

The Relationship between Organisational Justice, Employee Satisfaction, and Employee Performance: A case study in Vietnam

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In this study, the author focusses on employee awareness in two prominent components of organisational fairness, distributive and procedural justice, and their effect upon employee satisfaction, and employee performance. The questionnaire was delivered to 300 target respondents and 202 qualified responses were collected and analysed. Using the methods of principle component analysis and multiple regression, the results of the study contribute to affirming that organisational justice has a positive impact on job satisfaction, as well as reinforces the positive effect of job satisfaction upon job performance. At the same time, the results also demonstrate the positive relationship between organisational justice, and employee performance.

Keywords: *Organisational justice, Employee satisfaction, Employee performance, Vietnam.*

Introduction

“The organization is managed and built by people. Without people, organizations do not exist.” (Cascio, 1992). Thanks to the development of human resources, and the care for employees, many businesses have successfully retained talent in the company to increase productivity, minimise the number of employees who quit their jobs, and reduce training costs for new staff.

In a survey of JobStreet Vietnam (2016), on nearly 13,000 employees, JobStreet stated that up to 85 per cent of employees are not satisfied with their current jobs. Of those, 33 per cent

said that what they did was not paid enough or not treated fairly. Therefore, the issue of the unfair distribution of rewards is one of the factors that makes workers unhappy. Thus, employees may not do their best for the organisation and may not work with creativity or innovation to take the organisation or themselves to a higher level. The problems for businesses remain in how to obtain justice in the organisation, as well as employees' job satisfaction, and employees' good work performance. This is why it is essential to identify the relationships and effect among organisational justice, employees' satisfaction, and work performance, thereby providing solutions for businesses to improve employees' productivity.

Literature Review

Organisational Justice

The organisational justice addresses employees' perception of their employers' treatment as being fair or not fair (Greenberg, 1987; Spector & Cohen-Charash, 2001). The study of organisational justice began to develop in the nineteen-sixties, when Adams (1965) introduced the theory of equity, which focusses on the equity of employee rewards, such as the deserved salary, and promotion opportunities. Employees consider whether the rewards they receive are commensurate with the costs they have paid, in line with their expectations, and compared to their colleagues' awards (Adams, 1965; Leventhal, 1976).

The organisational justice includes at least three dimensions of interactional justice, distributive justice, and procedural justice. This study focusses on the employee awareness of two prominent components of organisational equity: distributive, and procedural justice (Clay-Warner et al., 2005). The studies conducted on the relationship between organisational equity and job satisfaction or performance, above all, show that distributive, and procedural justice are two factors that have a stronger impact than the interactional.

The distributive justice is a distribution of benefits and disadvantages, and rewards and punishments that affect the current good state of an individual in a community or group (Colquitt et al., 2000; Deutsch, 1985; Greenberg, 1987). Deutsch (1985), and Tyler (1994) define three basic principles of distributive equity as rationality, equality, and demand. Therefore, the concept of fairness in distribution in this study measures the employee perceptions of outcomes, such as compensation, the number of responsibilities, and the tasks assigned.

The procedural justice refers to employee awareness of the equity of the process that leads to results (Greenberg, 1987; Piquero & Wolfe, 2011). It is based on the perspective of the process in which significant reward or punishment decisions are implemented, such as evaluation, promotion, suspension, and so on. (Greenberg, 1987; Greenberg, 1990). This

form of fairness is found in procedures that adhere to certain types of normative principles, such as consistency, impartiality, accuracy, representativeness, and morality (Leventhal, 1980). Leventhal's theory of procedural justice (1980) focusses on the six criteria that a procedure is supposed to be fair. In particular, the procedure is consistently applied to any person and at any time; it is unbiased; it ensures accurate information is collected and used in decision-making; there are several mechanisms for correcting deficiencies or incorrect decisions; the procedure conforms to current personal or popular ethical standards; and it ensures that the opinions of the different groups influenced by the decisions are taken into account.

Employee Satisfaction

The definition of job satisfaction is described as the emotional connection of an individual to the work environment (Vroom, 1964). Specifically, Locke points out that job satisfaction is "a happy or positive emotional state resulted from the evaluation of a job or work experience" (Locke, 1976). Lawler (1990) defines job satisfaction as a person's feelings about the rewards they receive in their job.

Previous studies have considered job satisfaction as an emotional state of an employee in relation to a number of job aspects, including managers, the job itself, payment, promotions, and colleagues (Churchill & Walker 1974; Smith et al., 1969). In fact, no theory can cover all the aspects and characteristics of job satisfaction (Chou & Robert, 2008). Therefore, a person's job satisfaction can be assessed by feeling positive or negative about the aspects of the job (Boles et al., 2007).

Employee Performance

To evaluate and determine the results of an organisation, the performance of employees is a very important factor. According to Schermerhorn (1991), work results are the quality and quantity achieved by individuals of groups or organisations when completing a task.

The job performance involves the evaluation of an employee's performance and attitude when compared to their peers. It can be measured in terms of the level of competency, and the contribution of each employee to help their organisation accomplish the organisational goals (Campbell et al., 1990).

The evaluation of the work results or the measurement of an objective accomplishment, work responsibilities, and social responsibility, will vary due to the opinion and perspective of the evaluator. According to the aggregate results of Porter and Lawler (1968), there are three types of work results. The first one is a measure of the output or the number of sales in a

given time. The second type is the measurement of results related to the ranking of the individuals evaluated by other people. The third type is a self-assessment and self-rating.

Organisational Justice and Employee Satisfaction

An awareness of organisational justice is an important predictor of job satisfaction. Cohen-Charash and Spector (2001) found that satisfaction is closely related to the two factors of distributive, and procedural justice of organisational equity. They suggest that in order to promote a high level of satisfaction, organisations must ensure that all distributions and procedures are fair. The results of work are also one of the results related to job satisfaction, in the research of Judge and colleagues (2002). The study of Ahmadzadeh et al. (2012) showed a significant association between job satisfaction and organisational justice. In an organisation where an awareness of organisational equity is on a higher level, the employee's job satisfaction rate is quite high, which indicates that employees seem more eager to fulfil organisational goals. When there is no awareness of equity, there is a reduction in job satisfaction. Therefore, this study wants to test the hypothesis that an awareness of organisational equity is an important predictor of job satisfaction.

Hypothesis 1: Organisational justice has a positive effect upon job satisfaction.

Organisational Justice and Employee Performance

Based on classical theory (Delaney & Huselid, 1996), many researchers identify five main impacts which affect employee performance, such as job autonomy, organisational support, training, distributive fairness, and procedural fairness. According to Adams' justice theory, the degree of individuals' job success and job satisfaction is related to the employees' perceived fairness or unfairness in a working environment (Stajkovic & Luthans, 1997). The theory mentions that individuals will compare what they receive with their peers, such as applying the general principle of 'equal work, equal pay', and equal rights in the scope of his or her power. Fasolo et al. (1990) also discovered that procedural justice leads to increased work outcomes. Moreover, Lind et al. (1990) found that an awareness of procedural equity is the cause of a higher job performance. In general, everyone wants processes and procedures to be reasonable, fair, consistent, and transparent (Folger & Cropanzano, 1998; Taxman & Gordon, 2009).

Hypothesis 2: Organisational justice has a positive impact upon employee performance.



Employee Satisfaction and Employee Performance

Employees who are satisfied with their work, feel strongly motivated to work harder and eventually tend to achieve more personal work results. Studies have shown that job satisfaction has a significant impact upon job performance. Hira and Waqas (2012) found a positive correlation between job satisfaction and job performance from a survey of 335 respondents in the middle-level positions of the banking industry. Rasli et al. (2012) also found that job satisfaction has a positive impact upon job performance in a survey of 251 respondents from different universities.

Hypothesis 3: Job satisfaction has a positive impact upon employee performance.

Data and Research Method

The questionnaire was designed based on 15 variables that were used to measure definitions and synthesised concepts from previous studies. In this study, to measure the level of agreement of the interviewee, the author employed a five-point Likert scale of responses from 'strongly disagree' to 'strongly agree' for the concepts of organisational justice (Niehoff & Moorman, 1993), and job satisfaction (Fernandes & Awamleh, 2006). Particularly, to measure the concept of employee performance, the author chose to employ and adjust the original scale of Stevens (1978) from a scale of seven points to a scale of five points, where '1' represented 'strongly disagree' to '5' represented 'strongly agree'. In addition, the author used a nominal and ordinal scale to classify objects based on age, gender, education, and so on.

The target respondents are office workers based in Ho Chi Minh City, aged 18 years or older, and who have more than one year of working experience. They were surveyed using the designed questionnaire. The data, after being coded and cleaned by Excel, was processed by the SPSS and STATA software.

The analytical methods used to solve the research objectives included testing the reliability of scales through Cronbach's Alpha reliability coefficient, using the principle component analysis to test the discriminant validity of the concepts, and testing the hypotheses by the multiple regression method.

Results

Participant Description

The number of questionnaires issued was 300, and the number of questionnaires collected was 251, of which 49 were invalid due to being incomplete or answered by selecting the same response to all questions. Thus, 202 observations were analysed in this study.

Of the 202 observations collected, 104 males accounted for 51.5 per cent of those surveyed, and the remainder were females at 48.5 per cent. In regard to the age groups, 18–25 years old accounted for 50.5 per cent of the population, followed by 26–35 years old at 42.6 per cent, and 36–45 years old at 6.9 per cent. The highest educational level of the respondents was university, with the highest proportion at 69.3 per cent. It was followed by secondary college education accounting for 19.8 per cent, postgraduate education accounting for 7.9 per cent, and high school accounting for three per cent.

The income of the surveyed participants ranged primarily from VND five to less than ten million, accounting for 56.8 per cent of the respondents. The second highest income category was below VND five million at 25.8 per cent. It was followed by the category of VND 10 million to less than 15 million at 10.6 per cent, and the lowest rate was over VND 15 million at 6.8 per cent.

Reliability Test for Measurement Scale

The Cronbach's alpha is a coefficient used to test whether a measurement scale is reliable or not. Using Cronbach's Alpha with a threshold of 0.6, a measurement scale is said to be reliable when the Cronbach's Alpha is greater than 0.6 (Hair et al., 2010). In this study, all the measurement scale components were found to be reliable enough to measure a concept.

Table 1: Cronbach's Alpha

Factor	Cronbach's Alpha
Organisational Justice	0.791
Employee Satisfaction	0.756
Employee Performance	0.770

Principal Component Analysis

The analysis of the main components for the measurement variables draws four factors namely, procedural justice, distribution equity, job satisfaction and work results.

To summarise the data to be used for the next analysis step, we apply the method of principal component analysis. The evaluation criteria includes a loading factor score of greater than 0.5; a KMO coefficient of greater than 0.5, a Bartlett test result of significant, an Eigen value greater than one, and a percentage of the total variance extracted (Hair et al., 2010).

The analysis of the main components for the measurement variables draws four factors, namely procedural justice (PJ), distributive justice (DJ), job satisfaction (JS), and work performance (WP).

Multiple Regression

To test the research hypotheses, a regression analysis is used to determine whether the causal relationship between the research concepts are significant, as well as the influence level of each factor.

Table 2: Correlation coefficients

	DJ	PJ	JS	WP
DJ	1	0.418**	0.684**	0.522**
PJ	0.418**	1	0.485**	0.442**
JS	0.684**	0.485**	1	0.551**
WP	0.522**	0.442**	0.551**	1

** means significant at 0.01 level (two-tailed).

From the results of the correlation analysis, we can see that the correlation coefficients between the variables of distributive justice, procedural justice, job satisfaction, and work performance are all smaller than one. Thus, there is no perfect correlation between the variables. In addition, each pair of variables are correlated significantly. Therefore, it is possible to include the independent variables into the regression model to explain the variability of the dependent variable. A linear regression analysis will determine the impact of each independent variable upon the dependent variable.

Regression Analysis to Test the Hypothesis H1

Hypothesis 1: Organisational justice has a positive effect upon job satisfaction.

The regression model is:

$$JS = \beta_0 + \beta_1 * DJ + \beta_2 * PJ$$

where the dependent variable is job satisfaction (JS), and the independent variables include distributive justice (DJ), and procedural justice (PJ).

The assumptions of the Ordinary Least Square (OLS) estimation method are all satisfied: there is a linear relationship; the residual has normal distribution; there is no serious multicollinear phenomenon; there is no serious autocorrelation phenomenon; and the residual variance is homogeneous. The model is consistent with the data provided since the F test result shows statistical significance and the independent variables explain 51.1 per cent of the variation of the dependent variable.

The regression result in the table below shows that two factors, distributive justice (DJ), and procedural justice (PJ) have significant (Sig.< 0.05) and positive coefficients ($\beta > 0$). Therefore, these two factors positively affect job satisfaction (JS). The most important factor affecting satisfaction is distributive justice with $\beta = 0.525$. Procedural justice has a weaker effect with $\beta = 0.241$. This proves clearly that fairness in the distribution and procedure have a significantly positive impact upon job satisfaction, confirming hypothesis one.

Table 3: Regression results

Variable	Coefficient	Std. Error	T	Sig.
Constant	0.937	0.181	5.173	0.000
DJ	0.525	0.049	10.732	0.000
PJ	0.199	0.045	4.445	0.000

Dependent Variable: JS

Regression Analysis to Test the Hypotheses H2, and H3

Hypothesis 2: Organisational justice has a positive impact upon employee performance.

Hypothesis 3: Job satisfaction has a positive impact upon employee performance.

The regression analysis is performed with three independent variables of distributive justice (DJ), procedural justice (PJ), and job satisfaction (JS), and one dependent variable as work performance (WP).

The regression model is:

$$WP = \beta_0 + \beta_1 * DJ + \beta_2 * PJ + \beta_3 * JS$$

where the dependent variable is work performance (WP), and the independent variables include distributive justice (DJ), procedural justice (PJ), and job satisfaction (JS).

The assumptions of the OLS estimation method show that there is linear relationship between the variables, the residuals have a normal distribution, there is no serious multi-collinear phenomenon, and there is no serious autocorrelation phenomenon, but the residual variance is heterogeneous. To overcome the variance heterogeneity, we use the method of robust standard errors. Estimating a robust standard error model will provide a true estimate of the standard error which accepts the presence of the variance change phenomenon. Subsequently, we have the error brought back to its true value. In this regression result, the regression coefficients will be exactly the same as the normal OLS regression, but the standard errors have considered the variance heterogeneity problem and normal distribution. The model is consistent with the data, as the F test result with a statistical significance, and the independent variables explain 37.33 per cent of the variation of the dependent variable.

The regression results in Table 4 show that the three factors of distributive justice (DJ), procedural justice (PJ), and job satisfaction (JS) affect work performance (WP) significantly (Sig.< 0.05), and positively ($\beta > 0$). In which, the most influential factor on the outcome of work is satisfaction (JS) with $\beta = 0.285$, followed by distributive justice (DJ) with $\beta = 0.213$. Procedural justice (PJ) has the least affect with $\beta = 0.164$. This proves clearly that job satisfaction, fairness in distribution, and procedural justice have a positive impact upon work performance, confirming hypotheses two and three.

Table 4: Regression results using robust standard errors

Variable	Coefficient	Std. Error	T	Sig.
Constant	1.343	0.259	5.180	0.000
DJ	0.213	0.075	2.848	0.005
PJ	0.164	0.058	2.807	0.006
JS	0.285	0.080	3.541	0.001

Dependent Variable: WP

Conclusions

The objective of the study is to determine the causal relationship, as well as the impact of organisational justice upon job satisfaction, and employee performance. Hence, we could propose solutions to improve the performance of employees. The study was conducted in Ho Chi Minh City, where it is considered the busiest place in regard to economic activity in Vietnam. Approaching a quantitative research method, we utilised a questionnaire to survey target respondents and eventually obtained 202 satisfactory observations. The survey data was used for testing the measurement and verification of scales, and testing the research models using the SPSS, and STATA statistical software.



The research results are not only of scientific significance, but also contribute to the theoretical consolidation of the concepts of organisational justice, job satisfaction, and work performance. This result contributes to affirming that organisational equity has a positive impact on job satisfaction, as well as reinforcing the hypothesis that job satisfaction and work performance are positively related in previous studies. At the same time, the results also prove the relationship between organisational justice, and work performance, which is a positive effect. Furthermore, this also contributes to the previous theory. Future research could survey a larger number of respondents and widen the survey area to obtain a better degree of representativeness of the sample.



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