

ORGANIZATIONAL JUSTICE AS A DETERMINANT OF ORGANIZATIONAL COMMITMENT AND INTENTION TO LEAVE

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ABSTRACT

This paper presents the findings of a study, which investigated how perception of equity and justice played an important role in employees' commitment to the organization and intent to leave. The sample consisted of 181 middle and lower level managers from the banking and finance, production and manufacturing, and service sectors. The results hypothesized that both internal and external equity perceptions are positively related to commitment and negatively related to intent to leave. Among all the facets, equity promotion appeared to be the most significant predictor. Both distributive and procedural justice factors made significant contributions to employees' organizational commitment and intent to leave.

INTRODUCTION

The degree of fair treatment relative to others that employees received have been postulated to influence their motivation and performance (Adams, 1965) which may include their intention to stay or leave the organization. The perception of equitable or inequitable treatment may be related to the comparison made within or outside the organization. The outcome factors may be salary, salary raises, fringe benefits, promotion, incentives, and recognition. If the allocation decisions (distributive justice) and the process of allocation decisions (procedural justice) are perceived as fair it should lead to increased employee commitment and reduced tendency to leave the organization. What facets of equity (internal and external) and what aspects of the job contribute to the commitment or turnover factors have been examined by researchers in some other context such as sales force (Roberts, Coulson, and Chonko, 1999)? How many of these issues are relevant and meaningful to a heterogeneous group of managers? The question needs to be examined, specifically in the Malaysian context. This constitutes the main objective of this study.

LITERATURE REVIEW

Organizational Justice

Although the concerns for justice and fairness have existed for a long time (e.g., Aristotle, Hobbes, J.S. Mill, and Marx) it was not until Homans (1961) introduced the concept of distributive justice, that social scientists began to pay attention to this fundamental aspect of human behavior. The concept became more pertinent in organizational behavior research with the work of scholars like Blau (1964) and Adams (1965). Several facets of justice in the organizational context have been investigated. This included distributive, procedural, and interactional justice. Distributive justice has to do with the fairness of allocation of resources as contrasted with procedural justice, which focuses on the fairness of the decision-making aspect of the process. Interactional justice relates to the perceived fairness of the interpersonal treatment that employees receive from the decision makers in the organization.

One major approach to organizational justice, known as the equity theory (Adams, 1965), proposes that individuals are motivated to maintain fair or equitable relationships among themselves and to avoid those relationships that are unfair or inequitable. The theory holds that people compare their outcomes and inputs with those of others and then judge the equitableness of these relationships in the form of a ratio. The referent comparison may be someone in the work group/organization or those working in other organizations. The former is known as perception of internal equity and the latter as external equity. If the individual perceives that his/her ratio of inputs to outcomes received is similar to that of the referent, equity exists. However, if any inequity arises as a result of either undercompensation or overcompensation vis-a-vis the referent then it generates 'tension' or 'distress' in the form of anger and/or resentment (if undercompensated) and feelings of guilt (if overcompensated). If the situation is perceived as inequitable, an attempt at discrepancy reduction is made. This attempt may take the form of cognitive actions to change the perceived input/output ratio of self and/or referent. It may result in behavioral changes that increases or decreases the subject's input or cause a change in received outcomes. This tension may be reduced by acting on another person, or by changing the comparison referent. Finally the individual may choose to sever the inequitable affiliation.

While summarizing the literature on organizational fairness, Dubinsky and Levy (1989) have identified seven accepted dimensions of organizational equity. They are: (i) pay rules, i.e. the degree to which one is paid fairly, relative to coworkers, and the degree to which pay raises and promotions are fairly administered; (ii) pay level, i.e. the degree that pay is fair relative to that of others outside the organization; (iii) pay administration, i.e. the perceived fairness of supervisors in executing rules for raises and promotions; (iv) rule administration, i.e. the perceived fairness of the administration of workplace behavior rules; (v) work pace, i.e. the perceived fairness of the supervisor in maintaining a reasonable pace of work activity; (vi) distributing tasks, i.e. the perceived fairness of the

supervisor when allocating work assignments; and (vii) latitude, i.e. perceived fairness with regard to employee job latitude.

According to McFarlin and Sweeney (1992), pay rules, distributing tasks, and pay levels can be considered to be forms of distributive justice wherein the perceived fairness of the outcomes received are judged. Pay administration, pay extension, rule administration, work pace and latitude can be considered to be forms of procedural justice, where in the perceived fairness of the methods used to determine outcomes are judged.

Organizational Commitment

The commitment entails employees' belief in and acceptance of organizational goals and values, their willingness to work towards accomplishing the organization's goals, and their strong desire to continue as an organizational member (Porter, Steers, Mowday and Boulian (1974). Commitment also reflects in the form of employees' intention to stay or leave the organization, though it may be moderated with factors like opportunities available outside and normative pressure to stay on the job. As a result, many scholars suggest that the construct requires further research. 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 (Roberts, Coulson and Chonko, 1999).

Although there is a scarcity of research linking equity with the concept of commitment and turnover, the available evidence so far suggests a direct relationship between the two variables. For instance, Iverson and Roy (1994), reported that equity perception leads to increased attitudinal commitment and decreased job search. These were in turn linked to increased behavioral commitment. They reported: 'Employees who perceive that they are treated fairly...identify with and (are) involved with the organization' (p. 34). That there is a definite linkage between inequity and turnover is also reported by a few others (Scholl, Cooper and McKenna, 1987; Shore and Wayne, 1993). Alexander and Ruderman (1987) found that intent to leave exhibited a much stronger relationship with distributive justice than procedural justice. Using a sample of salespersons Roberts et al., (1999) examined the above issues. They reported that perceptions of both internal and external equity and justice play important roles in sales persons commitment to organization and intent to leave. It was also found that distributive justice was more important to organizational commitment and intent to leave than procedural justice. Based on the above literature, the present study seeks to test the following hypotheses.

- H₁: Facets of perceived internal equity is positively related to organizational commitment.
- H₂: Facets of perceived external equity is positively related to organizational commitment.

H₃: Facets of perceived internal equity is negatively related to intent to leave.

H₄: Facets of external equity is negatively related to intent to leave.

Distributive and Procedural Justice on Organizational Commitment

There are conflicting evidence regarding the relative strengths of distributive and procedural justice determining the organizational commitment and other affective as well as behavioral outcomes. For instance, Dubinsky and Levy found that pay level, pay rules and task-distribution (forms of distributive justice) were positively correlated with organizational commitment while pay rules distributing tasks (forms of distributive justice) and rule administration (a form of procedural justice) were positively associated with job satisfaction. In another study Rhodes and Steers (1981), found that pay equity was the most important contributor to the prediction of organizational commitment for a group of cooperative employees, but was not a significant predictor of commitment for a group of conventional employees. Several other scholars argue that it is the outcome (distributive justice) which is more important than the procedure (procedural justice) when it comes to employees' concern for managerial decisions. The latter assumes significance only when the outcome is judged as unfair (Sheppard, Lewicki, and Minton 1992). Based on the above findings the following hypotheses were developed:

H₅: Perception of internal procedural justice is positively related to organizational commitment.

H₆: Perception of internal procedural justice is negatively related to intent to leave.

H₇: Perception of internal distributive justice is positively related to organizational commitment.

H₈: Perception of internal distributive justice is negatively related to intent to leave.

METHODOLOGY

Subjects

The data for the present study were collected from a group of 181 middle and lower-level managers. The organizations represented were banking and finance, consumer products, electronics and telecommunications, and construction companies. All organizations were located in the federal territory of Kuala Lumpur and the state of Selangor in Malaysia. The background profiles of the subjects are presented in Table 1.

TABLE 1
BACKGROUND CHARACTERISTICS OF THE SUBJECTS

	Mean	SD	n	%
Age	31.69	7.41	–	–
Experience in the org.	2.81	2.37	–	–
Total job experience	4.75	4.56	–	–
Male	–	–	93	51.4
Female	–	–	88	48.6
Married	–	–	71	39.2
Single	–	–	110	60.8

Questionnaire: *Dependent Measures*

(a) **Intent to Leave Scale (ILS)**

This construct was measured with the help of a 3-item scale (Alpha = 0.89 in the present study) developed by Bluedorn (1982). The subjects were asked to indicate (on a 5-point scale) their likelihood of leaving the organization in the near or distant future (Example: I often think of quitting). Higher scores indicated a higher intent to leave.

(b) **Organizational Commitment Scale (OCS)**

The attitudinal component of organizational commitment was measured using the 4-item scale developed by Hunt, Chonko and Wood (1985). Cronbach's alpha coefficient for the scale items obtained in this study was 0.78. The questions captured the attitudinal aspect of loyalty to the firm and psychological attachment with the organization (Example: I would be willing to change companies if the new job provided a 25% pay increase). The response was solicited on a 5-point scale. Lower scores indicated a higher level of commitment.

Independent Measures

(a) **Internal Equity Scale (IES)**

This was a 15-item scale designed to measure perception of internal equity and fairness with regard to recognition, incentive awards, raises, salary, fringe benefits, and promotions. These six reward categories are considered important motivators and have been used in other studies on this subject (Roberts et al., 1999). An alpha of 0.83 was obtained for this scale in the present study. Two or three items were used to measure perception of each reward category except for salary raises, which was

measured by a single item. Scores were reversed for the negative items and higher scores indicated higher levels of equity.

(b) **External Equity Scale (EES)**

This scale measured employees' perceived fairness of rewards relative to other individuals' rewards outside the organization. It consisted of 12 items, 2 items each measuring the six reward categories included in IES. The alpha coefficient obtained for this scale was 0.86. Higher scores indicated higher perceptions of external equity.

(c) **Internal Procedural Justice (IPJ)**

The 6-item scale was constructed by tapping the items from the IES that measured procedural aspects of equity. The items assessed perceived fairness of the procedures to make decisions (Example: I feel I am given a fair opportunity to receive incentive awards). The alpha coefficient for the scale was 0.88.

(d) **Internal Distributive Justice (IDJ)**

The items of this scale were also drawn from IES. They measured perceived fairness of the rewards that are given (Example: My raise was fair considering the raises others in this organization received). IDJ obtained an alpha coefficient of 0.84 in the present study.

RESULTS

The statistics used to test the hypotheses consisted of inter-correlations and regression. Descriptive statistics namely proportional mean, and Standard Deviations of the dependent and independent variables are presented in Table 2. Table 3 reports the inter-correlations. Tables 4 and 5 display the regression results predicting the behavioral and attitudinal dimensions of the organizational commitment from the independent variables of internal and external equity as well as procedural and distributive justice. Regressions were obtained in three stages. In the first stage all variables representing internal equity was entered as the independent variables, in the second stage all external equity variables were included as the predictors, and finally the distributive and procedural justice factors were used as independent variables. The dependent variables were scores for organizational commitment and intent to leave.

Overall the results support the proposition that perceptions of equity and justice are meaningful predictors of the intent to leave and commitment. The following results were found:

TABLE 2
PROPORTIONAL MEANS AND SDS OF INDEPENDENT
AND DEPENDENT VARIABLES

	Mean	SD
<i>Dependent Variables</i>		
Intent to Leave (3)	3.04	3.12
Org. Commitment (4)	3.55	3.23
<i>Independent Variables (Internal equity)</i>		
Salary raise (1)	3.11	1.03
Fringe benefits (3)	3.15	2.60
Promotion (2)	2.83	1.75
Incentives (3)	3.16	2.52
Salary (3)	2.98	2.71
Recognition (3)	3.14	2.51
<i>Independent Variables (Internal equity)</i>		
Salary raise (2)	2.57	1.59
Fringe benefits (2)	2.79	1.80
Promotion (2)	2.66	1.55
Incentives (2)	2.64	1.51
Recognition (2)	2.84	1.80
Salary (2)	2.63	1.75

Note: Figures in parenthesis are number of items in the scale.

TABLE 3
INTERCORRELATIONS AMONG DEPENDENT AND INDEPENDENT MEASURES

	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Int. salary raise													
2. Int. fringe benefits	.38**												
3. Int. promotion	.35**	.39**											
4. Int. incentives	.47**	.37**	.55**										
5. Int. salary	.46**	.60**	.51**	.45**									
6. Int. recognition	.42**	.25**	.32**	.28**	.33**								
7. Ext. raise	.31**	.35**	.31**	.26**	.23**	.41**							
8. Ext. fringe benefits	.18*	.32**	.14**	.44**	.25**	.52**	.41**						
9. Ext. promotion	.35**	.40**	.43**	.43**	.33**	.56**	.44**	.68**					
10. Ext. incentives	.42**	.34**	.44**	.40**	.42**	.53**	.43**	.60**	.62**				
11. Ext. recognition	.37**	.34**	.45**	.43**	.39**	.45**	.37**	.65**	.67**	.62**			
12. Ext. salary	.47**	.33**	.36**	.42**	.40**	.45**	.36**	.62**	.66**	.62**	.45**		
13. Intent to leave	-.37**	-.31**	-.47**	-.43**	-.42**	-.30**	-.18*	.43**	-.45**	-.41**	-.44**	-.41**	
14. Org. Commitment	-.22**	-.23**	.33**	-.21**	-.25**	-.17*	-.16*	-.32**	-.26**	-.25**	-.27**	-.26**	.54**

** p<.01, *p<.05

TABLE 4
REGRESSION RESULTS: PREDICTING ORGANIZATIONAL
COMMITMENT BY INTERNAL EQUITY, EXTERNAL EQUITY,
DISTRIBUTIVE JUSTICE, AND PROCEDURAL JUSTICE FACTORS

Ind. Variables	Beta	t	R ²	f	p
<i>Internal Equity</i>			0.13	5.36	*0.000
Salary raise	-0.10	-1.24			0.218
Fringe benefits	-0.08	-0.88			0.378
Promotion	-0.27	-2.92			0.004
Incentives	0.02	0.32			0.751
Recognition	-0.12	-1.23			0.217
Salary	-0.03	-0.33			0.745
<i>External Equity</i>			0.11	3.59	*0.002
Fringe benefits	-0.02	-0.21			0.837
Incentives	-0.03	-0.24			0.814
Promotion	-0.21	-1.93			0.056
Raise	0.02	0.24			0.809
Recognition	-0.09	-0.85			0.398
Salary	-0.05	-0.52			0.604
<i>Distributive & Proced. Justice</i>			0.11	10.71	*0.000
Distributive justice	-0.18	-2.02			*0.045
Procedural justice	-0.19	-2.24			*0.026

*p < 0.05

The Effect of Internal and External Equity on Organizational Commitment (H1 and H2)

Organizational commitment was negatively correlated with all the facets of internal and external equity. As the higher score on the commitment scale indicated a lower level of commitment and vice versa the results were in the hypothesized direction. The regression (Table 4) showed that internal equity accounted for 13% of variance and external equity accounted for 11% of the variance in employees' commitment. Internal perception of promotion was the most significant contributor to the dependent variable ($p < 0.004$). Among the external equity factors, external promotion turned out to be the only significant predictor of commitment. Thus the results emphasized the importance of maintaining promotional equity within and without the organization as a prerequisite to maintaining employees' commitment.

The Effect of Internal and External Equity on Intent to Leave (H3 and H4)

Perception of internal and external equity explained more variance in the behavioral (intent to leave) than the attitudinal dimension of commitment. The internal equity factors accounted for 31% and the external equity 26% of the variance in intent to leave. As discussed earlier, the two independent variables could explain only 13% and 11% variance respectively in the case of attitudinal measure of commitment. The negative correlations and the beta weight indicated that as the perception of internal and external equity increases, they reduced the intention to leave and increased the behavioral commitment of employees. The facet of internal promotion equity was the most significant factor influencing intent to leave. However, no facet of external equity was found as the significant predictor of this dependent measure.

The Effect of Internal Procedural Justice and Internal Distributive Justice on Commitment (H5 and H6)

The regression test using internal procedural justice and internal distributive justice accounted for 11% of the variance in the employees' commitment. Both the factors emerged as significant predictors of the dependent measure (see Table 4). The result substantiated the hypothesis that perceived fairness of distribution and the process of decision increases employees' loyalty and commitment.

TABLE 5
REGRESSION RESULTS: PREDICTING INTENT TO LEAVE BY INTERNAL EQUITY,
EXTERNAL EQUITY, DISTRIBUTIVE JUSTICE AND PROCEDURAL JUSTICE FACTORS

Ind. variables	beta	t	R ²	f	p
<i>Internal Equity</i>			0.31	15.35	*0.000
Salary raise	-0.14	-1.79			0.076
Fringe benefits	0.017	-0.22			0.830
Promotion	-0.25	-3.07			*0.002
Incentives	-0.16	-1.76			0.061
Recognition	-0.15	-1.76			0.061
Salary	-0.15	-1.69			0.093
<i>External Equity</i>			0.26	10.37	*0.000
Fringe benefits	0.08	1.04			0.302
Incentives	-0.19	-1.78			0.076
Promotion	-0.15	-1.51			0.134
Salary raise	-0.02	-0.21			0.837
Recognition	-0.17	-1.72			0.087
Salary	-0.12	-1.29			0.198

TABLE 5 (continued)

Ind. variables	beta	t	R ²	f	p
Recognition	-0.17	-1.72			0.087
Salary	-0.12	-1.29			0.198
<i>Distributive & Proced. Justice</i>			0.29	36.35	*0.000
Distributive justice	-0.23	-2.91			*0.000
Procedural justice	-0.38	-4.88			*0.000

*p < 0.05

The Effect of Internal Procedural Justice and Internal Distributive Justice on Intent to Leave (H7 and H8)

The internal procedural justice and internal distributive justice factors accounted for larger variance (29%) in intent to leave compared to the attitudinal dimension of commitment (11% variance). Both the justice factors entered as very significant ($p < 0.00$) predictors in the regression equation. It may be concluded that fair distribution of reward and fair treatment of employees in the process of allocation significantly reduces the turnover rate of the employees.

DISCUSSION AND CONCLUSIONS

The study proposed to understand the relationship of internal and external equity with attitudinal and behavioral dimensions of organizational commitment. It was also designed to examine the role of internal procedural and distributive justice factors on the two dependent measures of commitment. The results were in the hypothesized direction as both perceived that internal and external equity contributed to increased commitment and decreased intent to leave. Likewise, both the internal distributive and internal procedural justice factors contributed in a similar fashion. The results are in line with the findings reported by Robert et al., (1999) as well as Livingstone et al., (1995) who reported that both facets of internal and external equity affected salespeople's organizational commitment and intent to leave. Thus the present study validates the result obtained by these researchers and generalizes it to the other groups of employees.

Perception of fairness in awarding promotions as a measure of internal equity most significantly predicted higher levels of commitment and lower likelihood of employees leaving the organization. Further, when the subjects perceived a fair chance of obtaining promotions in the organization when compared to other organizations (external equity) it significantly contributed to their attitudinal commitment ($p < 0.05$). However, it was not a significant predictor of their behavioral commitment, namely, intent to leave. The implication of this finding is that organizations need to find out why employees perceive

inequity in the award of promotions as well as what organizations are used as referent comparisons when perceiving the promotional decisions. Management must emphasize to its employees that their promotion opportunities are equivalent and even higher than the opportunities available in other organizations. Comparison of organizational data and industry data on timetables for promotion will help foster perceptions of equity as it relates to promotion opportunities and help management reduce the turnover rate (Roberts et al., 1999).

Finally the results of the present study indicate that almost all facets of internal and external equity, namely salary raise, fringe benefits, incentives, salary, recognition and promotion were significantly correlated with the dependent variables, i.e., attitudinal and behavioral commitment. Although none, except promotion, emerged as significant predictors of the dependent variables in regression, the correlations do indicate the significant relationships and need to be recognized as a potential source of employees' attitudinal and behavioral expressions of bondage with the company.

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