

Assessing the Effects of Organizational Justice on Organizational Commitment in Malaysia's SME Sector

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Abstract- The current study is aimed to explore factors influencing organizational commitment among Malaysian SME employees. A total of 384 employees from Malaysian SME companies had completed both the self-reported organizational commitment scale and organizational justice scale. The results revealed that procedural justice, distributive justice and informational justice are significantly and positively related to organizational commitment. Structural equation modeling indicated that the proposed theoretical model has a good level of fit. *Copyright © 2016 Penerbit Akademia Baru - All rights reserved.*

Keywords: Organizational justice, organizational commitment, structural equation modeling, SME

1.0 INTRODUCTION

Organizational commitment is a crucial element in order to establish competitive organization. As stressed by Lau and Oger [1], an organization benefits from a higher level of commitment from its employees. Conversely, if the employees are not committed to the organization, then bad consequences will exist, such as unsatisfactory employee discipline, low productivity and many others. In the Malaysian context based on statistics issued by the National SME Development Council [2], worker productivity in Malaysian SMEs is relatively lower compared to large companies. It is estimated that in 2013, SME labour productivity was 2.7 times lower than the large firm productivity, a productivity decline from 2.8 in 2010 [2]. In 2014, the average productivity growth of SME was at RM58,213 per employee, whereas the average productivity per employee in 2013 was RM62,327 [3]. The discovered phenomenon requires further research and improvement. It is due to the fact that organizations must have committed members if they are to prosper or even survive [4]. The objective of our research is to analyze the SME's employees organizational commitment by identifying factors which might influence it. The research question addressed in this paper is 'what are the factors that influence organizational commitment among SME's employees.'

2.0 Literature review and hypotheses development

This section reviews the variables involved in this study, including factors such as organizational commitment, distributive justice, procedural justice, interpersonal justice and informational justice to develop the research hypotheses as follows.

2.1 Organizational commitment

According to Crow, Lee and Joo [5], organizational commitment is defined as a psychological attachment of an individual to an organization and it could be presented by different indicators. For Zayas-Ortiz, Rosario, Marquez & Gruñeiro [6], organizational commitment is an emotional connection that the employee feels with his job. Several other researchers defined organizational commitment as “employees' loyalty to their employers” [7] “an emotional connection that the employee feels with his job” [6] and “the attachment, emotionally and functionality, to one's place at work” [8]. In his study, Katsikea, Theodosiou, Perdikis & Kehagias [9] state that organizational commitment is particularly desirable in the case of export sales managers, since the job duties and responsibilities of these personnel are significantly more complex, difficult and challenging than those of their counterparts who operate in a domestic sales context. As a result, the turnover ratio among export sales managers is significantly higher. Research by Akanbi & Ofoegbu [10] found that organizational commitment is affected by organizational justice. Akanbi & Ofoegbu [10] argued that employees can give their commitment to the organizations if they are treated fairly which also improves organizational commitment.

2.2 Distributive justice

In this study, distributive justice refers to fairness with regards to the distribution of outcomes to employees of Malaysian SME companies. According to Ohana [11], employees compare themselves to each other where they compare their perceived ratio of outputs (pay, promotion, etc.) to inputs (number of hours worked, intensity of effort, qualifications) with the perceived ratio of their fellow employees. While the influence of distributive justice on organizational commitment has not been explicitly examined in Malaysian context, support for the relationship can be found in other settings. For example, some studies found that distributive justice exert a significant influence on organizational commitment [5,12,13]. Therefore, the following hypothesis is proposed.

H1: Distributive justice will positively affect organizational commitment.

2.3 Procedural justice

In this study, procedural justice refers to employees' views of the fairness of processes by which important reward and punishment decisions are made within an organization, such as pay raises, rewards or incentives, evaluations, promotions etc. [14]. According to Lambert et al. [14], employees have their own perception of the decision-making process and they believe that it may be fair or it may be not. Ohana [11] demonstrated that procedural justice significantly enhances employees' organizational commitment. Nasurdin & Ahmad [15] provided empirical support for the relationship between procedural justice and organizational commitment in the context of five star hotels in Malaysia. Therefore, the following hypothesis is proposed:

H2: Procedural justice will positively affect organizational commitment.

2.4 Interpersonal justice

According to Colquitt, Conlon, Wesson, Porter & Ng [16], interpersonal justice refers to the degree to which people are treated with politeness, dignity, and respect by authorized or third parties involved in executing procedures or determining outcomes. Interpersonal justice can also be defined as perceived fairness of the interpersonal treatment received during an authority's enactment of procedures [17]. In general, employees with high interpersonal treatment by a leader will be more likely to commit in the organization. Studies on the relationship between interpersonal justice and organizational commitment have provided support for this notion. For example, Luo, Song, Marnburg & Øgaard, [18] provided empirical support for the relationship between interpersonal justice and organizational commitment. We therefore predicted:

H3: Interpersonal justice will positively affect organizational commitment.

2.5 Informational justice

Informational justice is related to how decision-makers openly, honestly, and thoroughly explain the rationale for their decisions [19,20]. Meanwhile, Ohana [10] argued that informational justice relates to the explanations given to individuals for why certain procedures are implemented. Informational justice is also defined as the extent to which the superior provides information and explains decisions to the employees [21]. Studies indicate that informational justice is positively associated with organizational commitment [11,22]. Therefore, it is hypothesized that:

H4: Informational justice will positively affect organizational commitment.

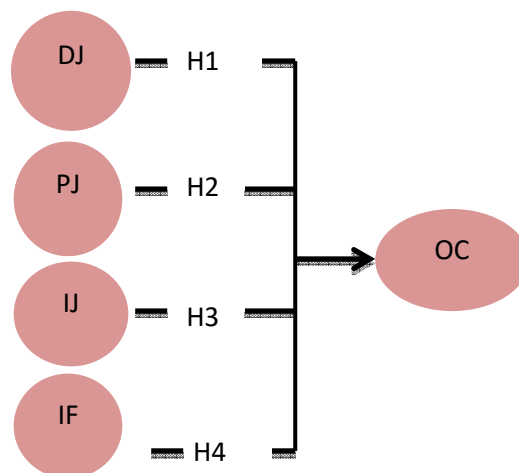


Figure 1: Conceptual Framework

* OC : organizational commitment; DJ : distributive justice; PJ : procedural justice; IJ : interpersonal justice; IF : informational justice

3.0 RESEARCH METHODOLOGY

3.1 Participant and procedure

The target samples of this study are employees in Malaysian SME companies. All participants in this study involve full-time employees in the manufacturing sector who have served more than one year in Malaysian SMEs company. The total population is at 100,000. According to the suggestion by Krejcie & Morgan [23], 384 samples were selected. A stratified random sampling technique was used to select the samples.

3.2 Instrumentation and measurement

The questions measuring organizational commitment are adapted from Allen & Meyer [24] and a seven-point Likert-type scale (from 1 – Totally disagree to 7 – Totally agree) is used to measure the dependent variable (organizational commitment). Distributive justice, procedural justice, interpersonal justice and informational justice construct were adapted from Colquitt [20] and Price & Mueller [25]. A seven-point ordinal scale (from 1–never to 7–frequently) was used to measure items for the independent variables (distributive justice, procedural justice, interpersonal justice and informational justice). A seven-point Likert scale was used in this study in order to maximize the variance [26].

4.0 ANALYSIS AND RESULTS

The study utilized SPSS 19 to conduct descriptive statistics and reliability analysis, and Structural Equation Modeling (SEM) AMOS 18 to check the construct's validity and test the hypotheses. Based on the recommendation of Anderson & Gerbing [27], a two-step approach was adopted. We first assess the measurement model to determine if the measurement items for each construct are as predicted according to their respective constructs. Second, we assess the structural model to determine the model's fit with the data obtained and test the hypotheses.

4.1 Measurement model

We assessed the convergent and discriminant validity of the scales using the method outlined in Fornell & Larcker [28]. Convergent validity can be assessed by examining its factor loadings, composite reliability and average variance extracted (AVE). According to Hair [29], all factor loadings should be statistically significant and have loadings that are 0.5 or higher. The values of composite reliability should be higher than 0.7 and the AVE value should exceed 0.5 to represent convergent validity. All item loadings for the constructs were above the suggested criterion of 0.5, except for item OC (kmt8) (see

Table 1). As for goodness assessment, it was assessed through the Chi-square value (χ^2), Cmin/df (χ^2 /degree of freedom) and other fit measurement indices including GFI, AGFI, NFI, CFI and RMSEA. The Cmin/df value of our initial model (2.765) is maintained at the standard of less than 3. The other fit indices are as follows; GFI (0.863), AGFI (0.837), NFI(0.899), CFI(0.934), and RMSEA (0.064) (see Table 2).

Table 1: Convergent Validity

Constructs	Items	Loadings	CR	AVE	CA	
Procedural justice	pro1	0.72	0.90	0.610	0.89	
	pro2	0.80				
	pro3	0.86				
	pro4	0.83				
	pro5	0.68				
	pro6	0.78				
Informational justice	inf1	0.77	0.91	0.67	0.91	
	inf2	0.87				
	inf3	0.88				
	inf4	0.78				
	inf5	0.79				
Distributive justice	agh1	0.73	0.90	0.61	0.90	
	agh2	0.78				
	agh3	0.77				
	agh4	0.81				
	agh5	0.81				
	agh6	0.78				
Interpersonal justice	itk1	0.85	0.90	0.71	0.89	
	itk2	0.93				
	itk3	0.92				
	itk4	0.63				
Organizational commitment	kmt1	0.76	0.76 ^c	0.90/0.92 ^a	0.55/0.623 ^b	0.89/0.92 ^e
	kmt2	0.78	0.78 ^c			
	kmt3	0.81	0.80 ^c			
	kmt4	0.80	0.80 ^c			
	kmt5	0.84	0.84 ^c			
	kmt6	0.79	0.79 ^c			
	kmt7	0.75	0.76 ^c			
	kmt8	0.23 ^d				

^dItem deleted

^aComposite reliability after deletion

^bAVE after deletion

^cLoadings after deletion

^eCronbach alpha after deletion

All these fit indices indicate that the initial model is a good fit for the data except for NFI. The low loading item (below than 0.5) was then deleted to improve the model fit as suggested by Kline [30]. After eliminating the low loading item, the revised model was found to fit the data reasonably well (see Table 2). In addition, all the measures of our instrument were found to be highly reliable with cronbach alpha values of greater than 0.7 [31]. The values of composite reliability were also above the acceptable criteria, thus providing evidence of internal consistency. These results suggest adequate evidence of convergent validity of the scales.

Table 2: Fit Indices for Measurement Model

Model	χ^2/df	GFI	AGFI	NFI	CFI	RMSEA
Recommended value	< 3.00 ^a	> 0.80 ^a	> 0.80 ^a	> 0.90 ^a	> 0.90 ^a	\leq 0.08 ^b
Measurement model (1 st phase)	2.765	.863	.837	.899	.933	.063
Measurement model (revised)	2.835	.866	.839	.904	.935	.064
Structural model	2.835	.866	.839	.904	.935	.064

^a Wang (2011)

^b Hu and Bentler (1999)

Discriminant validity can be evaluated using Fornell & Larcker's [28] criterion where the average variance extracted for each one of the factors must be larger than the square of the correlation estimate of the factor with all measures of the other constructs in the model. As shown in Table 3, we can conclude that the measures show sufficient discriminant validity except for the square rooted AVE value for procedural justice which is slightly lower than the correlation of distributional justice and procedural justice. However, slightly lower values are still acceptable and thus, the model is considered to have sufficient discriminant validity. The values of absolute fit measures and incremental fit measures for procedural justice, organizational commitment, interpersonal justice, informational justice and distributive justice were above their corresponding acceptable criteria, suggesting the measurement models are capable to be used in the analysis of structural models.

Table 3: Discriminant Validity

	OC	IJ	DJ	IF	PJ
OC	0.79				
IJ	0.58	0.84			
DJ	0.71	0.54	0.78		
IF	0.73	0.72	0.68	0.82	
PJ	0.75	0.61	0.81	0.76	0.78*

Note : The diagonal line of the correlation matrix represents the square root of AVE . The diagonal elements were greater than the corresponding off-diagonal elements in the same row and column, indicating the discriminant validity.

*A square root of an AVE for PJ is slightly lower than the correlation of DJ and PJ.

4.2 Structural model

Structural equation modeling was performed to test the hypotheses and determine the causal effects among variables and the goodness-of-fit of the model. The model consisted of five constructs; procedural justice, organizational commitment, interpersonal justice, informational justice and distributive justice. Hypotheses testing results show that 3 of the 4 hypotheses were accepted. Distributive justice has a significant influence on organizational commitment ($\beta = 0.21$, $p < 0.05$), procedural justice is statistically significant in influencing organizational commitment ($\beta = 0.32$, $p < 0.01$) and informational justice has a significant positive influence on organizational commitment ($\beta = 0.28$, $p < 0.01$). However, the significance test for the relationship between interpersonal justice and organizational commitment result is not significant ($\beta = 0.04$, $p > 0.05$). The model accounted for 64% of the variance in organizational commitment.

5.0 DISCUSSION AND IMPLICATIONS

Our study investigated organizational commitment among Malaysian SME employees. The proposed and tested model had an R^2 of 0.64. In line with previous studies by Moon, Hur, Ko, Kim & Yoon [32] and Suliman & Kathairi [33], our study found that procedural justice, distributive justice and informational justice are positively related to organizational commitment. These results suggest that when employees assume that there is fairness in processes (such as rewards or incentives, evaluations, promotions, disciplinary actions and etc), there will be a positive relationship with procedural justice and organizational commitment. Besides that, the significant and positive relationship between distributive justice and organizational commitment shows that if an employee feels that the outcomes are fair, it is highly probable that he or she will remain committed to the organization. According to Azamia, Ahmad & Choi [34], the attitudes and behaviors of employees will be influenced by the organization's behavior, decision and actions. Likewise, the significant relationship between informational justice and organizational commitment suggest that if the employer openly and honestly explains every decision that has been made, it could probably lead to the increase of organizational commitment. As stressed by Gefen & Reychav [35], keeping employees informed builds trust in organizational context, and the lack of it ruins it. The findings of this study have several practical implications. From a theoretical perspective, these findings add to the body of literature which validates the path between procedural justice, distributive justice and informational justice to organizational commitment. As for managerial practice, our findings show the importance of fairness in procedure, distribution and information. Therefore, organizations and managers should foster employee commitment by treating employees fairly and enhance employees' perceptions of organizational justice. This paper has limitations that should be addressed in future research. First, the data are cross-sectional in nature, thus it is not possible to establish a true cause and effect relationship. Future research using longitudinal designs should attempt to replicate the present results. Second, the present study only considered the organizational justice framework to determine organizational commitment. It would be interesting for future research to examine the role of other factors to identify their effects on employees' organizational commitment.

6.0 CONCLUSIONS

This study investigates the factors that determine organizational commitment among Malaysian SME employees. In order to achieve this objective, organizational justice factors are utilized. DeConinck [36] suggest that organizational justice includes three dimensions which is distributive justice, procedural justice and interactional justice. However, this study also incorporates informational justice as a key construct and thus provides an integrated Malaysian SME organizational commitment model. A survey of 384 employees from Malaysian SME companies was conducted to test the research model. The findings indicated that organizational commitment among the Malaysian SME employees is dependent on their perception of procedural justice, distributive justice and informational justice.

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