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Antecedents of Justice Climate in the South African Financial Services Industry

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Abstract- Organisational justice has captured the interest of scholars in recent years since it is associated with the perceptions and reactions of an individual, to the presence of fairness in an organisation. This study was aimed at investigating the extent of organisational justice on organisational citizenship behaviour, ethical behaviour and employee retention in the South African financial services industry. A hypothetical model and measuring instrument was developed in order to investigate factors that may influence the organisational justice in the financial services industry. Six independent variables (trustworthiness of management, employee engagement, reward system, organisational transparency, two-way communication and organisational climate) were identified as variables that have the potential to influence organisational justice (mediating variable). It was also hypothesised that organisational justice) has the potential to affect the dependent variables (organisational citizenship behaviour, ethical behaviour and employee retention). Furthermore, nine null-hypotheses were developed to test the relationship between independent, mediating and dependent variables.

Keywords: organisational justice, trustworthiness of management, intrinsic and extrinsic rewards, organisational climate, organisational citizenship behaviour, reputable employee retention; financial services industry.

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Antecedents of Justice Climate in the South African Financial Services Industry

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Abstract- Organisational justice has captured the interest of scholars in recent years since it is associated with the perceptions and reactions of an individual, to the presence of fairness in an organisation. This study was aimed at investigating the extent of organisational justice on organisational citizenship behaviour, ethical behaviour and employee retention in the South African financial services industry. A hypothetical model and measuring instrument was developed in order to investigate factors that may influence the organisational justice in the financial services industry. Six independent variables (trustworthiness of management, employee engagement, reward system, organisational transparency, two-way communication and organisational climate) were identified as variables that have the potential to influence organisational justice (mediating variable). It was also hypothesised that organisational justice) has the potential to affect the dependent variables (organisational citizenship behaviour, ethical behaviour and employee retention). Furthermore, nine null-hypotheses were developed to test the relationship between independent, mediating and dependent variables. All these variables were clearly defined and operationalised with various items that were obtained from other measuring instruments or self-developed items. A quantitative research approach was utilised in this study. This study made use of the non-probability sampling technique as there is no data base of financial services firms available in South Africa. A purposive sample of 800 respondents was drawn from four provinces in South Africa. Factor and regression analyses were used to test the significance of the relationship between the various independent and dependent variables. The findings of this study have contributed to the body of knowledge in the financial services literature in South Africa, by developing a theoretical model and a measuring instrument of organisational justice in the financial services industry. The findings of this study also inform policy formulation to assist with the implementation of organisational justice programmes in the financial services industry. This study provided useful and very practical guidelines to organisations in order to ensure the effective strategizing and management of organizational justice that could enhance their local and global competitiveness and long-term survival.

Keywords: organisational justice, trustworthiness of management, intrinsic and extrinsic rewards, organisational climate, organisational citizenship behaviour, reputable employee retention; financial services industry.

I. Introduction

The South African financial services industry is known as the fastest growing industry in South Africa. It is the second largest contributor to GDP in South Africa with a contribution of around 21.1% and is also one of the major employers in South Africa, providing more than 35% of the total active workforce of the country Buys and Van Niekerk (2014). Organisational justice has captured the attention of scholars in recent years. It is associated with the perceptions and reactions of an individual to the presence of fairness in an organisation and captures what that individual feels or evaluates to be morally correct rather than viewing it to be something prescriptive Cropanzano & Greenberg (1997). The concept of justice emerges in various organisational contexts, such as pay plans, selection and placement, evaluation policies and so forth Greenberg, (1990). Yet what is central to these various milieus is the individual's perception of whether or not they are being treated fairly and justly. Fairness is an influential factor behind various positive job outcomes such as turnover intentions, organisational citizenship behaviours and commitment. Thus, presence of organisational justice is advantageous for both the individual and the organisation (Cropanzano & Greenberg (1997:150).

II. Problem Statement

The South African financial services industry is bombarded by various employer - employee relationship predicaments and this creates an urgent need for effective realisation of a justice climate where fairness can be reinforced and effectively practised in the realisation of fruitful relations that governs employer and employee relations by employing ethical decision - making processes where organisational citizenship behaviour can results in effective employee retention within the organisation. The financial services industry plays a critical role in the economic development and growth of the country as well as reducing unemployment. The problem within the services industry is that managers and employees are not fully conversant with what constitutes organisational justice and injustices, which creates an environment of misunderstanding that is not conducive for effective work relations (Buys & Van Niekerk 2014: 110). Lown, Osler, Strahan and Sufi (2000) are of the opinion that managers and supervisors in the financial services industry often create a platform of favouritism and employees display negative attitudes. Managers are unconsciously unaware of these causal effects such as chronic absenteeism and sick leave. Employees in the

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financial services industry, especially in accounting and auditing firms are expected to work longer hours and even during weekends in order to complete work assignments. Employees that are employed on a contractual basis perceive an unfair allocation of work amongst the permanent and contracted employees. Employees on the same levels have perceived a form of favouritism and unequal treatment amongst those employed full time and those employed on a contractual basis. These perceived injustices such as favouritism, nepotism, unfair dismissal and tokenism create a situation where employees are unjustly treated. These employees often retaliate by displaying negative attitudes (Botha 2015: 34).

III. Literature Review

a) Organisational Justice (OJ)

Cropanzano and Grenberg (1997: 58) state that justice is a common theme that provides a framework within which individuals and institutions interact. Organisational justice refers to the role in the workplace; employee`s perceptions of the fairness of decision making and decision making process and the influences of these perceptions on workplace behaviour (Moorman 1991: 845). Muchinsky (2003: 314) further explains that organisational justice concerns itself with the fair treatment of people within organisations. It can be regarded as a limited form of social justice that can be defined as fair and proper administration of laws that conform to the natural law that all persons irrespective of ethnic origin, gender, possession, race and religion should be treated without prejudice. Fairness can be questioned both in the process followed as well as in decisions being made. Organisational justice could be divided into three distinct dimensions namely distributive, procedural and interactional which is further divide into interpersonal and informational justice (Greenberg & Baron 2008: 43-48).

b) Distributive Justice

Distributive justice is primarily concerned with how the outcomes of the organisation are in terms of fairness (Maiese: 2013). It thus relates to the degree to which decisions by managers are in terms of distribution and allocation outcomes, for example promotions and salaries. It also relates to the degree to which managerial decisions allocate rewards in an equitable and fair manner to employees (Niehoff & Moorman 2010). Distributive justice focuses on people`s belief that they have received a fair amount of pay and recognition and this could have great impact on employee`s work satisfaction and motivation levels. Employees thus exert their efforts on their jobs and thus expect to be fairly compensated in return. Employees compare their input to output ration and if there are any imbalances, they perceive distributional injustice.

c) Procedural Justice

Procedural justice refers to the means by which outcomes are allocated but not specifically to the outcomes themselves, by establishing certain principles specifying and governing the role of participants during the decision making process of making decisions or creating procedures and relates to perceptions that affect employees and the degree of fair methods and guidelines that are used when allocation decisions are made (Niehoff & Moorman (2010). Procedural justice and employee`s perceptions of fairness of the procedures can be improved if employees are afforded an opportunity to voice out their views in the decision making process. The rules that are used should be applied consistently and equally amongst all the employees and should be based on accurate information.

d) Interactional Justice

Muzumdar (2012:31) states that interactional justice refers to how one person treats another. A person in interactionally just if he or she appropriately shares information and avoids rude or cruel remarks. According to Colquitt et al (2001) there are two aspects of interactional justice. The first part is called informational justice and refer to whether one is truthful and provides adequate justification when things go wrong. The second part is called interpersonal justice and refers to the respect and dignity with one treats others.

e) Organisational Citizenship Behaviour

Organisational citizenship behaviour is defined as individual behaviour that is discretionary and not explicitly recognised by the formal reward system and in the aggregate, promotes efficient and effective functioning of the organisation (Neeta, 2013: 118). This describes an employee's voluntary commitment within an organisation that is not part of his or her contractual tasks and is usually discretionary in nature (Berber & Rofcanin 2012: 198). Organisational justice is among the major issues which are valued by most employees. This is because the concept is related with organisational output and variables such as organisational citizenship, loyalty and motivation (Forret & Love 2008: 255). According to Williams, Pitre and Zainuba (2002: 53), there are some preconditions and premises of organisational citizenship behaviours. The primary condition is the perceptions of the workers about decisions and practises. Williams *et al*. (2002: 57) further asserts that a positive mind increases the possibility of performing certain organisational citizenship behaviour. In this context, the psychological conditions of employees are among the most important factors determining the relationship between organisational justice and organisational citizenship behaviours (Giap, Hackermeir, Jiao & Wagdarikar 2005; Asgari, Silong, Ahmad & Sama 2008: 148).

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f) Ethical Behaviour

Ethical behaviour means acting in ways consistent with what society and individuals typically think are good values and moral principles that include honesty, fairness, equality, dignity, diversity and individual rights (Treviño, Weaver & Reynolds 2006: 954). Organisational justice can only be achieved through employees who display greater effort and behavioural attributes to help the firm succeed (De Cremer, Mayer & Schminke 2010: 11). Organisational justice is an important theoretical lens of high performance in the organisation. From this perspective it can therefore be argued that when employees perceive that the procedures are fair and their managers treat them with dignity and fairness, then employee performance is more likely to increase. Organisational justice practices could lead to the practice of ethical behaviour in the organisation (Crawshaw, Cropanzano, Bell & Nadisic 2013: 885).

g) Employee Retention

According to De Vos Meganck (2008: 45), employee retention refers to the portfolio of HR practices that organisations develop to reduce voluntary turnover rates. Hausknecht, Rodda and Howard (2009: 269) concur that it entails efforts by an organisation to maintain a working environment which supports current staff in remaining with the organisation by improving key processes and conditions. The ultimate aim is happier, loyal employees who actively want to remain with the organisation.

IV. Research Design and Methodology

The positivistic research paradigm is employed in this study, which means that quantitative data are collected; aspects of the social world and social phenomena are measure; causal relationships between different aspects of the social world are sought; and large data and statistical analysis are used. Given the nature of the study, the research approaches followed in this study are exploratory and descriptive in nature. The aim is to explore a relatively new area and describe respondent`s perceptions regarding organisational justice in the South African financial services industry. The population in this study comprised of banks, auditing and accounting firms and insurance firms in the financial services firms in South Africa. For the purposes of this study, non- probability sampling technique is used, specifically the convenience and judgemental sampling. The reason behind the sampling is that it is an abstract form to be inclusive of all members of a group but, in essence the sample study population is in a position to produce similar data the represents the targeted population envisaged within the study Turyakira (2012: 124). Furthermore, the primary goal is to draw valid and justifiable conclusions from the entire study. Neuman ((2003: 160), data collection can be defined as the empirical evidence or information that one gathers carefully to rules and procedures. Wilson (2010: 134) notes that there are two basic types of data, namely primary and secondary data. Secondary data is composed of existing literature on organisational justice which forms the basis for the conceptual framework, upon which the frame of reference of the study was built. Secondary data sources for the literature review was obtained through conducting international and national data searches, through the use of journal articles, textbooks and internet. The primary data for this study was obtained using the survey method by means of self- administered structured questionnaires. In this regard, the aim was to target 800 employees in the financial services firms (200 employees from Eastern Cape, Kwazulu Natal, Gauteng and Western Cape). Ethical clearance was obtained from the NMMU before the empirical study was conducted. Questionnaires usually consist of a combination of factual and opinion - related questions (Cohen et al 2004: 407). In this study, the closed ended statements are used to elicit standard answers that can be analysed statistically. In lieu of measurements the semantic differential scale is used with possible responses .The self-administered structured questionnaires with closed-ended questions were used. This method is consistent with the measuring tools used in previous studies.

a) Exploratory Factor Analysis Results

Exploratory factor loadings are depicted in Table 1 below. Perceptions of employees regarding the independent variables, organisational justice and the dependent variables (outcomes) are presented. Factor loadings of greater than 0.80 were considered.

Table 1: Empirical Factor Structure

Latent variable	Items	Alpha Values
Trustworthiness of management (TM)	TM1, TM2, TM3, TM4, TM5	0.92
Employee engagement (EE)	DM2, DM3, EO1, EO2, EO3, JD1, JD2, JD3	0.90
Extrinsic rewards (EXT)	EXT1, EXT2, EXT3, EXT4, CW1, CW2, CW3	0.90

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Intrinsic rewards (INT)	INT1, INT2, INT3, INT4, INT5	0.88
Organisational transparency (OT)	OT1, OT2, OT3, OT4, OT5, TWC1, TWC2	0.91
Organisational climate (OC)	SS1, SS2, SS3, SS4, SS5, OS1, OS2, OS3, OS4, OS5, TWC3, TWC4, TWC5	0.95
Procedural interactional justice (PIJ)	PJ1, PJ2, PJ3, PJ4,, PJ5, IJ1, IJ2, IJ3, IJ4, IJ5	0.95
Distributive justice (DJ)	DJ1, DJ2, DJ3, DJ4, DJ5	0.89
Organisational citizenship behaviour (OCB)	OCB1, OCB2, OCB3, OCB4, OCB5	0.85
Reputable employee retention (RER)	EB1, EB2, EB3, EB4, EB5, ER1, ER2, ER3, ER4, ER5	0.93

Table 3 indicates that the respondents perceived organisational justice as two -dimensional construct. All four items (PJ1, PJ2, PJ3 and PJ4) which were meant to measure procedural justice and items which were meant to measure interactional justice (IJ1, IJ2, IJ3 and IJ4)loaded onto one factor and are termed procedural -interactional justice (PIJ). All five items (EB1, EB2, EB3, EB4, EB5) which were meant to measure ethical behaviour and all five items which were meant to measure employee retention loaded and combined together onto another factor and are termed Reputable employee retention. As a results of the discriminant validity assessment with the exploratory factor analysis new variables were formed: thus the original theoretical model had to be adapted.

b) Regression Analysis

The influence of trustworthiness of management, employee engagement, extrinsic rewards and intrinsic rewards, organisational transparency and organisational climate on procedural -interactional justice.

Table 5 below indicates that organisational climate (as measured by supervisory style, organisational support and two-way communication) ($b=0.360$, $p<0.001$), is positively related to procedural -interactional justice. This indicates that respondents feel that management should be approachable when employees are experiencing problems and should receive guidance whenever they need to complete difficult tasks in their jobs. According to table 7 extrinsic rewards ($b=0.168$, $p<0.001$ and intrinsic rewards ($b=0.171$, $p<0.001$) are positively related to procedural -interactional justice. This indicates that the respondents believe they that they should have the freedom to use their own judgements to complete their jobs and they are offered sufficient flexibility to reconcile their personal lives with their jobs.

Organisational transparency ($b=0.133$, $p<0.05$) is also positively related to procedural-interactional justice as shown in Table 7. This means that management in the financial services industry need to pay more attention in being considerate for all their actions. The R2 of 0.579 explains 58% of variability in the models explained by the moderating variable (procedural-interactional justice). According to Table 7 trustworthiness of management and employee engagement as measured by decision making expression of opinions and job development ($r=0.037$, NS) do not exert a significant influence on procedural interactional justice.

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Table 2: Regression analysis: The influence of trust worthiness of management employee engagement, extrinsic rewards and intrinsic rewards, organisational transparency and organisational climate on procedural -interactional justice

	REGRESSION SUMMARY FOR DEPENDENT VARIABLE: PROCEDURAL INTERACTIONAL JUSTICE (PIJ)					
Parameter	Beta b*	Std. Error	B	Std Error	T value	P-value
Trustworthiness of management (MT)	0.059	0.039	0.058	0.038	1.532	0.1262
Employee engagement (EE)	0.037	0.049	0.042	0.054	0.773	0.4400
Extrinsic rewards (EXT)	0.170	0.050	0.168	0.049	3.450	0.001***
Intrinsic rewards (INT)	0.166	0.052	0.171	0.053	3.213	0.001***
Organisational transparency (OT)	0.128	0.055	0.133	0.056	2.351	0.0191*
Organisational climate (OC)	0.330	0.052	0.360	0.056	6.385	0.001***

R	R^2	F	Std Error of estimate P	
76%	0.57981177	98.662	0.73598	p< .00000

* = p < 0.05
** = p < 0.01
*** = p < 0.001

V. Conclusion and Recommendations

The empirical result reveal that trustworthiness of management, intrinsic rewards and extrinsic rewards, organisational transparency and organisational climate have positive influence on procedural -interactional justice and organisational distributive justice, while employee engagement has no significant influence on procedural -interactional justice and distributive justice. The findings of this study complement the findings of Schackenberg and Tomlison (2014) that found that there is positive relationship between organisational justice and organisational transparency. Noordin, Omar and Idrus (2010) envisaged that organisational climate is strongly related to procedural and interactional justice which leads to increased organisational performance. The empirical results reveal reputable employee retention has a positive relationship with procedural -interactional justice. This indicates that respondents feel that reputable employee retention emanates from effective practise of procedural- interactional justice when all employees strictly follow rules and policies in their organisations. Furthermore, the empirical results show that distributive justice have a positive influence on organisational citizenship behaviour and reputable employee retention. Previous research by Coldwell *et al.* (2007). For organisational citizenship behaviour and reputable employee retention to be effective, employees and management should: Be prepared to work during lunch breaks to complete an urgent task at hand. Stay late without pay to complete a task. Defend a co-worker who was spoken ill of by other workers or supervisor. Reward employees with integrity. Widely distribute a code of conduct throughout the organisation. Offer sufficient flexibility to reconcile their personal life with the job. Offer various career advancement opportunities to further their career

Contributions of the Research

Some of the contributions of this study relevant to this article are identified below: The findings of this study have contributed to the body of knowledge in financial services literature in South Africa by developing a theoretical model of organisational justice in the financial services industry. The antecedents of organisational justice in the financial services industry are not well documented and represents a significant gap in OJ literature. The study made a unique contributions to the field of OJ as for the first time in literature this study identified two aspects of measuring OJ perceptions, namely procedural -interactional justice and organisational distributive justice. Managers in the financial services firms who seek to build OJ should view trustworthiness and transparency as cornerstone of their strategy for managing financial services employees. The findings can inform financial services firms about financial services policy formula-tions so as to assist with the implementation of organisational justice programmes. The study provided useful and

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practical guidelines to organisations as to ensure effective strategizing and management of OJ that could enhance their local and global competitiveness and long- term survival.

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