Procedural Justice and its Effects on Organizational Outcomes

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This study attempts to find out the importance of justice in the private financial institution like banks and to determine the employee satisfaction, organizational commitment and intent to leave the workplace. This study judged the employee’s perception of procedural justice and its effects on organizational commitment, job satisfaction and turnover intention in the private banking sector only and the area chosen for the research is the city of Peshawar. The research is conducted by personal visits to nine different private banks of Peshawar. The methodology used for the collection of data is questionnaire. The findings achieved after the data analysis suggests that procedural justice has a significant positive relationship with organizational commitment and job satisfaction. On the other hand the association of procedural fairness with turnover intention is found to be negative. These outcomes are consistent with many past researches in the same field.

Organizational Justice

The concept of justice is said to be first grounded in the social exchange theory. According to the theory, individuals judge the social relationships on the basis of the risk and benefits associated with it (Cherry, http://psychology.about.com/od/sindex/g/socialexchange.htm). It represents that procedural as well as distributive justice has a single justice motive – the resource motive i.e. concern of the resources obtained during the process or as an outcome. Justice is considered to be a social phenomenon if Cropanzano and Greenberg (1997) are to be believed for their view of justice i.e. the acts that are perceived to be just by majority of individuals, are just.

Different forms of justice have also been researched over the years. Adam (1965) came up with the idea that employees determine the perception of fairness at work by comparing their inputs/output with that of their peers. He called this “distributive justice”. However, procedural justice is also one aspect discussed by several researchers such as Thibaut and Walker (1978), Cropanzano and Folger (1991). It revolves around the procedure to take these decisions. Procedural justice has mostly been recognized as an individual level variable.

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But it has also been studied as a contextual level variable. In a research by Mossholder, Bennett and Martin (1998), procedural justice context has been studied showing that the influence of work unit perceptions on the employee’s perceptions. A laboratory study by Steil (1983) also found that when a group of individuals were informed that other individuals doubted the fairness of the procedures, they also doubted the fairness of procedures. This shows the dependence of employee’s perception on coworker’s opinion.

**Procedural justice**

The idea of procedural justice and its implementation is of utmost importance because the procedures prevalent in our society are biased and unethical (Junaid, 2007). The lack of fairness leads to several results such as less commitment towards the organization, lack of job satisfaction (Folger and Konovsky, 1989) and an increased ratio of turnover intention among employees (Brooke and Price, 1989). This study holds significance to find out the extent to which procedural justice is being used in the private sector of banks as a determinant of organizational commitment, job satisfaction and turnover intention.

The concept of procedural justice deals with the fairness of procedures governing decisions as perceived by individuals. It is the equity and the perceived fairness in order to make decisions (Folger and Greenberg, 1985). Procedural justice deals with the norms about the proper procedures (Lind and Tyler 1988). It has been compared to distributive (McFarlin and Sweeney, 1992) and interactional justice (Bies and Moag, 1986) for its effects on job satisfaction, organizational commitment, turnover intention, and several other variables.

**Organizational commitment**

Organizational commitment is thought of as one of the most salient factor in understanding procedural justice (Folger and Konovsky, 1989). It refers to the extent of involvement of the employee with the organization. Three important factors suggested by Steers, Porter, Mowday and Boulian (1974) are: (1) a sense of membership towards the organization, (2) acceptance of the organization’s values and goals, (3) willingness to put in every effort for the accomplishment of the goals. The concept definition may be restricted to include employees’ attachment to the organization as a result of (a) compliance caused by reward and punishment; (b) affiliation with the referent organization; and (c) internalization of the organization’s goals and values as one’s own (Allen and Meyer, 1990).
Job satisfaction

Job satisfaction is one of the important consequences of procedural fairness. They always go hand in hand as far as the performance appraisal system is concerned. According to the definition given by Locke (1976: 1297), job satisfaction is “a pleasurable or positive emotional state resulting from the appraisal of one’s job or job experiences.” Lack of job satisfaction leads to some serious consequences such as absenteeism from the job, lack of involvement in organizational goals, job avoidance, retaliation and aggression. Therefore Harrison (1992:8) has explained the phenomena as “leading to organizationally important outcomes including absenteeism and turnover, motivation, job involvement and performance.”

Turnover intention

Turnover intention is one outcome variable that has been widely studied with the perceived fairness. It is referred to as intent on part of the employee to quit the job and leave the organization. Reasons of leaving the job has been found out as the absence of procedural justice and dissatisfaction on job. Three indicators of turnover intention are: the thought of quitting the job, intent to quit the job and the intent to search a better job (Hom and Griffeth, 1991).

Procedural justice and correlates

Procedural justice has been analyzed by different angles such as the influence of work environment on the perception of fairness (Greenberg, 1990a), Leventhal (1976: 1980) has given the attributes of procedural justice: (1) accuracy, (2) consistency, (3) unbiasedness, (4) ethics, (5) correctability and (6) representativeness. Representativeness has been erased because it overlaps with the concept of voice. Voice has been discussed by Thibaut and Walker (1975) where they explained the concept of instrumental and non instrumental voices. This concept has been further explained by Greenberg and Folger (1983) that if the employees are given an opportunity to express their opinion in the decision making process affecting them, it enhances their perception of fairness but also brings with itself a possibility of a much lower level of fairness perception if the authorities fail to respond to the employee’s input. The research conducted by Tyler (1990) also supports the Greenberg and Folger(1983) by adding that procedural justice perception is greater when the individuals participates in the decision making process because it ascertains that the decision maker had been unbiased and neutral. In contrast, centralization is negatively related to procedural justice, as the employees are discouraged to take part in opinion making roles.
These researches give rise to a question that why is the fairness of procedure such an important issue? The answer to this question was provided by Thibaut and Walker (1975) that stated “people see fair process as a guarantee that overtime they will receive their fair share of the outcomes.” i.e. they sacrifice the short term gains for long term gains. Other than this instrumental explanation, Lind and Tyler (1988) added a psychological explanation that “fair process carries symbolic value, signaling respect for the dignity of the individual and confirming his and her status in the unit.”

Apart from these researches, several models have been proposed to interpret the effects of the supervisor’s actions on the employee’s perceptions of procedural justice. However, a widely accepted theory of justice has proposed three different models of procedural justice known as the “accuracy model,” “the balancing model” and “the participating model” (Rawl, 1971). These models correspond to the different types of procedural justice verifying different aspects of behavioral study of the employees. One important point raised in one of these models is the issue of participation. It discusses that when employees are allowed to participate in the decision making process that affects them, it makes the procedure to be counted as a just procedure irrespective of the outcome of the procedure. This is how Thibaut and Walker (1975) discussed their concept of process control through which the employee is given the opportunity to express his views. Employees working under, supervisors with referent power are likely to experience better procedural justice perception because this confirms that they are being valued in the work group (Tyler and Lind, 1992). Employees perceive those supervisors as procedurally fair who share their work base knowledge as compared to those who do not share or are not capable of sharing work related knowledge (Jahangir, 2003). Jahangir (2003) found that when supervisors stay within the formal boundary in assigning the responsibilities to employees, employees perceive that supervisors are procedurally fair.

A large number of studies have sought to link procedural justice to a variety of variables. It has been judged for both individual as well as organizational outcomes. Organizational commitment (Folger and Konovsky, 1989), turnover intention (Ongori, 2007), pay raise decisions (Folger and Konovsky, 1989), evaluation of the supervisor and job satisfaction (McFarlin and Sweeney, 1992) are the most commonly researched variables along with procedural justice. Out of which, organizational commitment and evaluation of the supervisor are outcomes related to the institution where as job satisfaction and pay raise decisions fall under the bracket of personal outcomes.

The initial researches were carried out by Greenberg (1979), Folger and Konovsky (1989), Cropanzano and Folger (1989) and Tyler (1990) showing
the relationship between procedural justice and these behavioral and organizational constructs. Job satisfaction is undoubtedly a major behavioral outcome if the perception of fairness is higher in employees. Several studies link performance evaluation procedures to job satisfaction (e.g., Brownell, 1982; Harrison, 1992; Lau and Sholihin, 2005) and it is justified because the rewards and compensation received by the employee are reflective of his success and failure in performing a task. If their jobs are justly evaluated, it leads to job satisfaction (Hopwood, 1972:174).

Cropanzano and Folger (1989) also added to this research through their findings that illustrated the resentment in employees relating unfair procedures. According to them employees who showed dissatisfaction perceived that they were prevented from receiving high rewards due to unfair procedures.

Job satisfaction and organizational commitment are mostly studied together. The extensive work of Folger and Konovsky (1989) found that procedural justice is a much stronger predictor of organizational commitment as compared to job satisfaction. McFarlin and Sweeney (1992) seconded the findings saying that distributive justice was a much better predictor of personal outcomes like job satisfaction whereas the reverse was true for procedural justice that predicted the organizational outcomes like organizational commitment and evaluation of the supervisor. A fairly recent research by Arri, Kuldeep & Ekta (2009) also indicates that distributive justice is significantly related to job satisfaction whereas procedural justice does not, though both procedural and distributive justices are related to organizational commitment. A research by Kim (2009) also suggests that when individuals were fairly treated they showed more commitment towards the organization as well as a higher degree of trust and satisfaction.

Turnover intention is a very important issue as Robbins (1998) puts it as a behavior that leads to leaving the organization as well as looking for a new job. It is also one noteworthy construct that is influenced by the job satisfaction and organizational commitment of the employee (Mobley, 1982). Employee's perception of procedural justice, job satisfaction, and their organizational commitment have linkage to the employee's turnover intention. Higher the perceived fairness, higher will be job satisfaction and organizational commitment which will in turn lead to a decreased level of turnover intention (Poon, 2004). Every organization makes huge investments in training, developing and maintaining their employees. Therefore, managers always strive to minimize turnover. The image theory model (Beach, 1990) has analyzed that employees leave the organization only when they have discovered
the reasons for leaving. There are several reasons that compel employees to quit from one organization to another. The effects of job related stress (job stress), lack of commitment in the organization and job dissatisfaction make employees to quit (Firth, Mellor, Moore, Loquet, 2004).

Satisfaction represents a solid response to specific aspects of the job or career and denotes a positive emotional state resulting from an appraisal of one's job or career (Locke, 1976; Porter et al., 1974; Williams and Hazer, 1986). Similarly, commitment can be achieved when justice prevails in the processes of the organization and employees are empowered which ultimately reduces turnover intention among employees.

Procedural justice has mostly been researched in comparison to the distributive justice. Many researchers (Folger and Konovsky, 1989; McFarlin and Sweeney, 1992) have determined that procedural justice is a much stronger predictor of organizational outcomes whereas distributive justice predicts the personal outcomes better. So procedural fairness predicts constructs like organizational commitment, evaluation of supervisor much better whereas distributive justice is a better predictor of constructs like job satisfaction and pay satisfaction.

Job satisfaction, organizational commitment and turnover intention are taken as dependent variables. Job satisfaction is an extremely essential dependent variable as evident by the Lind and Tyler (1998) research in which they discovered job satisfaction as one of the principal consequences of procedural fairness. They concluded that “the great practical value of procedural justice lies in ... its value as a source of... satisfaction.” On the basis of the above discussion, the following hypothesis can be proposed:

**Hypothesis 1: Procedural justice is positively related to job satisfaction.**

Another dependent variable is organizational commitment. It is perceived to be associated with the fairness of procedures (Hopwood, 1972; Folger and Konovsky, 1989; McFarlin and Sweeney, 1992; Magner and Welker, 1994; Magner, Welker& Campbell, 1995). If employees believe that the organization's procedures for the determination of compensation and evaluation of performance are fair, they do not develop adverse feelings towards the organization even if their compensation is inadequate. On the contrary, if they perceive the organizational procedures to be unfair and compensation to be inadequate, they hold unfavorable views of their organization which give rise to lower organizational commitment (McFarlin and Sweeney, 1992). Accordingly, I propose:
Hypothesis 2: Procedural justice is positively related to organizational commitment.

The relationship of turnover intention as a dependent variable along with procedural justice is also studied. Knowles (2004) research discusses some personal, contextual and institutional factors that can prove to be principle antecedents of turnover intention. Supporting the finding of Knowles (2004), Poon (2004) finds out that disrespectful behavior and unfair reward system can influence turnover compelling the employee to leave the organization. Hence, it is hypothesized:

**Hypothesis 3: Procedural justice is negatively related to turnover intention.**

These hypotheses demonstrates a relationship of the dependant variables with procedural justice that has been previously analyzed by Folger and Konovsky (1989), McFarlin and Sweeney (1992). Therefore, it is expected from the research to provide the results in accordance with the hypotheses.

**Method**

In order to study the effect of procedural justice on organizational commitment, job satisfaction and turnover intention, the existing body of the relevant literature was reviewed for a better understanding of concepts and constructs.

**Research type**

This research is a cross sectional (one shot) study which is based on data collected at one point in time; it is causal in nature (Sekaran, 4th edition), as it studies the effects of the one independent variables on the three dependent variables. The responses are measured by the use of questionnaires. The unit of analysis is individual.

**Respondents**

Early researches regarding procedural justice were mainly carried out in legal and political settings but the later research has found that the influence of procedural fairness are observable in any organizational setting (Leventhal, 1980).

The employees of the nine private banks were surveyed. The data were collected through questionnaires. A total of 150 structured questionnaires were distributed by the researcher herself. Altogether, 101 employees gave their re-
sponse with the response rate of 67.3%. The employees who chose to refuse were allowed because participation was voluntary. Refusal rate was low as their anonymity was ensured, the respondents were asked to check that no questions should be double marked or left unmarked; this was done to eliminate the possibility of missing data. All the respondents were on different levels of branch banking.

**Instruments**

Structured questionnaires were used for both the dependant and independent variables. A five points rating scale was used with “strongly disagree (1)” being the lowest and “strongly agree (5)” being the highest response. [Strongly disagree (1), disagree (2), neither disagree nor agree (3), agree (4), disagree (5)]. On the basis of these measures, the outcome was found. They are as follows:

• **Procedural justice:**

A questionnaire of Folger & Konovsky (1989) has been used in order to measure the perceptions of procedural justice. It contained 10 items to judge the perceptions of employees in the private banks. These items measure the extent of the respondent’s perception of procedural justice.

• **Organizational commitment:**

Organizational commitment was measured by a questionnaire consisting of 10 items. It showed the effect of procedural justice on the organizational commitment of employees. The organizational commitment questionnaire used was that of Mowday, Steer and Porter (1979).

• **Job satisfaction:**

A nine item questionnaire was used for studying the job satisfaction. It was the one used by the Cook J.D, Hepworth S, J, Wall T.D & Warr, P.B (1981). Items in the questionnaire asked about the level of satisfaction in relation to the fairness of procedure in the organization.

• **Turnover intention:**

The questionnaire used for assessing the turnover intention of the employees was Chatman and Caldwell (1991). It had 2 items asking about the employee’s intention of leaving the organization.
Sampling

A total of nine banks were studied for the representation of the private banking sector. Simple random sampling was used for the selection of banks. The study was limited to the city of Peshawar in Pakistan.

Results

For job satisfaction, the value of beta is positive (.297). It indicates that procedural justice has a positive relationship with job satisfaction and the value indicates that one unit increase in procedural justice will increase the job satisfaction by .297. As we can see that the significance value is below 0.05 so it shows that procedural justice has a significant relationship with job satisfaction i.e. procedural justice is a predictor of job satisfaction. The model for job satisfaction is significant but the relationship between procedural justice and job satisfaction is weak, though it is positive in nature.

<table>
<thead>
<tr>
<th>Model</th>
<th>Dependent Variable</th>
<th>Independent Variable</th>
<th>B</th>
<th>( \beta )</th>
<th>Significance</th>
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<td>PJ</td>
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<td>-.228</td>
<td>.022</td>
</tr>
<tr>
<td>2</td>
<td>JS</td>
<td>PJ</td>
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<td>.297</td>
<td>.003</td>
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<tr>
<td>3</td>
<td>OC</td>
<td>PJ</td>
<td>.152</td>
<td>.390</td>
<td>.000</td>
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Table: Regression analysis of variable

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<th>Unstandardized Coefficients</th>
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<th>STD Error</th>
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<td>.997</td>
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<tr>
<td></td>
<td>PJ</td>
<td>-0.654</td>
<td>.281</td>
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</tr>
<tr>
<td>2</td>
<td>JS</td>
<td>Constant</td>
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<td>PJ</td>
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<tr>
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<td></td>
<td>PJ</td>
<td>.565</td>
<td>.134</td>
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</tbody>
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Table: Values of unstandardized coefficients of variables

Key:
TOI: Turnover Intention, OC: Organizational Commitment,
JS: Job Satisfaction, PJ: Procedural Justice
For organizational commitment, we found out that the value of beta is positive (0.390). It confirms the positive relationship between procedural justice and organizational commitment and it also shows that if a unit increase in procedural justice happens to occur, an increase of 0.390 units will be witnessed in organizational commitment. The significance value lies below 0.05 even in this case indicating that procedural justice is a significant predictor of organizational commitment. The model for organizational commitment suggests that the model is significant and the relationship found between them is weak, yet there exists a positive relationship between the two.

For turnover intention, the value of beta is negative which means that procedural justice has a negative relationship with turnover intention. It also explains that a unit change in procedural justice will bring a change of 0.228 units change in turnover intention. The significant value is lesser than 0.05 even for turnover intention which means that procedural justice is a predictor of turnover intention.

The model for turnover intention is also significant but the relationship of turnover and procedural justice is weak, and is negative in nature.

Discussion

This study was conducted to in order to judge the effects of procedural justice i.e. the fairness of the processes being run in the private banks of Peshawar. The effect was studied on three important aspects of organizational commitment, job satisfaction and turnover intention. The banks were randomly selected and the results are based only on branch level analysis.

People generally care about fairness at the workplace because it determines employee's attitude towards the job, his level of satisfaction and his intent to stay in the organization and work towards the achievement of organizational goals. The findings in the research report indicate the procedural fairness is one of the predictors of job satisfaction. The relationship between them is found to be significant and that they have a positive association with each other. This means that fair procedures effects an employee's satisfaction at the work place. These findings are fairly consistent with the findings of previous researches (McFarlin and Sweeney, 1992; Folger and Konvosky, 1989) carried out on procedural fairness. Some researches regarding procedural fairness do not consider it to be a very strong predictor as far as job satisfaction is concerned (McFarlin and Sweeney, 1992; Folger and Konvosky, 1989). Our results are also aligned with the past researches indicating only a 30% (\(\hat{\alpha} = 0.297\)) change in job satisfaction due to procedural justice.
On the other hand, the significance tests of procedural justice considering organizational commitment as dependent variable shows quite a significant association. The positivity of the relationship shows that higher procedural justice is a determinant of higher organizational commitment. The findings are consistent with Kim (2009) who said that fair treatment ensures commitment of the employees towards the organization. Commitment is extremely important for every organization in order to reach their set goals and targets. It is predicted that employees who are treated fairly even go out of their way to favor the organization. They even perform tasks out of their call of duty for the sake of organization. Such employees become an asset for the institution. A change brought about in the organization commitment due to the effects of procedural justice happens to be 39% (\(\hat{\alpha} = 0.390\)). This shows that, though procedural justice is not a very significant predictor of organizational commitment yet it is a stronger predictor than job satisfaction. This finding is congruent with that of McFarlin and Sweeney (1992), Folger and Konovsky (1989) and Konovsky and colleagues (1987).

Turnover intention is also in a significant relationship with procedural justice but the relationship is found to be weak. The amount of change brought about by perceived fairness in the intent of leaving the organization is very low i.e. 23% (\(\hat{\alpha} = 0.23\)). It predicts that according to our study, turnover intention does not have any major effect due to procedural fairness in the processes of the organization.

All three hypotheses are found to be true showing significant relationship among procedural justice, organizational commitment, job satisfaction and turnover intention. But, just like any other research this report is also not free of limitations.

Limitations

Firstly, the strength of relationships is not very strong, may be because the sample size is not very large as compared to the past researches Therefore it is only generalizable to the area of Peshawar or place in the close vicinity.

Secondly, the study kept gender, age and length of service constant, which may affect the commitment levels as well as the turnover intentions.

Thirdly, the research is based on cross sectional data i.e. it shows the results only at one point and it was unable to measure if the effects of procedural justice on all three variables will increase or decrease over a period of time.
Lastly, time and other resource constraints lead to comprise in compilation, composition and presentation of the report.

**Future directions**

- Similar researches could be done taking the data longitudinally, and / or taking a bigger and diverse sample size.
- Research could be done to compare the differences and / or similarities between gender, various age levels or industry types.
- The interdependence of the dependent variable can also be studied.

**References**


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