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Examine the Effect of Organizational Justice on Job Satisfaction and Employee Performance

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ABSTRACT

Objective – This study is aimed to analyze the effect of organizational justice on job satisfaction and employee performance.

Methodology/Technique - The respondents are 104 employees who work in the Governor's office in East Nusa Tenggara Province by using the questionnaires. The data are analyzed using Partial Least Square (PLS).

Findings – The results show that organizational justice has significant effect on job satisfaction, but has not significant effect on employee performance. Furthermore, job satisfaction has significant effect on employee performance.

Novelty - The implications of this study emphasize the important role of job satisfaction in improve the employee performance. Therefore, the organization should have an attention on interactional and informational justice to improve the employee performance, so that the employee is satisfied and try to provide an optimal contribution to the organization.

Type of Paper: Empirical

Keywords: Organizational Justice; Job Satisfaction; Employee Performance.

JEL Classification: J24, J28.

1. Introduction

Organizational justice has the potential to create powerful benefits for organizations and employees, including: greater trust and commitment, improved job performance, more helpful citizenship behaviours, improved customer satisfaction and diminished conflictany (Cropanzano, et al., 2007). According to Cropanzano, et al. (2007), there are three reasons why employees aware with justice. First, the long-term benefits, employees can predict the outcome in the future. Second, the social considerations, everyone expects to be accepted and valued by the organization in polite way and not exploited. Finally, the ethical considerations, justice morally is appropriate way to treat someone.

According to Elamin and Alomaim (2011), distributive, procedural and interactional justice simultaneously have significant effect on job satisfaction. Bakhshi, et al. (2009), Memarzadeh and Mahmoudi (2010) and Al-Zu'bi (2010) concluded that organizational justice (distributive, procedural and interactional) have significant effect on job satisfaction. Whisenant and Smucker (2006) conducted a study concerning the effect of organizational justice on dimensions of job satisfaction, such as: the work itself, supervision, co-workers,

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production, promotion and employment. Moreover, Whisenant and Smucker (2006) determined that there are significant effect between distributive, procedural and interactional justice with two aspects of job satisfaction (supervision and promotion) and work in general.

One consequence of the employee satisfaction is increased the employee performance. Robbins and Judge (2010) described job satisfaction as a positive emotion that obtained from the evaluation of someone's work experience. Job satisfaction has an effect on employee performance (productivity, quality and service). Performance can be interpreted as the result of a process, so that every employee required to have job satisfaction in the form of a series of pleasant or unpleasant feelings and emotions that are involved in the viewpoint of the employees towards work (Davis & Newstorm, 2002). Study conducted by Moazzezi, et al. (2014), concluded that there is a positive relationship between organizational justice and its dimensions (distributive, procedural and informational justice) on job performance.

2. Literature Review and Research Hypotheses

2.1 Organizational Injustice

Organizational justice refers to how employees can understand the rules of the workplace, interaction, and the results of its work significantly. In this perception, both actions that can positively or negatively affect the employee performance will arise. Justice is universal value and human rights have become widely accepted (Held, 1989). An organization that is a fair one is characterized by procedures to ensure statement, process and alerts (Beugre, 1998). Cropanzano, et al. (2007) mentioned that organizational justice is a personal assessment of the ethical and moral standards of managerial behavior. According to Cropanzano, et al. (2001), there are at least three areas that must be evaluated when assessing organizational justice (rewards, processes and interpersonal relationships). Some studies later examine organizational justice with three components: distributive, procedural and interactional (Cohen & Spector, 2001).

Koopman (2003) argued that the concept of justice in organization includes three forms of justice (distributive, procedural and interactional justice). However, Greenberg (1987) separated interactional justice into two components, interpersonal and informational justice. Furthermore, some researchers stated that organizational justice consists of four components (Colquitt, 2001 and Colquitt, et al., 2001). First, distributive, regarding fairness amount of benefits that are felt by among the employees (Robbins & Judge, 2009). Second, procedural, justice is perceived from the process used to determine the distribution of rewards (Robbins & Judge, 2009). Third, interactional, regarding fairness how subordinates are treated (Robbins & Judge, 2009). Finally, informational, regarding fairness in the sharing of relevant information with employees (Cropanzano, et al., 2007).

Equity theory explains that distributive justice and procedural refer to employee perceptions regarding the fairness and balance between the input they provide to the awards they have received (Handoko, 2003). According to Masterson, et al. (2000), the need components to uphold and maintain procedural justice, such as: (1) there is an agency that works to gather information and make decisions, (2) there are clear rules and criteria of the standard, (3) there is a real action to collect and publish information and (4) there is a structure and hierarchy of decision.

2.2 Job Satisfaction

Mc Shane and Von Glinow (2008) stated that job satisfaction is an evaluation of individual task and work context. Job satisfaction is related to the assessment of job characteristics, work environments and emotional experiences in the workplace. Employees who are satisfied will have positive assessment of their works based on the work experience (Robbins & Judge, 2009). Job satisfaction is also a set of attitude about different aspect and context of the job. According to Noe, et al. (2011) job satisfaction is a sense of excitement due to the perception of a person's job or enabling work values. Bakhshi, et al. (2009) explained that job satisfaction is one most used variable in the research of organizational justice. Boles, et al. (2007) introduced six dimensions

that can be used to measure job satisfaction, as follows: the work itself, reward, supervision, promotion, relations with other employees and work conditions.

2.3 Employee Performance

Performance is the output which is generated by the indicators of a job within a certain time (Wirawan, 2009) both in quality and quantity in accordance with the responsibilities (Anwar, 2009). According to Mangkunagara (2005), the performance will be assessed by the employee's contribution to the organization during a specific time period. Therefore, performance assessment should be based on a competency model that focus on the skills needed by employees in both present and future. Mathis and Jakson (2010) described the employee performance as quantity and quality of output, output time period, attendance at work and cooperative attitude. Koopman (2014) argued that the performance assessment should be based on the task performance by focusing on the overall ability of individuals, behaviors, accuracy, work knowledge and creativity in performing their duties. Moreover, Koopman (2014) summarized that individual performance measurement is based on a questionnaire developed by Individual Work Performance Questionnaire (IWPQ) using some measure of individual performance that consist of: task performance, contextual performance and counterproductive work behavior.

2.4 Research Hypotheses

Organizational justice is a predictor of job satisfaction but each dimension of organizational justice gives a different contribution to job satisfaction (Anwar, et al., 2016). Mc Farlin and Sweeney (1992) stated that distributive justice is a stronger predictor of job satisfaction than procedural. Mossholder, et al. (1998) concluded that procedural fairness is associated with job satisfaction. Instead, Masterson, et al. (2000) revealed that procedural justice is stronger predictor for job satisfaction than interactional. Study using three types of organizational justice is done by Cohen and Spector (2001), who mentioned that distributive, procedural and interactional justice are significantly affect the job satisfaction.

The higher level of employee perception toward fairness to the means used to determine outcomes (procedural justice) and fairness of the outcomes that employee received (distributive justice) tend to increase the level of employee job satisfaction (Fatt, Khin, & Heng, 2010). Study by Elamin and Alomaim (2011), Bakhshi, et al. (2009), Memarzadeh and Mahmoudi (2010), Al-Zu'bi (2010) and Clay-Warner, et al. (2005) showed that three dimensions of organizational justice (distributive, procedural and interactional) have proved significant effect on job satisfaction. Cohen and Spector (2001) proposed that in order to maintain employee satisfaction, the organization should manage the aspects of distribution, procedure and interactions equitably.

According to Hatane (2015), job satisfaction has significant effect on job performance. Study by Cook (2008), Abdulwahab (2016), Alamdar, et al. (2011), Chamundeswari (2013) and Angeles (2013) showed that job satisfaction has significant effect on employee performance. Hidayah and Hariani (2013) concluded that distributive and procedural justice have partially significant effect on employee performance. Among three aspects of organizational justice, distributive justice has significant impact on task performance (Faruk, 2016). Furthermore, Efanga, et al. (2015) and Al Rawahdeh (2013) determined that there is a significant effect between organizational justice and job performance. Based on above explanation, the hypotheses (H) as follows:

H₁: Organizational justice is positively associated with job satisfaction.

H₂: Organizational justice is positively associated with employee performance.

H₃: Job satisfaction is positively associated with employee performance.

3. Methodology

The main instrument of this research is questionnaire. This research used development of organizational justice by Colquitt (2001), job satisfaction by Boles, et al. (2007) and employee performance by Koopman

(2014). In order to fill the questionnaire, structured questionnaire used 5 Likert scales, where scale 1 is strongly disagree and scale 5 is strongly agree. The questionnaires were distributed to 104 respondents at the Governor office in East Nusa Tenggara Province.

Before collecting the data, the instrument of the questionnaires were tested to fulfill the validity and reliability test (Ghozali, 2011). The instrument is valid if Pearson Correlation ≥ 0.30 and reliable if Cronbach's Alpha ≥ 0.70 . Furthermore, the collected data were analyzed using Partial Least Square (PLS) to verify the hypotheses. The result of demographic test as follows: classified by genders (male = 60.57% and female = 39.43%), ages (31-39 years = 18.27% and ≥ 40 years = 81.73%), educations (certificate = 1.92%, bachelor = 62.5%, master = 33.66% and doctoral = 1.92%) and long of occupations (6-14 years = 19.23% and ≥ 15 years = 80.77%).

4. Results

The testing of hypotheses in the study are carried out by analysis of Structural Equation Modelling (SEM) with component based approach using Partial Least Square (PLS). The analysis through two steps and indicators of organizational justice (distributive and procedural justice are not valid) are outer from the models. The final output of the analysis shows in the figure 1.

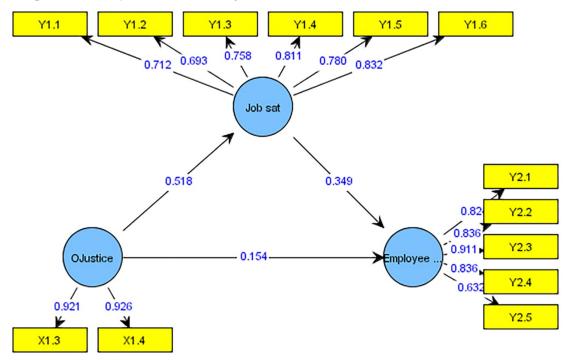


Figure 1. Result Model

Partial Least Square should be assessed the validity and reliability for outer models and goodness of fit for inner models. Table 1 and 3 shows that this model has accomplished validity and reliability models. Composite reliability assessed by reliability of the block indicator from its constructor to test instrument validity of the research model exclusively for the reflective indicator. Composite reliability shows that all values of indicators are higher than 0.7, the model is fulfilled composite reliability. Convergent validity determined based on loading factor shows that all of values higher than 0.50. Discriminant validity measured using average variance extracted (AVE) indicates that all of values are higher than 0.50, thus the model is fulfilled discriminant validity. Goodness of fit inner model calculated using Q2 predictive-relevance. Q2 predictive-relevance is derived from formula: Q2 = 1 - (1 - R12) (1 - R22) = Q2 = 1 - (1 - 0.201)(1 - 0.269) = 0.4159. The Q2 predictive-relevance is 0.4159 (>0), it means that 41.59% of variation in the dependent variable can be

explained by variables used in the model, whereas 58.41% to be explained by variables that are not used in the model.

Table 1. R² Endogen Variables, Composite Reliability and Average Variance Extracted.

Variables	R-square Variables Endogen	Composite Reliability	Average Variance Extracted (AVE)	Remark
Organizational Justice	-	0.921	0.853	Fulfilled
Employee performance	0.201	0.906	0.661	Fulfilled
Job satisfaction	0.269	0.894	0.586	Fulfilled

Table 2. Results of Inner Weight

Variables	Original Sample Estimate	Mean of Subsamples	Standard Deviation	t- Statistic	Remark
Org Justice -> Employee performance	0.154	0.155	0.079	1.939	Not significant
Job Sat -> Employee Performance	0.349	0.367	0.107	3.252	Significant
Org. Justice -> Job Sat	0.518	0.537	0.074	6.997	Significant

Table 3. Convergent Validity

Construct	Original Sample Estimate	Mean of Subsamples	Standard Deviation	t- Statistic
Organizational Justice				
• Interactional justice (X _{1.3})	0.921	0.917	0.025	37.547
• Informational justice (X _{1.4})	0.926	0.925	0.018	52.620
Job satisfaction				
• Work itself (Y _{1.1})	0.712	0.713	0.072	9.917
• Reward (Y _{1.2})	0.693	0.682	0.091	7.627
Promotion (Y _{1.3})	0.758	0.756	0.055	13.654
• Supervision (Y _{1.4})	0.811	0.803	0.048	16.928
• Group task (Y _{1.5})	0.780	0.769	0.069	11.300
• Work condition (Y _{1.6})	0.832	0.830	0.036	23.006
Employee performance				
I manage to plan my work (Y _{2.1})	0.824	0.825	0.050	16.400
My planning was optimal (Y _{2.2})	0.836	0.839	0.044	19.115
• I kept in mind the result (Y _{2.3})	0.911	0.911	0.022	41.853
I was able to separate main issues (Y _{2.4})	0.836	0.836	0.047	17.726
• I was able to perform my work well (Y _{2.5})	0.632	0.645	0.068	9.303

The analysis in Table 2 indicates that two hypotheses are accepted and one hypothesis is rejected. The effect of organizational justice on employee's performance ($\beta = 0.154$ and t-statistic = 1.939) is not significant and the hypothesis is rejected (significant if t-statistic > 1.96). The effect of job satisfaction on employee's performance ($\beta = 0.349$ and t-statistic = 3.252) is significant and the hypothesis is accepted. Moreover, the effect of organizational justice on job satisfaction ($\beta = 0.518$ and t-statistic = 6.997) is significant and the hypotheses is accepted.

5. Discussion

The findings show that interactional and informational justice are representative of organizational justice in the model, while distributive (fairness amount of benefits) and procedural (perceived from the process used to determine the distribution of rewards) are not valid in the model. In government organizations, distributive and procedural justice are deemed to have been given, because it concerns to perceive from the process used to determine the distribution of rewards and fairness amount of benefits. The study also found that improve the employee performance need integrated efforts to make employees feel satisfied at their work. This study suggests that work satisfaction in the government organizations has very essential role to improve the employee performance. This research shows job satisfaction as full mediation (Hair, et al., 2010) on the effect of organizational justice to employee performance. This means that the employees should be satisfied if the organizations want to improve their performance. Furthermore, this study supports the results that state: 1) significant effect between organizational justice and job satisfaction (Elamin & Alomaim, 2011; Bakhshi, et al., 2009; Memarzadeh & Mahmoudi, 2010; Al-Zu'bi, 2010; Clay-Warner, et al., 2005 and Faruk, 2016), 2) significant effect between job satisfaction and employee performance (Hatane, 2015; Cook, 2008; Abdulwahab, 2016; Chamundeswari, 2013 and Angeles, 2013) and not significant effect between organizational justice and employee performance, which is reversed from some research (Efanga, et al., 2015; Al Rawashdeh, 2013; Moazzezi, 2014 and Hidayah & Haryani, 2013).

6. Conclusion

The study reveals a number of issue regarding the effect of organizational justice on job satisfaction and employee performance. The findings of this study are discussed below extant literature on the organizational issue. In this study, the effect of organizational justice (interactional and informational justice) as perceived by the employees has significant effect on job satisfaction. The study also conclude that job satisfaction is significantly affect the employee performance. This implies that employees who are satisfied at work will have maximum contribution to organizational performance (Robbins & Judge, 2009). Furthermore, organizational justice has not significant effect on employee performance. The implication of this study to organizational justice is associated with how subordinates are treated and fairness in the sharing of relevant information with the employees. The possibility of a different result will be obtained if other researchers replicate this research. Therefore, the results of this study need to be examined at non-government organization that is more dynamic and professional.

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