested that this attitude goes beyond the hiring process and invades the candidate's subsequent behaviors once he or she is hired (Gilliland, 1993). In addition, it has been noted that the perceived fairness of selection testing may influence the efficacy and self-esteem of rejected applicants.

Driven by the above, Gilliland (1993) developed a model of recruitment fairness, identifying three distribution elements: equity, equality, and needs, as well as three procedural elements: formal characteristics (job relatedness, opportunity to perform, reconsideration opportunity, and consistency of administration), explanation (feedback, selection information, and honesty), and interpersonal treatment (interpersonal treatment of administrator, two-way communication, and property of questions).

**Organizational Culture.** The culture prevailing in an organization has an influence on perceptions of fairness. Mannix, Neale, and Northcraft (1995), in studying the impact of organizational culture on allocation rules, found that members in economically-oriented cultures reported using an equity allocation rule, those in relationship-oriented cultures were likely to use the equality rule, and those in personal development-oriented cultures, a need allocation rule.

In summary, the above said organizational factors are key determinants of perceptions of fairness in the workplace. They should be considered by managers in the course of developing appropriate strategies in managing organizational justice.

#### **2.1.4 Consequences of Organizational Justice**

Moving on to the fourth and final question pertinent to organizational fairness, relational studies on the justice elements defined above can be categorically placed into four groups--direct effect of one justice element on another, direct effect of justice element on outcome, interaction among justice elements and the ensuing impact on an outcome, and finally the mediated effect of justice elements on an outcome. A brief account on the key findings within each categorization of relational studies is provided herewith. Table 2.1 in turn, presents a summary of representative empirical researches on organizational justice.

##### **2.1.4.1 Direct Effects of Organizational Justice**

The first group of studies examined the direct effects of one justice element on another. Most of the studies within this group focused on legal rather than work related issues. One such study is by Greenberg and Folger (1983) which showed that defendants viewed trial verdicts (distributions) positively if they were seen as the

result of fair procedures, an effect called the “fair process effect” (Musante, Gilbert, & Thibaut, 1983). Studies on work related issues, in turn, mostly come from laboratory studies where subjects worked on tasks in which distributive justice (pay levels) and procedural justice (how pay levels were determined) were manipulated. According to such studies, when the procedures are fair, people should judge the outcome as more fair and should feel more satisfied with the outcome (both positive and negative) than when the procedures are unfair (Greenberg, 1987; Lind & Tyler, 1988). In addition, fair procedures should lead to greater satisfaction with the authorities who made the decision (Kanfer, Sawyer, Earley, & Lind, 1987).

#### **2.1.4.2 Organizational Justice and Outcomes**

The second group of studies examined the predictive ability of justice elements on attitudinal (job satisfaction, trust, organizational commitment) and behavior (organizational citizenship behavior, turnover intention, theft, workplace aggression) outcomes. They generally support the notion that the predictive roles of procedural and distributive justice depend, at least in part, on the nature of the outcome in question. Key findings within each type of outcome are provided below.

**Job Satisfaction.** Manogran, Stauffer, and Conlon (1994) found that distributive justice and procedural justice had a significant direct positive effect on job satisfaction and commitment. In another field study, Folger and Konovsky (1989) found that perceptions of both distributive and procedural justice led to outcome satisfaction. Earlier, Alexander and Ruderman (1987) contended that procedural justice accounted for more variance in management evaluations, job satisfaction, and perceived conflict than did distributive justice, while Fryxell and Gordon (1989)

found that the amounts of procedural and distributive justice afforded by a grievance system were the strongest predictors of satisfaction with a union.

*Trust.* Tyler and DeGoey (1995) emphasized the impact of procedural justice on trust. Similarly, Butler (1991) considered fairness as one of the ten conditions leading to trust. Reaffirming this, Konovsky and Pugh (1993) empirically found a strong correlation between subordinates' perceptions of their supervisor's procedural treatment and trust in the supervisor. Furthermore, Beugre (1998) found that the four dimensions of organizational justice (distributive, procedural, interactional, and systemic justice) positively predicted trust.

*Organizational Commitment.* Previous research has shown that procedural and distributive justice (Ansari, Daisy, & Aafaqi, 2001; Bies & Tyler, 1993; Folger & Konovsky, 1989; Masterson, 2001; McFarlin & Sweeney, 1992) are positively related to employees' organizational commitment. This view is shared by a recent research on union commitment where the said construct was found to be a positive function of pay system satisfaction (Miceli & Mulvey, 2000). That is, employees who felt that the procedures were fair or who had higher levels of distributive justice tended to have higher levels of organizational commitment than those who felt that procedures were unfair or who had low levels of distributive justice.

Specifically, McFarlin and Sweeney (1992) found that procedural justice was a better predictor of organizational commitment. This result confirms two earlier studies. The first study by Konovsky, Folger, and Cropanzano (1987) found that procedural justice predicted organizational commitment, but not pay satisfaction, whereas the reverse was true for distributive justice. Similarly, the second study by Folger and Konovsky (1989) found that procedural justice accounted for more

variance in organizational commitment and trust in a supervisor than did distributive justice, whereas the reverse was true for satisfaction with a pay raise.

As for interactional justice, the research findings are equivocal. Masterson (2001) noted that this construct of justice is not significantly related to organizational commitment because interactional justice perceptions tend to be related primarily to attitudes toward the source of the interpersonal treatment such as the supervisor. In other words, interactional justice is positively related to employee commitment and citizenship behavior directed at the supervisor (Malatesta & Byrne, 1997) but not to organization directed commitment. Contrary to this, Sujak (1997) reported that fairness of interpersonal treatment greatly affects people's attitudes and behaviors within an organization.

In addition to the above findings, it should be noted that between distributive and procedural justice, the latter has been found to be more strongly related to organizational commitment (Folger & Konovsky, 1989; McFarlin & Sweeney, 1992). Contrary to this, Moorman (1991) reported that it is the third aspect of organizational justice, that is interactional justice, or personal assessment of a supervisor's honesty, impartiality, and integrity that causes employees to go the extra mile past where they had to go to get their jobs done--committed to the organization. This finding is legitimated by Sujak (2001) who reported that the most important organizational justice construct is interactional justice. He contended that employees can put up with unfair outcomes and procedures but not with unfair interpersonal treatment.

Notwithstanding the above, the studies mentioned above, however, did not specify the types of organizational commitment affected by the different dimensions of fairness. However, this shortcoming was remedied by Beugre (1998) who found

that procedural justice, systemic justice, and interactional justice were positively related to affective commitment.

***Organizational Citizenship Behavior.*** Organ (1988) found a positive relationship between perceived fairness and organizational citizenship behavior. This was further supported by Farh, Podsakoff, and Organ (1990) who found that leader fairness increases subordinates' satisfaction and organizational citizenship behavior where subordinates who felt that the leader was fair were likely to help their coworkers. Refining this, Kim and Mauborgne (1996) found that the exercise of procedural justice inspired managers to go beyond the call of duty and engage in innovative actions, spontaneous cooperation, and creative behavior on behalf of the execution of decisions.

***Turnover.*** Van Yperen, Hagedoorn, and Geurts (1996) conducted a field research in two manufacturing plants in the Netherlands. They found that employees who felt deprived were more apt to quit and to report sick than those who felt advantaged. This result supports previous findings by Alexander and Ruderman (1987) and that of Lind and Tyler (1988). The former found that when employees felt unfairly treated, they expressed intentions to leave their jobs, whereas Lind and Tyler (1988) argued that workers who felt that evaluation procedures were unfair were more likely to leave their jobs. They also contended that turnover depended on variables other than perceptions of fairness such as availability of attractive alternatives--employees who feel unfairly treated may decide to stay despite apparent injustices in a case of no better alternatives.

***Employee Theft.*** People steal in response to feelings of underpayment (Hollinger & Clark, 1983). Supporting this argument, Greenberg (1993) found that underpaid employees tend to steal in order to compensate for their feeling of inequity.

This was further substantiated by Greenberg and Scott (1996) who suggested that employees steal from their company to react to inequities and unfair treatment.

*Workplace Aggression.* Research on aggression by Berkowitz (1989) suggests that people are likely to become aggressive if they believe that someone has unfairly tried to hurt them or illegitimately imposed barriers to goal attainment. Supporting this, Beugre (1998) found that systemic justice negatively predicted workplace aggression: when employees felt that the organization was a fair system, they tended to report less aggression. Similarly, Baron, Neuman, and Geddes (1999) found that perceptions of fairness influenced the three forms of workplace aggression: expression of hostility, obstructionism, and overt aggression.

*Telecommuting.* A study by Kurland (1999) which looked at justice and control in the virtual organization, noted that telecommuting related positively to procedural and interactional justice, but not to distributive justice. Also, communication formality directly correlated with all three forms of justice, whereas job formalization correlated significantly with procedural and interactional justice perceptions but only modestly with distributive justice perceptions.

#### ***2.1.4.3 Interaction Among Organizational Justice Elements and Impact on Outcomes***

The third group of studies examined the interactive effect of justice elements together with the implication on an outcome--either personal or organizational. This was done to test the referent cognitions theory (Beugre, 1998; Gilliland & Beckstein, 1996). The said theory postulates that employees are capable of evaluating their work and reward experiences by reflecting on "what might have been" under different circumstances (such as high interactional justice) and procedures (Cook, Hunsaker, &

Coffey, 1997). For example, would a different process have led to a more favorable personal outcome on a pay rise or expected promotions?

One way employees might accomplish such a comparison would be to cognitively simulate how their current work situation might be different had their organization used fairer procedures. The theory also postulates that when employees find it difficult to envision a more positive alternative for distributing rewards because the prevalent circumstances and conditions treat them fairly, they will view the organization positively--regardless of the personal outcomes such as pay. A positive view would include commitment to the organization and trust in the fairness of managers.

In line with referent cognitions theory, studies have shown that distributive and procedural justice interact in predicting organizational commitment (Brockner & Weisenfeld, 1996; McFarlin & Sweeney, 1992). In the course of the statistical interaction, the said studies noted that distributive and procedural justice compensate for each other such that when procedural justice is low, distributive justice will have more impact on organizational commitment, and vice versa. In addition, the studies noted that, fair procedures produced high organizational commitment regardless of the level of distributive justice and that the combination of unfair procedures and low distributive justice produced the lowest level of organizational commitment--a true interaction. The arguments put forward to support why procedural justice matters to employees were as follows: (a) Employees value procedural justice as a social norm so they carry within them some innate sense of what is morally appropriate in certain circumstances, and view violation of these norms as a subversion of that social norm and thus, procedurally unjust. (b) Based upon the so-called "voice effect" of