RELATIONSHIP BETWEEN ORGANIZATIONAL JUSTICE DIMENSIONS AND EMPLOYEE OUTCOMES: THE MEDIATION ROLE OF POWER DISTANCE

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RELATIONSHIP BETWEEN ORGANIZATIONAL JUSTICE DIMENSIONS AND EMPLOYEE OUTCOMES: THE MEDIATION ROLE OF POWER DISTANCE

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ABSTRACT

RELATIONSHIP BETWEEN ORGANIZATIONAL JUSTICE DIMENSIONS AND EMPLOYEE OUTCOMES: THE MEDIATION ROLE OF POWER DISTANCE

Rashidah Abdullah

This study was conducted to examine the mediating effect of power distance in the relationship between the organizational justice and employee outcomes (i.e., job satisfaction and job turnover). A survey research method was used to gather 164 usable questionnaires from employees who have worked in Pejabat Setiausaha Kerajaan (SUK) Negeri Selangor. Two hypotheses were developed based on the group-value model and social exchange theories. The outcomes of testing mediating model using a stepwise regression analysis showed two major findings: (1) high power distance had positively affect the relationship between procedural justice and employee outcomes (i.e., job satisfaction and job turnover) and (2) low power distance had positively affect the relationship between distributive justice and employee outcomes (i.e., job satisfaction and job turnover). This result confirms that power distance does act as a full mediating variable in those relationships. In addition, the implications of this study to organizational justice theory, methodological and practitioners, the limitations of the study and directions for future research are also discuss.
ABSTRAK

HUBUNGAN ANTARA DIMENSI KEADILAN ORGANISASI DENGAN REAKSI PEKERJA: PERANAN JURANG KUASA SEBAGAI MEDIATOR.

Rashidah Abdullah

Kajian ini dijalankan untuk mengkaji kesan jurang kuasa (power distance) sebagai mediator dalam perhubungan antara dimensi keadilan dalam organisasi dengan reaksi pekerja (i.e., kepuasan kerja dan keinginan untuk berhenti kerja). Kajian survei telah dijalankan dan sebanyak 164 borang soal selidik telah dikumpulkan daripada kakitangan di Pejabat Setiausaha Kerajaan (SUK) Negeri Selangor. Dua hipotesis telah dibentuk berdasarkan Model “Group-Value” dan Teori “Sosial Exchange”. Hasil daripada ujian model mediator menggunakan analisa regresi Stepwise menunjukkan dua dapatan utama: (1) jurang kuasa yang tinggi (high power distance) memberi kesan yang positif terhadap perhubungan antara keadilan prosedur dan reaksi pekerja dan (2) jurang kuasa yang rendah (low power distance) memberi kesan yang positif terhadap perhubungan antara keadilan distributif dan reaksi pekerja. Keputusan ini menunjukkan bahawa jurang kuasa bertindak sepenuhnya sebagai pembolehubah mediator dalam perhubungan tersebut. Implikasi kajian terhadap teori keadilan organisasi, metodologi dan pengamal sumber manusia, limitasi kajian dan cadangan untuk pengkaji akan datang turut dibincangkan di dalam kajian ini.
CHAPTER 1
INTRODUCTION

1.0 Introduction

This chapter contains eight sections. The first section explains the background of the study. The second section identifies the problem statement. The third section stated the research objectives; which are the general and specific objectives. The research's conceptual framework will be illustrated in the fourth section. The fifth section discusses about the research hypothesis. The importance of the study is explained in the sixth section. The seventh section defines the important terms (operationally) used in the conceptual framework. The conclusion is elaborated in the last section.
1.1 Background of the Study

Organizational Justice has become a focus of investigation in organizational behavior. It concerns with "the ways in which those determine if they have been treated fairly in their jobs and the ways in which those determinations influence other work related variables", (Moorman, 1991, p. 845). Organizational justice has most often encompassed with two subjective perceptions:

a) The fairness of outcome distributions that is distributive justice,

b) The fairness of procedures used to decide an outcome distribution that is procedural justice.

The organizational literature includes a number of studies about organizational justice, it concerns the fairness of the outcomes that they receive and the fairness of the decision processes used to determine the rewards are allocated. Traditionally, in 1960s, social scientists' more interest in justice focused on perceived fairness of distributive justice. It has been extensively studied over the past few decades under the Equity Theory. Based on Greenberg and Tyler (1989, p. 2), "... distributive justice and Adam's (1965) theory of equity – were couched in terms of the balance between persons' outcomes and inputs, research stimulated by these formulations naturally focused on issues of distribution". Distributive justice refers to individuals who believe that outcomes are given as fair when they are consistent with individual inputs (Adams, 1965; Folger & Cropanzano, 1998). When the employees perceived fair distributions, it will contribute to the positive outcomes. It is because, all of their efforts and support towards the organization is appreciated and they feel they are valued in the organization.

The study of justice in 1970s and over the years, the focus shifted to the procedural justice by research examining determinants of and reactions to outcome distributions (Greenberg & Tyler, 1987). In addition, some writes mentioned that attention should be paid to the fairness of the way in which
outcomes are determined (Deutsh, 1975; Laventhal, 1976). Based on Laventhal (1980), procedural justice is the perceived quality of decision making procedures indicating, for example, whether the procedures include input from all affected parties, are constantly applied, suppress bias, accurate, correctable and ethical. Justice literature has documented that procedural justice interact with outcome favorability in determining people’s reactions to a decision. This study extended past research by illustrating that the interaction effect of procedural justice and personal outcome is dependent on the perceived importance of the relationship with the other party.

This study discusses the power distance with procedural and distributive justice to explain organizational justice-outcome relationships. Power distance in this study indicates the high or low dependence needs. However, because of cultural differences, in particular power distance, the influence of justice on work outcomes may vary (Begley et al., 2002). In high power distance cultures, employees are comfortable receiving commands from their superiors; in contrast, low power distance cultures prefer being involved in decision and have the opportunity to develop closer relationships with superiors.

1.1.1 Background of Organizational Justice in Pejabat Setiausaha Kerajaan (SUK) Negeri Selangor.

Earlier on, the centre management of Selangor State was at the Sultan Abdul Aziz Samad Building in Kuala Lumpur, opposite Dataran Merdeka. After that, the center was moved to Sultan Salahuddin Abdul Aziz Shah Building in Shah Alam. The total wide spread of the building is 578,250 square feet and has two podium. First stage of the North Podium were completed and being used since 1st January 1981. Pejabat Setiausaha Kerajaan (SUK) Negeri Selangor has high reputations for the state administration.
As organizations differ in administration and management, justice perceptions may differ from those organizations. Pejabat Setiausaha Kerajaan (SUK) Negeri Selangor is a government sector organization that manages Selangor State administration. Any procedures or policies implemented are mostly based on the decision from the federal government. Thus, justice practices are more or less the same with the other state government administration. Considerable links organizational justice to specific aspects of human resource management including job design, performance appraisal, career development, pay, training and so on. For example, in terms of procedural justice, the procedures designed for career development like promotion to their employees is clearly stated in the policies of the organization that each employee has the opportunity to be promoted if they pass the Competence Level Assessment (CLA). With respect to distributive justice, for example, the employees will receive the salary increment on yearly basis. Besides that, based on CLA, the employees are also will increase in salary if they pass the CLA.

The relationship between organizational justice, power distance and employee outcomes is known as an important aspect to be considered. However, such relationship is less emphasized due to lack of literature. In addition, most of the previous studies were done in Western countries and so far, limited work has been done in the Malaysian context.

1.2 Problem Statement

In the early studies of organizational justice, most research is more towards explaining the dimensions of justice in organization (Greenberg, 1990). Researchers have examined organizational justice as two major dimensions, distributive justice and procedural justice (Adams, 1965; Laventhal, 1980). Distributive justice refers to the perceived fairness or equity of the manner in which rewards are distributed in organizations, while procedural justice refers to
the perceived fairness or equity of the procedures used in making decisions regarding the distribution of rewards (Folger & Cropanzano, 1998).

In most studies, it reveals that organizational justice may directly affect personal outcome (e.g., job satisfaction and job turnover) (Dailey & Kirk, 1992). Perceptions of organizational justice have been found to affect a number of behaviors and attitudes including job satisfaction and job turnover (Alexander & Ruderman, 1987; Ball et. al., 1994). Researchers have found the interaction of procedural justice and distributive justice to predict personal outcome (e.g., job satisfaction, job turnover and affective trust) (Skarlicki & Folger, 1997).

A careful observation on such relationships reveals that organizational justice dimensions indirectly affected personal outcome (e.g., job satisfaction and job turnover) via power distance (Begley et. al., 2002). Power Distance is the hierarchical gap between authorities and subordinates as substantial but also legitimate and acceptable (Hofstede, 1980). Based on Tyler (1989) and Tyler et. al. (1998), they emphasize the importance of authority-member relationships in the organizations and stated that the effect of justice and outcomes is not consistent if aspects leader-subordinate that are central to power distance is presence in the relationships.

Although many studies have been done, the mediating role of power distance is less emphasized in the relationship between organizational justice dimensions and personal outcome in previous study. Due to little empirical knowledge, the need for the further research in this study is essential. Thus, this situation motivates researcher to conduct the further studies.
1.3 Research Objective

This study has two major types of objectives. They are:

1.3.1 General Objective

The main objective of this study is to examine mediating effects of power distance in the relationship between organizational justice dimensions (i.e., procedural justice and distributive justice) and employee outcome (i.e., job satisfaction and job turnover).

1.3.2 Specific Objectives

The specific objectives of this study are:

a) To investigate the role of power distance in the relationship between procedural justice and employee outcomes (i.e., job satisfaction and job turnover)

b) To investigate the role of power distance in the relationship between distributive justice and employee outcomes (i.e., job satisfaction and job turnover).

1.4 Conceptual Framework

Figure 1 is the conceptual framework. This framework is developed based on organizational behavior literature, which shows that organizational justice dimensions (i.e., procedural justice and distributive justice) and employee outcomes (i.e., job satisfaction and job turnover) is indirectly affected by Power Distance.
1.5 Research Hypotheses

This study has two main types of hypotheses. They are:

1.5.1 General Hypothesis

H₀: Power distance positively mediates the relationship between organizational justice dimensions (i.e., procedural justice and distributive justice) and employee outcomes (i.e., job satisfaction and job turnover).

1.5.2 Specific Hypotheses

H₁: The relationship between high power distance and procedural justice will positively impact employee outcome (i.e., job satisfaction and job turnover).

H₂: The relationship between low power distance and distributive justice will positively impact employee outcome (i.e., job satisfaction and job turnover).
1.6 Operational Definition of Terms

1.6.1 Organizational Justice

It refers to procedural justice and distributive justice.

1.6.2 Procedural Justice

It refers to the employees' feeling of fairness in the procedures used to decide outcome distributions. Specifically, procedural justice is related to policies in the workplace, design of policies plan and decision making in distributing outcomes.

1.6.3 Distributive Justice

It refers to the perceived fairness of outcomes or allocations that an individual receive. Specifically, it relates to pay, fringe benefits, rewards and performance appraisal ratings.

1.6.4 Employee Outcomes

It refers to job satisfaction and job turnover.

1.6.5 Job Satisfaction

It refers to the employees' feeling of satisfaction about their job and job conditions. Specifically, it relates to the feeling satisfied about the task given, supervisors and attention given by the management.
1.6.6 Job Turnover

It refers to an employee's intention whether to stay or leave the organization. Specifically, it relates to the intention of employee to quit his/her presents job in the near future and the intention to stay in the organization until retirement age.

1.6.7 Power Distance

It refers to the gap or relationship between the superior and employee in the organization. It indicates the high or low dependence needs, the acceptance or minimization of inequality and the need for hierarchy. Specifically, in high power distance, employees are comfortable receiving commands from their superiors without questions and employer should be respected because of their rank. In contrast, low power distance cultures prefer being involved in decision and have the opportunity to develop closer relationships with superiors.

1.7 Significant of the Study

1.7.1 Significant to Theory

By measuring both power distance and justice perceptions, it will give a better understanding on how organizational conditions and processes affect job satisfaction and job turnover. This study makes several contributions to the literature. Firstly, it examines power distance from the point of view of those who may actually be experiencing this power distance culture (Begley et al., 2002). Thus, it offers insight into the reactions and work-related outcomes of the employees. Secondly, this study establishes a theoretical and empirical link which is not often recognized in the current literatures, between the organizational behavior (power distance) literature and justice theory. Lastly, Sweeney and McFarlin
(1997) views that much more needs to be done to identify factors or conditions that affect the mediating role of power distance in the justice-outcome relationships.

1.7.2 Significant to Research Methodology

Previous study on the relationship between justice, power distance and employee outcomes just used one method of research that is quantitative. However, this study will use the combination method of qualitative and quantitative approaches involving: literature review, in-depth interview, pilot study and survey questionnaires for the robustness of the research methodology. This approach is used to ensure the reliability and validity of the study.

1.7.3 Significant to Practitioners

The findings of this study may be used to improve the management administration. Firstly, it helps managers to realize that they should maintain good relationship with their employees and reduce the gap so that both manager and employees can work in the harmonious situation. Secondly, it continues the research on the managerial practices that influence fairness perceptions will contribute to the design and implementation of fair allocative procedures and outcomes. Thus, this study would suggest managers that fairness is particularly important and managers should try to be perceived fair when making distribute allocations to minimize the adverse impact on job satisfaction.
1.8 Conclusion

This chapter discusses about the background of study, problem statement, research objective, the development of the conceptual framework, research hypothesis, definition of terms, significant of the study, and limitations of the study. The main part of the chapter is the objective of the research that is to study the outcome of the interaction between power distance in the relation with organizational justice and personal outcome. The result of the study will reveal whether it accepts or reject the findings of past research. Besides that, the conceptual framework shows the overall picture of the study which is the moderating effect of power distance in the relationships between organizational justice dimensions and personal outcome. The next chapter will discuss about the importance concept, empirical, and theoretical evidence based from literature findings.
CHAPTER 2
LITERATURE REVIEW

2.0 Introduction

This section consists of five sections. The first section explains the concept of the organizational justice. The second section discusses about the concept of power distance. Employee outcomes that are job satisfaction and job turnover will be discussed in section three. The fourth section discusses the theoretical background of the relationship between the organizational justice dimensions (i.e., procedural justice and distributive justice), power distance and employee outcomes (i.e., job satisfaction and job turnover). The empirical evidence that support the relationship between organizational justice dimensions, power distance and employee outcomes is elaborated in the fifth section. The last section which is section six will explain the conclusion of this chapter.
2.1 Organizational Justice

Conceptually, organizational justice, a socially constructed dimension (Colquitt et al., 2001), has explained workplace attitudinal and behavioral reactions, including job satisfaction (Masterson et al., 2000; Mossholder et al., 1998), organizational commitment (McFarlin & Sweeney, 1992; Masterson et al., 2000), withdrawal (Dailey & Kirk, 1992; Masterson et al., 2000), and organizational citizen behavior (Moorman, 1991; Skarlicki & Latham, 1996). Organizational justice concerned with “the ways in which employees determine if they have been treated fairly in their jobs and the ways in which those determinations influence other work-related variables” (Moorman, 1991, p. 845).

Organizational justice deals with the role of fairness as a consideration in the workplace. More specifically, organizational justice deals with employee’s perception of fairness in their employment relationship (Folger & Cropanzano, 1998). The effect of perceived fair treatment by an organization on a number of organizationally-relevant employee attitudes has received increased attention recent years (Lind & Tyler, 1988). The terms of fairness and justice are commonly used interchangeably.

According to Sheppard, Lweicki and Minton (1992), there are two dimension of justice, one of them use for the outcome while the other one use in the process or action. While both are dimensions of organizational justice, distributive and procedural justices are different concepts (Greenberg, 1986, 1987). Distributive justice is concerned with the “ends,” while procedural justice is concerned with the “means.” The process of a decision can be just as important as the decision itself for most employees. Even if an outcome is fair, the process for reaching that outcome can be unfair. Thus, administrators and managers must not only be fair and just in their decisions (i.e., outcomes), they must be perceived to be fair in how they arrive at those decisions (i.e., process). In fact, Lind and Tyler (1988) argue that people are more concerned with issues of process than they are with issues of outcome. Even if a favorable outcome is reached, a person