



# The Effect of Internal Complaints Systems on Employee Retention and Turnover Intention: The Mediating Role of Organizational Justice

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## Abstract

This study draws on exit, voice, and loyalty theory, a concept that has been used to examine the behaviour of customers after purchasing and to develop corresponding marketing defence systems that seek to retain customers. The internal complaint system (ICS) is considered the most prominent of these strategies. Studies related to understanding the impact of the ICS on employees are limited and primarily focused on how the ICS impacts organizational goals and customers. This study is concerned with understanding the impact of the ICS on the ability of the organization to retain its employees on the one hand and the extent of employees' desire to leave the organization on the other hand by measuring organizational justice as a mediator. The population of this study includes employees engaged at the time of study in five-star hotels in Northern Cyprus. Partial least squares regression was used to analyse the study data. Results proved that there is a statistically significant relation between ICS on both employee retention and employees' intention to leave through the mediating variable of organizational justice. Providing a highly efficient ICS is therefore recommended in order for organizations to achieve retention objectives for clients and employees alike.

**Keywords:** defensive marketing strategies, internal complain system, organization justice, turnover intention, employee retention.

## Introduction

The territory of Northern Cyprus has made remarkable developments in attracting tourism investments largely as a result of its attractive cultural and natural assets. Such investments have contributed significantly to the rise in the state's tourism revenue. However, the hotel industry in Northern Cyprus is still facing several challenges,



especially in terms of recruiting and retaining qualified human resources that enhance the competitiveness of their employer hotel and raise the quality of the service provided therein. In an effort to achieve both enhanced competitive advantage and quality of service, hotels attempt to implement specially designed administrative and marketing strategies, among the most important and common of which is the internal complaint system (ICS).

Customer complaint systems, in this paper referred to as internal complaint systems (ICS), benefit organizations in a number of ways: Firstly, they represent a form of feedback or self-assessment for the organization; secondly, they help to build a positive image of the organization as one that cares about its customers' opinions, and for the same reason helps to prevent the development of a bad reputation; and thirdly, they provide information to the organization that enables the improvement of its products and services (Akan, 1995; Aljawarneh & Alomari, 2018). As a result of implementing the ICS, customer retention is reinforced and new customers attracted, leading to greater profit and competitiveness (Akan, 1995; Cronin & Taylor, 1992; Ye, Law & Gu, 2009).

In terms of its impact on employees, the ICS opens a direct point of contact between those responsible for dealing with customer complaints and the customers themselves. Employees can furthermore often be the major source of customer complaints (Ngai, Heung, Wong & Chan, 2007; Tronvoll, 2007). Generally, employees are very much influenced by the work environment within their employer organization, and organizational justice (OJ) is one of the most significant elements in this environment according to Ozel and Bayraktar (2018), whose paper focused on employee behaviour and attitudes towards organizational decisions. OJ essentially refers to how fair the organization's behaviour is perceived to be from the perspective of its employees. A number of studies have examined the effects of OJ on employee behaviour in terms of performance, job satisfaction, commitment, and the desire to either stay in or leave the organization (Parker & Kohlmeyer, 2005). Overwhelmingly, findings have indicated the positive effect of OJ on an employee's satisfaction, performance, and intention to remain with the organization (Cohen-Charash & Spector, 2001; Karatepe & Ekiz 2004; Lee et al., 2010). The ability of an organization to apply a successful retention strategy depends on its ability to meet the needs of its employees and offer sufficient motivation, thereby enhancing job satisfaction and limiting turnover according to Herzberg's two-factor theory of employee motivation (Holston-Okae & Mushi, 2018). OJ is one factor that can contribute to an organizational environment that motivates and inspires commitment among employees working therein (Ponnu & Chuah, 2010).

Hirschman's theory of unbalanced growth was the starting point of the ICS, which is now one of the most important strategies of marketing defence (Fornell & Wernerfelt, 1987). The theory examined the behaviour of customers after purchase and identified two behavioural options: exit and voice, the choice between the two of which is influenced by loyalty (Hirschman, 1970). This theory relates directly to customer complaints management, which influences on customer behaviour to stay or switch to competitors depending on the ability of the system to solve customer complaints and thereby avoid customers choosing the exit option (Namias, 1964; Roschk & Kaiser, 2013).



Previous studies have highlighted the importance of the ICS and examined its effects on both clients and the objectives of the organization (Bennett, 1997; Zairi, 2000; Yilmaz, Varnali, & Kasnakoglu, 2016; Varela-Neira, et al., 2010; Tronvoll, 2007; Sviri & Olsen, 2012; Ogbeide et al., 2017; Fornell & Wernerfelt, 1987; Estelami, 2000). However, insufficient attention has so far been paid to the effects of the ICS on the organization's employees, despite these latter playing a major role in the system. The researcher attributed this to the interest of researchers in measuring the impact of the complaints system on enhancing the marketing capacity of the organization and the mechanism to develop it, especially as the need for it increased as a result of increased competitiveness. Given the importance given by the ICS to the voice of the customer, we argue that such systems risk negatively affecting hotel staff if such systems are not carefully and correctly applied. In stimulating customer criticism of the service, the ICS is open to being used and potentially exploited by customers who are hostile, angry, violent, and/or abusive. Feedback from such customers, if not treated with a due understanding of context, may have a significant and unwarrantedly negative impact on staff whose performance is implicated.

Moreover, the existence of systems that induce reward and recognition is minimal compared to that of complaints systems, provoking an overwhelmingly disproportionate amount of negative versus positive feedback for staff. The use of ICS should focus on developing the system of work and avoiding the repetition of mistakes rather than on blaming and punishing the employee(s) responsible. Feelings of injustice create an unhealthy working environment that can easily prompt the employee to leave the firm, thus undermining any employee retention strategies in place (Brashear, Manolis & Brooks, 2005; Byrne, 2005; Campbell et al., 2013).

Based on the above, we argue that while the ICS is a necessity for any organization aiming to effectively address issues that elicit customer dissatisfaction, the ICS should be implemented carefully in consideration of its impact on the organization's own employees. In order to shed more light on this subject, this study aims to examine the impact that ICS has on the ability of the organization to retain its employees on the one hand, and on the extent of employees' desire to leave the organization on the other hand, measuring OJ as a mediator.

### **Internal complaint systems**

Firms, in their marketing activities, rely on two main strategies: The first is offensive in which the organization seeks to expand its customer base through marketing campaigns that attract new customers and increase its market share; the second is defensive, a reaction by the organization to a perceived situation or to the activity of competitors (Heriyati, Heruwasto, & Wahyuni, 2013). Hauser and Shugan (1983) were the first to distinguish between defensive and offensive strategies and noted the need for integration between the two. As market competition intensifies, defensive marketing strategies have been extensively addressed in research, acknowledged for their critical role in maintaining a firm's competitive advantage. Erickson (1993) explicitly claims that defensive strategies are more important than offensive ones because the risk of loss is far greater when defensive strategies fail than when an offensive attempt meets a similar fate. Defensive



strategies are crucial in enabling an organization to survive and sustain its business by way of retaining customers and ensuring that the positive buying experience of these customers is replicated (Gorondutse, Hilman & Nadisi, 2014; Kasiri, Cheng, Sambasivan & Sidin, 2016). Thwaites and Williams (2006) furthermore highlight that the cost of attracting a new customer may be five times that of retaining a current customer, suggesting that investment in defensive strategies is better value for money. Ultimately, the literature tends to agree that to develop a sustainable competitive strategy, strong defensive marketing strategies are necessary to enable a firm to compete with competitors and even increase its ability to expand in the future (Fornell & Wernerfelt, 1987); they mitigate the negative effects of new competitors' offensive decisions while helping a firm to maintain its existing customers (Kumar & Sudharshan, 1988).

Gensch (1984) pointed to the need to divide consumers into different segments and deal with them differently, identifying their different needs so as to be better able to satisfy those needs and design more effective marketing strategies accordingly to keep those customers from competitors and ultimately support organizational performance (Aljawarneh, 2018). As in any positive relationship, effective communication is key. The availability of communication channels and systems that are concerned with customer perspectives and geared toward solving their problems is essential in maintaining such a relationship partly because such systems enable organizations to assess the needs of their customers and adjust both service provision and market strategies accordingly.

The ICS is considered part of a firm's defensive marketing strategy because it shares the objectives of maintaining customers and consolidating the relationship between the establishment and the customer. Indeed, the ICS is one of the five main dimensions of defence marketing strategies (Heriyati et al., 2013). The ICS seeks to uphold a firm's positive reputation in order to protect the firm's existing customer base and avoid losing customers to competitors (Namias, 1964; Roschk & Kaiser, 2013). By enabling the organization to address the concerns of dissatisfied customers and to offer these customers appropriate compensation where appropriate, the ICS serves as a major mechanism on which the organization depends to ensure the quality of service and conformity with customer expectations as well as the retention of customers. Used effectively, the ICS is thus a critical tool for enhancing a firm's competitive advantage.

In 1970, Hirschman presented a book entitled "Exit, Voice, and Loyalty," the first study published on customer complaints as human behaviour that put forward the first theory in this field (Hirschman, 1970). Prior to that, customer complaints had been paid increasing attention since the Industrial Revolution in the nineteenth century, given the increased competition and desire of suppliers to ensure that their products and services satisfied their customers needs and also wants. Customer complaints were considered a behavioural phenomenon by which humans expressed their resentment and discontent with the service they had received. However, beyond that, there was no theory to frame the behaviour of the complaint. It was Hirschman (1970) who seriously highlighted the extent to which the low quality of services and goods as well as the consumer reaction are crucial to the organization because of the impact both can have on customer satisfaction and loyalty. Hirschman (1970) explained that post-purchase, the customer



has two behavioural options: 1) notice of complaint to vendor or service provider (voice), together with the possibility for developing the relationship with the organization (loyalty), or termination of the relationship with the vendor or service provider (exit). Thus, voice represents a customer's complaint; exit an end to the customer's business transactions with the organization; and loyalty continued and/or repeated business transactions with that organization. Hirschman (1970) explicitly underlined the difference between exit and voice in that exit ends the customer-organization relationship, while voice is an alert call from customers highlighting the organization's failure to satisfy but calling on the organization to improve its performance. Importantly, customer complaints present the organization with two choices: 1) improvement and development, thus securing customer retention, or 2) ignoring the problems, thus prompting the migration of customers. By selecting the first choice, the organization has the chance of transforming customer dissatisfaction and negative intentions (i.e., to exit) into positive intentions (i.e., to remain loyal to the organization). This transformation is this the main objective of enabling – and encouraging – the voice of the client (Namias, 1964; Roschk & Kaiser, 2013). Indeed, the need to motivate customers to use their voice is growing as competition intensifies and the option of switching directly to a competitor becomes easier than voicing discontent (Estelami, 2000).

### **Organizational justice**

The concept of organizational justice (OJ) is rooted in Adams' (1965) Theory of Justice, also known as the Theory of Social Comparison, the Theory of Exchange, and the theory of equality. The essence of the theory of justice is that individuals make a comparison between the inputs they bring to their organization (demographics, experiences, activities, and individual actions) with the outputs they receive (financial and nonfinancial incentives). It furthermore assumes that a person compares the value of his/her own remuneration with the value of what others receive. Researchers have taken a broad interest in the issue of justice for its wide impact on life and society. Greenberg (1987a) first introduced the term organizational justice, and defined it as the degree of fairness felt by workers within the organization. The importance of OJ derives from the significant effects it has on organizations. Researchers have revealed its relevance to a wide range of sensitive issues directly related to the development and success of organizations including *inter alia* employee performance and turnover (Dailey & Kirk, 1992), employees' organizational commitment (Folger & Konovsky, 1989), and employee morale and motivation (Paterson & Cary, 2002). OJ is widely recognized for its important influence on the actions and reactions of employees (Sashkin & Williams, 1990).

Building on Greenberg's (1987b) original definition, the concept of OJ is generally understood as the degree of fairness in economic and social transactions between employees and the organization from the point of view of the workers (Beugre, 1998). Its three main dimensions are defined as procedural justice, distributive justice, and interactional justice (Greenberg, 1987b). Distributive justice refers to the fairness of the distribution of resources among employees. The employee compares his/her efforts and activities with the proceeds he/she receives; his/her subsequent behaviour is a reaction to the system of distribution of rewards and financial and nonfinancial incentives (Greenberg, 2001). Distributive justice considers the role of physical and social



interactions in work in relation to the compensation that an individual receives for performance (Deutsch, 1985). Broader concepts of distributive justice have been developed to include a sense of appreciation associated with performance measurement standards (Colquitt, 2001). Noruzy, Shatery, Rezazadeh, and Hatami-Shirkouhi (2011) have gone on to underline the emotional effects of poor distributional justice on workers such as low morale and creativity (Folger & Konovsky, 1989; Lambert et al., 2010)

Procedural justice concerns the employee's sense of the integrity, validity, and accuracy of administrative decisions and their impartiality (Greenberg, 1990). Thibaut and Walker (1975) were the first to introduce the concept of procedural justice by way of their theory of procedure. Multiple viewpoints have since been adopted in research addressing the concept of procedural justice. Moorman (1991) linked procedural justice to the credibility of the organization's decision-making. Byrne (2005) maintained that it relates to all critical decisions concerning the employee and the employee's perception of their fairness. Roch and Shanock's (2006) understanding encompassed the provision of fair opportunities and performance assessments. Procedural justice was described by Malik and Naeem (2011) as relating to the fairness of the organization's procedures for determining employee outcomes, that is to say the procedures and methods used by the organization to make its decisions, including efforts to gather information and make timely decisions.

Interactional justice is linked to the behavioural interaction between the organization and the employee during the implementation of organizational decisions, including the extent to which the manager is explicit, respect for the employee is demonstrated, and the implementation is handled ethically (Bies & Moag, 1986). Greenberg and Cropanzano (1993) divide interactional justice into two main elements: interpersonal justice, which is linked to human interactions during decision-making including consideration of the feelings of the staff and the manner of dealing with them; and informational justice, which comprises the extent to which the administration makes efforts to provide justification for its decision-making, clarifying the employees' rights and duties. Walumbwa, Cropanzano, and Hartnell (2009) noted that it also includes providing enough information to employees on the mechanisms for distributing rewards and promotion systems.

### **Turnover intention**

Turnover intention is defined either as an organization's plan to terminate an employee in his/her position or an employee's plan to leave his/her job, normally moving to another job that promises more satisfaction (Mobley, 1977). In this paper, we focus on the latter. Turnover intention is a phenomenon of great importance because of the impact it has on the organization (Kassing, Piemonte, Goman, & Mitchell, 2012), notably the adverse effects resulting from the loss of qualified human resources. Turnover furthermore incurs significant costs to the organization in terms of both the time and money necessary for the recruitment and training of new staff (Stalcup & Pearson, 2001) and thus impacts sustainability if not checked.

An employee's intention to leave his/her work is defined as ambiguous and complex behaviour (Mobley, 1977), but also as conscious, deliberate, and non-sudden (Tett & Meyer, 1993). A strong link has been emphasized between employee satisfaction and



turnover intention. When employees are dissatisfied, their desire to remain long-term with the organization decreases (Choi & Dickson, 2009). Mobley (1977) presented a model explaining the stages of the process of turnover intention. The process begins with the individual's feeling of dissatisfaction and desire to leave the organization. In the second stage, the individual determines the benefits of looking for a new job against the costs of exit. The next step involves the individual starting to look for a new job and comparing the job offers available with his/her current job. In the last stage, the quitting behaviour is finally stimulated followed by the decision to leave the job. Lam, Lo, and Chan (2002) have also highlighted that the intention to quit creates negative behaviours in the organization such as increased absenteeism, low productivity, and poor loyalty.

### **Employee retention**

Much of the research on employee retention refers back to Herzberg's two-factor theory (1964), which divides the work-related factors affecting employees, particularly in terms of their motivation, into two main groups (Holston-Okae & Mushi, 2018). The first group (hygiene factors, including salary, good relationship with supervisor and colleagues, comfortable physical work space, etc.) do not stimulate or provide satisfaction, but the lack of them leads to dissatisfaction with the job. Stimulation comes from the second group (motivators, including responsibility and opportunity for input into job tasks, opportunity for growth, etc.). Another theory commonly cited in the field of employee retention is Maslow's hierarchy of needs, a concept that explains the innate human needs and motivations from the most basic, physiological needs to an individual's need for self-actualization. One key implication of both these theories is that money is not the only motivator, and that money alone is not sufficient to consistently motivate staff. Monetary compensation meets only a person's basic needs; it does not address that person's social needs, need for self-esteem and respect, or need for self-fulfilment. In order to satisfy, motivate, and ultimately retain employees, organizations need to recognize that an employee wants to feel that he/she is doing a worthwhile job that challenges him/her and is appreciated by others (Ramlall, 2003). Besides a salary, employees need space for fun, creativity, decision-making, responsibility, and achievement (Gawel, 1997) and also a sense of belonging.

Employee retention is defined as an employer's efforts to encourage employees to continue to work for them (Mandhanya, 2015). It is a voluntary step that involves providing a work environment capable of keeping employees as long as possible (Chaminade, 2007). To do so successfully, the organization needs carefully thought-out policies and methods (Gberevbie, 2008). Some researchers have emphasized that employee retention strategies should be focused specifically on talented employees to avoid losing the organization's most highly skilled workers to a competitor (e.g., Pilbeam & Corbridge, 2010).

Lockwood (2006) stressed that the main purpose of the retention process is to increase productivity and meet future requirements. Indeed, if retention strategies are neglected or ignored, Burke and Ng (2006) warn that managers will face a wide range of problems that will hinder their ability to achieve organizational goals. Especially in today's global context of high competition between organizations to attract skilled and experienced staff



(Ramlall, 2003), organizations recognize the importance as well as the considerable challenge of implementing successful retention strategies.

## **Theory and Hypothesis Development**

After reviewing the literature on ICS, it becomes clear that the ICS relies principally on three main theoretical concepts: Hirschman's (1970) exit, voice, and loyalty theory; customer retention based on defensive marketing strategies; and Deming's (1950) plan-do-check-act (PDCA) cycle. Hirschman's (1970) theory was based on examining the reactions of customers after receiving a service or product, and posits the two behavioural options of exit (withdraw from relationship with organization) or voice (attempt to improve relationship by expressing complaint), the choice between which can be influenced by the loyalty of the customer. The theory thus highlights that complaint is the preferable customer response to dissatisfaction and/or discontent (Hirschman, 1970). Defensive marketing strategies are ultimately focused on customer retention particularly in the face of market competitors. Among the most important tools in defensive marketing strategies is the ICS (Hauser & Shugan, 2008). Finally, Deming's PDCA cycle aims to help develop business and improve the quality of the product or service by way of reviewing the activities carried out. In other words, it outlines a self-assessment process (Deming, 1950). Customer complaints are one of the most important and useful mechanisms for guiding the improvement and development of business considering that customer satisfaction is the main objective of any organization hoping to achieve sustainability and competitive advantage (Kandampully & Suhartanto, 2000).

### **Internal complaints system, turnover intention, and employee retention**

The ICS involves several distinct elements: the client (source of the complaint), the service or the product (not matching the client's expectations), the employee (responsible for handling the complaint and representing the organization), and complaint procedures (follow-up and achieving justice). A large proportion of the literature acknowledges the pivotal role played by the employee in solving customer problems. The employee is a crucial element in the complaint system, responsible for ensuring a positive interaction with an unsatisfied customer and dealing with the complaint effectively (Ngai et al., 2007; Tronvoll, 2007).

The ICS creates direct contact between the client and the employee (Tombs, Russell-Bennett, & Ashkanasy, 2014). The communication skills of the employee then play a prominent role in the success of the ICS and its efficiency (Moliner Velázquez, Fuentes Blasco, Gil Saura & Berenguer Contrí, 2010). The communication process between the client and the employee in cases of complaint aims to achieve interactional justice and it enhances quality perception; success is entirely dependent on the employee's behavioural skills in terms of being able to absorb the client's anger and sympathize with him/her (Kim, Kim, Im, & Shin, 2003; Sviri & Erling Olsen, 2012). Achieving interactional justice is an important stage in effectively addressing a customer complaint, a stage which can calm the client down and, critically, turn his/her negative emotions to positive (Roschk & Kaiser, 2013). The chances of success are considered far greater in the case of face-





to-face contact given the impact of verbal communication and body language in expressing empathy and apology (Ndubisi & Ling, 2006), provided, of course, the employee responsible for this interaction has such abilities.

Several studies have examined the behavioural interactions between employee and customer as well as the divergence of customer behaviours in the context of the complaint procedure. Various internal and external factors have been identified as directly affecting customers' reaction to a problem and the way they express their concern (Gursoy, McCleary & Lepisto, 2007; Liu & McClure, 2001). Such factors include size of the problem (de Matos, Rossi, Veiga & Vieira, 2009); degree of customer loyalty (Namkung, Jang, & Choi, 2011); behavioural diversity of customers, which takes into account behaviours loaded with negative feelings such as anger, tension, sadness, and frustration (Liu & McClure, 2001; Sviri & Erling Olsen, 2012); opportunism resulting in unjustified complaints lodged with fraudulent motives to earn compensations (Huang, Zhao, Miao, & Fu, 2014; Reynolds & Harris, 2005); and limited credibility associated with exaggeration of the size of the problem customers have experienced (Karatepe & Ekiz, 2004). Whatever the customer's demands, the severity of the complaint, and the behaviour and attitude with which he/she expresses them, an appropriate response from the employee is necessary to deal successfully with the complaint (Bonifield & Cole, 2007).

In some cases it is difficult to distinguish the validity and credibility of the complaint, especially when the employee has limited experience and/or appropriate training (Avitabile & Kleiner, 2003; Ross & Littlefield, 1978). Challenging client behaviours furthermore have a direct effect on employee behaviour and reaction (Maxham & Netemeyer, 2003; Yilmaz, Varnali & Kasnakoglu, 2016). Aspects such as these have been considered in several studies among the psychological stress factors affecting employees, which are often reflected later in employee performance and turnover rates (Aljawarneh & Atan, 2018; Huang et al., 2014). Thus, the implementation of ICS risks generating an expulsive working environment that ultimately encourages employees to leave the organization (Maxham & Netemeyer, 2003) and thereby reduces the organization's ability to retain its workers (Yilmaz et al., 2016).

Based on the above, the ICS may be considered as a source of negative impact on the psychological well-being of employees thus generating the desire to seek another job that provides greater psychological and emotional support. Consequently, the following hypotheses are formed:

*H1: There is a relationship between the use of internal complaint systems and employee retention.*

*H2: There is a relationship between the use of internal complaint systems and turnover intention.*

### **Internal complaint system and organizational justice.**

Staff are a key part of the ICS (Gruber, 2011). They are fundamentally linked to the complaints system in two main aspects: Firstly, the employees are the representatives of



the organization responsible for solving customers' problems and play a crucial role in ensuring the effectiveness of the system; and secondly, employee behaviour can be one of the sources of complaint and dissatisfaction with the service (Tronvoll, 2007).

In general, complaints arise when the service provided does not match with general standards or align with the perceptions or expectations of the customer (de Matos, Rossi, Veiga & Vieira, 2009). As mentioned above, customer behaviours in voicing their complaints are diverse (Kim et al., 2003; Lervik-Olsen, Andreassen & Streukens, 2016). Some can be characterized by lack of credibility or exaggeration in assessing damages (Steele, 1975). Moreover, the complainant is typically experiencing negative emotions at the time of complaint (Bennett, 1997; Liu & McClure, 2001). Handling such circumstances successfully requires highly experienced staff, diverse skills, and specialized training programs (Khantimirov & Karande, 2018; Svavi & Erling Olsen, 2012:42), in addition to wider powers to solve customer problems quickly and effectively (Gursoy et al., 2007). The task of handling customer complaints constitutes a significant functional burden on staff both behaviourally and administratively. In some cases, it may even be a task that employees are unable to perform if they have not received adequate training or experience (Heung & Lam, 2003; Varela-Neira, Vázquez-Casielles & Iglesias, 2010). There may furthermore be a defect in the organization's distributive justice meaning that employees feel that the pressure of shouldering such tasks is not sufficiently compensated (Alexander & Ruderman, 1987).

Implementation of an ICS requires a mechanism for tracking complaint data for the purpose of using it to improve performance and thus enhance prospects for sustainability (Ang & Buttle, 2006; Namias, 1964; Yilmaz et al., 2016). Customer complaints result in a series of corrective measures to satisfy the customer as well as administrative decisions that might directly affect employees such as disciplinary procedures against any employee that caused a complaint. This requires a significant administrative effort to verify the credibility of the complaint and the extent of the damage suffered by the customer or other stakeholders, especially given the possibility of opportunistic and/or exploitative complaints (Flynn, 2004). Any failure to sufficiently verify the credibility of the complaint could result in a series of hasty and unwarranted disciplinary measures (Avitabile & Kleiner, 2003). Such incidents would represent a failure of procedural justice. Unjustified customer complaints may ultimately result in a crisis of confidence between employees and their supervisors given the challenges of verifying the credibility of complaints, especially in the case of clients who are experienced in exploiting the complaint system. As a result, the ICS may generate tension between the organization's decision-makers and their subordinates (Brashear, Manolis, & Brooks, 2005). Accordingly, the following hypothesis is proposed:

*H3: There is a relationship between the use of internal complaint systems and organizational justice.*



## Organizational justice and turnover intention

Most studies on the topic have indicated that there is a strong relationship between OJ and turnover intention: If workers feel that they are treated unfairly, they tend to want to leave the organization and seek alternatives (Daly & Dee, 2006). However, researchers' opinions differ as to which of the different dimensions of OJ (procedural, distributive, and interactional justice) are most implicated in the relationship with turnover intention. For each of the three dimensions, there exist studies that indicate a significant impact of that particular dimension on turnover intention (e.g., Choi, 2009; Cohen-Charash & Spector, 2001; Jepsen & Rodwell, 2007; Nadiri & Tanova, 2010). A number of studies highlight distributive justice as the dimension of OJ that primarily influences workers' intention to leave their jobs (Hendrix et al., 1998; Hom, Griffeth & Sellaro, 1984), while Chan and Jepsen (2011), for example, argue that procedural justice is the principal motivator behind turnover. Cohen-Charash and Spector (2001) demonstrate the correlation of both distributive and procedural justice with employees' desire to leave. According to their study, interactional justice had no significant impact, though this is contrary to the findings of several other studies (Elanain, 2009; Loi, 2006). Lambert et al. (2010), meanwhile, offer evidence of both distributive and interactional justice being significant influencing factors in employee turnover. According to Lee et al. (2010), the effect of procedural and interactional justice on turnover intention is greatly diminished when employees feel satisfied with their organization's distributive justice. If this is the case, therefore, employees' desire to leave their jobs is reduced even if the level of satisfaction with interactional and procedural justice is low. In summary, despite the divergent views regarding the respective impact of the three dimensions of OJ, researchers' concur that overall there is a negative relationship between OJ and turnover intention. On this basis, the following hypotheses are formed:

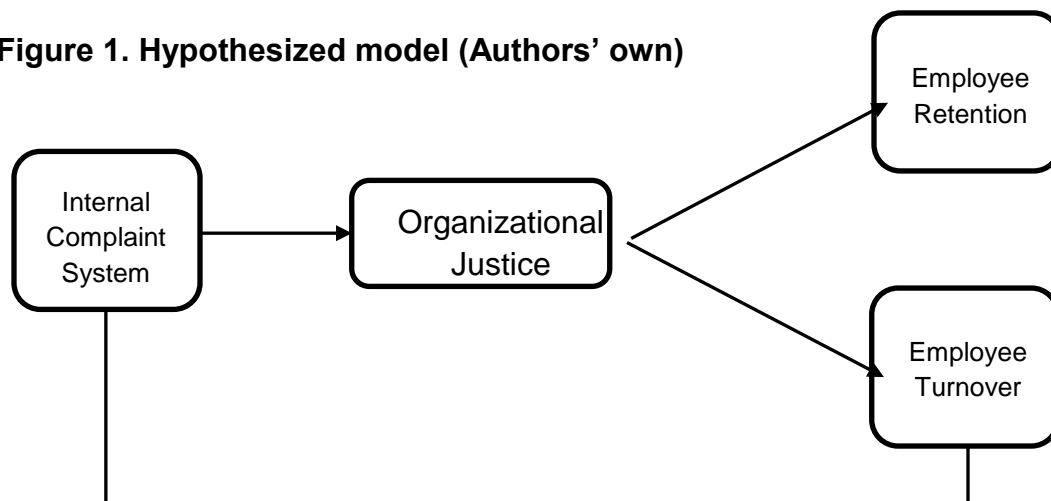
*H4: There is a relationship between organizational justice and employee retention.*

*H5: There is a relationship between organizational justice and turnover intention.*

*H6: Organizational justice mediates the relationship between the use of internal complaint systems and turnover intention.*

*H7: Organizational justice mediates the relationship between the use of internal complaint systems and employee retention.*

**Figure 1. Hypothesized model (Authors' own)**





## Methodology

This study aimed to explore how an organization's use of an internal complaint system (ICS) relates to both employee turnover and retention through the mediating variable of organizational justice (OJ). We used a descriptive and hypothesis-testing approach to explore this association. A structured questionnaire was used to collect the data from the prospective respondents. The questionnaire included 37 questions related to the research variables. Specifically, ICS was measured with 16 items adopted from Zairi (2000); OJ was measured using 13 items adopted from Maxham and Netemeyer (2003); employee retention was measured using five items adopted from Hong, Hao, Kumar, Ramendran, and Kadiresan (2012); and turnover intention using three items adopted from Nadiri and Tanova (2010). Respondents answered all questions using a five-point scale ranging from 1 (not at all effective) to 5 (extremely effective) for the degree of effectiveness of ICS; from 1 (never) to 5 (always) for organizational justice and turnover intentions; and from 1 (strongly disagree) to 5 (strongly agree) for employee retention.

The population of this study includes all employees engaged at the time of study in five-star hotels in Northern Cyprus. After obtaining the needed ethical clearances and permissions, the researchers' administered 550 questionnaires to the employees of five hotels included in the study population using the convenience sampling technique. After several follow-up procedures, 396 valid responses were received, representing a response rate of 72%. The demographic characteristics of the respondents are presented in Table 1.

Table 1 (Descriptive Statistics of Demographic Variables)

Variable	Details	Frequency	Percent
Gender	Male	285	72.0
	Female	111	28.0
Age (years)	18-22	81	20.5
	23-30	141	35.6
	31-40	139	35.1
	≥ 41	35	8.8
Education	Secondary school or less	109	27.5
	Diploma	99	25.0
	Bachelor's degree	151	38.1
	Postgraduate studies	37	9.3
Experience	< 1	67	16.9
	1-3	151	38.1
	3-5	62	15.7
	>5	116	29.3
	Total		396



The descriptive statistics of the variables are shown in Table 2. The mean is considered low if  $M < 2$ , moderate if  $M \geq 2$  and  $\leq 3$ , and high if  $M > 3$ . It can be seen that the mean value is 3.5 for OJ, 3.7 for ICS, 3.5 for employee retention, and 3.7 for turnover intention. These figures point out that the respondents have a high perception toward ICS, OJ, and employee retention. Turnover intention is moderate as shown by the corresponding mean value of 2.8. The skewness and kurtosis statistics also show that the data is normally distributed as the values are less than the cut-off value of |2| (Hair, Black, Babin, & Anderson, 2010). Thus, non-normality of data is not an issue for this study.

Table 2 (Descriptive Statistics of the Research Variables)

Variable name	M	SD	Skewness	Kurtosis	ICS	OJ	Turnover	Retention
ICS	3.7001	.72971	-.921	.742	1			
OJ	3.5085	.85167	-.729	.750	.844	1		
Turnover	2.8350	1.09043	.216	-.753	-.593	-.686	1	
Retention	3.6611	.83724	-.702	.388	.693	.671	-.539	1

Note. ICS = internal complaint system; OJ = organizational justice.

Before undertaking the data analysis, we tested for potential common method bias using Harmon's Single Factor Test (Podsakoff, MacKenzie, Lee & Podsakoff, 2003). The results show that the resulting single factor accounts for only 19% of the variance in the model, suggesting that common method bias is not an issue in this research.

## Data Analysis

This study used the well-known method of partial least squares structural equation modeling (PLS-SEM) to examine our proposed research model. PLS-SEM allows the examination of multiple variables and several equations simultaneously (Garson, 2016; Hair, Hult, Ringle & Sarstedt, 2014; Ringle, Sarstedt & Straub, 2012). PLS-SEM is suggested to be the most appropriate technique when the assumption of multivariate normality is not attained, and sample sizes are relatively small. It can also effectively manage complex models that contain mediating and/or moderating variables and can model theoretical concepts at a high level of abstraction. PLS-SEM is furthermore acknowledged to be the appropriate methodology by which to examine and test new relationships, particularly in an unknown population (Garson, 2016; Hair et al., 2014; Hair, Ringle & Sarstedt, 2011). Thus PLS-SEM fits our research objective to explore the mediating effect played by organizational justice (OJ) in a new context. It moreover enabled us to handle the complexity of our model and provide a robust method to test the mediating effect.

Data analysis using PLS-SEM requires an evaluation of both the measurement model and structural model to ensure the quality of results and inferences (Alsaad, Mohamad & Ismail, 2017; Hair et al., 2014). Following the recommendations of Hair et al., (2014), we



tested the measurement model by assessing the reliability, convergent, and discriminant validity of the scales. Reliability is assessed by examining constructs' internal consistency. We used both composite reliability and Cronbach's alpha as an estimate of internal consistency. As shown in Table 3, all of the composite reliability and Cronbach's alpha values were well above the threshold value of 0.7, exhibiting an acceptable level of internal consistency (Alsaad, Yousif & AlJedaiah, 2018; Hair et al., 2014; Hair et al., 2011). We estimated the average variance extracted (AVE) and items loading to examine the construct convergent validity. Results show that the values of item loading were above 0.6. The AVE values were higher than the cut-off value of 0.5, showing that each construct in the model explains over 50% of the variance in their items (Hair et al., 2014; Hair et al., 2011). This shows a sufficient level of convergent validity in our measurement model.

Table 3 (Reliability and Convergent Validity Assessment)

Construct name	Item name	Loading	Composite reliability	Cronbach's alpha	Average variance extracted
Internal complaint system	Q1	0.6669	0.9542	0.9487	0.5663
	Q2	0.7133			
	Q3	0.7726			
	Q4	0.749			
	Q5	0.7264			
	Q6	0.7023			
	Q7	0.7871			
	Q8	0.7883			
	Q9	0.8106			
	Q10	0.7831			
	Q11	0.7829			
	Q12	0.7343			
	Q13	0.7971			
	Q14	0.7543			
	Q15	0.7531			
	Q16	0.7024			
Organizational justice	Q17	0.8693	0.96	0.9548	0.649
	Q18	0.8281			
	Q19	0.8466			
	Q20	0.8576			
	Q21	0.8135			
	Q22	0.7788			
	Q23	0.7769			
	Q24	0.793			
	Q25	0.7826			



	Q26	0.7807			
	Q27	0.7653			
	Q28	0.7728			
	Q29	0.7989			
Turnover	Q30	0.9391	0.9361	0.8976	0.8301
	Q31	0.9099			
	Q32	0.8835			
Retention	Q33	0.9116	0.9048	0.8683	0.658
	Q34	0.7778			
	Q35	0.9088			
	Q36	0.7472			
	Q37	0.6854			

We also estimated the heterotrait-monotrait ratio of correlations (HTMT) and items cross loading to assess the constructs' discriminant validity. HTMT has recently been declared more appropriate than the Fornell-Larcker criterion to test the discriminant validity (Garson, 2016; Henseler, Hubona & Ray, 2016; Nitzl, 2016). Results, presented in Table 4, show that the values of HTMT range between 0.6 and 0.88, which are less than the threshold value of 0.90 (Henseler et al., 2016). The results of the cross-loading analysis (see Table 5) show that the loading of each item is higher on their postulated constructs than any other constructs in the model. These figures adequately show the discriminant validity of the scales. Overall, the figures presented in this section display a highly satisfactory level of reliability as well as convergent and discriminant validity.

Table 4 (Discriminant Validity: Heterotrait-Monotrait Ratio of Correlations (HTMT))

Construct	Internal complaint system (ICS)	Organizational justice (OJ)	Turnover	Retention
ICS				
OJ	0.8858			
Turnover	0.6459	0.7436		
Retention	0.757	0.7323	0.6099	

Table 5 (Discriminant Validity: Cross Loading)

Item	Internal complaint system	Organizational justice	Turnover	Retention
Q1	0.6669	0.5576	-0.3992	0.4386
Q2	0.7133	0.6097	-0.4118	0.4803
Q3	0.7726	0.6914	-0.4967	0.5689
Q4	0.749	0.6612	-0.4438	0.5491
Q5	0.7264	0.632	-0.4721	0.5346
Q6	0.7023	0.6034	-0.4192	0.4947

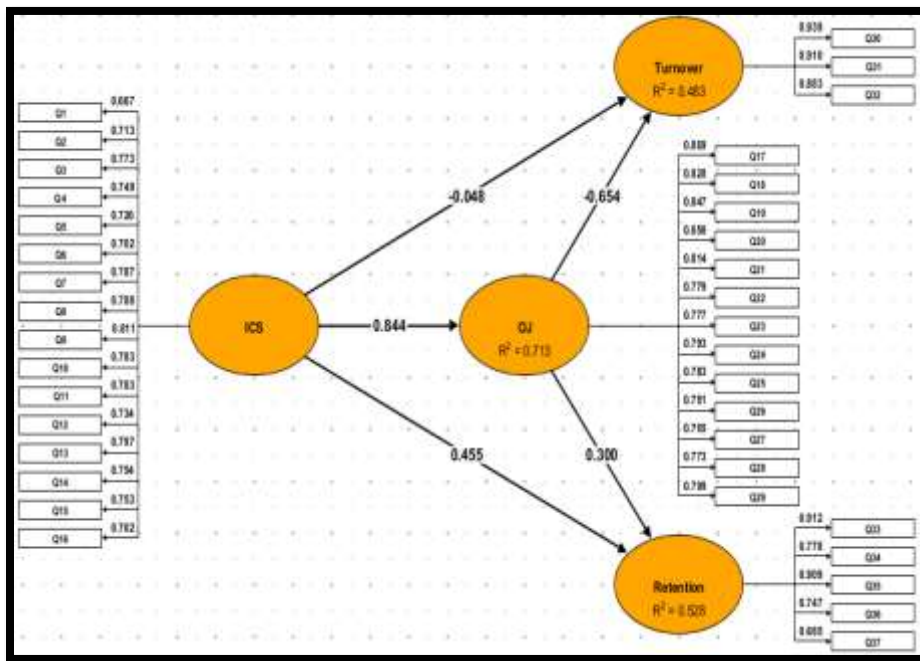


Q7	0.7871	0.6872	-0.4783	0.5434
Q8	0.7883	0.6761	-0.4666	0.5603
Q9	0.8106	0.6804	-0.4737	0.5391
Q10	0.7831	0.6662	-0.4857	0.5277
Q11	0.7829	0.6632	-0.4923	0.5481
Q12	0.7343	0.6134	-0.4592	0.4913
Q13	0.7971	0.619	-0.4397	0.5839
Q14	0.7543	0.6005	-0.4249	0.5669
Q15	0.7531	0.631	-0.4459	0.5909
Q16	0.7024	0.5481	-0.3971	0.4902
Q17	0.6976	0.8693	-0.5938	0.6162
Q18	0.7156	0.8281	-0.6091	0.6536
Q19	0.7141	0.8466	-0.6014	0.6433
Q20	0.7169	0.8576	-0.6238	0.5977
Q21	0.6945	0.8135	-0.5495	0.4884
Q22	0.7053	0.7788	-0.5289	0.5232
Q23	0.6607	0.7769	-0.5638	0.5479
Q24	0.6614	0.793	-0.5819	0.5198
Q25	0.67	0.7826	-0.5332	0.4955
Q26	0.639	0.7807	-0.489	0.4566
Q27	0.6186	0.7653	-0.5094	0.5498
Q28	0.6711	0.7728	-0.524	0.5253
Q29	0.6687	0.7989	-0.5442	0.5137
Q30	-0.606	-0.7024	0.9391	-0.6193
Q31	-0.5114	-0.5584	0.9099	-0.4471
Q32	-0.5135	-0.6247	0.8835	-0.4414
Q33	0.7336	0.6797	-0.5387	0.9116
Q34	0.5227	0.467	-0.3434	0.7778
Q35	0.6816	0.6644	-0.5771	0.9088
Q36	0.4442	0.4507	-0.3872	0.7472
Q37	0.4014	0.4482	-0.3605	0.6854

Next, we assessed the structural model using PLS bootstrapping procedures with 1000 resamples (Hair et al., 2014). The results of the structural model estimation show that the model explains 52% of the variance in retention and 48% of the variance in turnover. These figures show that the suggested model explains a satisfactory level of variance in the endogenous variables and thus the model has an adequate predictive power (Hair et al., 2011). We assessed the research hypotheses based on the standardized path coefficients and their t-statistics and significance based on the two-tailed test. As shown in Table 6 and depicted in Figure 1, the results show that the direct relationship between internal complaint system (ICS) and employee retention is positive and significant (path



coefficient = 0.455,  $p < 0.000$ ), showing that as ICS increases, employee retention does likewise. This provides strong evidence to support H1. Contrary to expectations, the direct association between ICS and employee turnover is not significant (path coefficient = -0.048,  $p > 0.05$ ), suggesting that there is no causal relationship between ICS and employee turnover. Thus, we reject H2. The results also show a strong and significant relationship between ICS and OJ (path coefficient = 0.844,  $p < 0.000$ ) as predicted by H3. This suggests that a high level of ICS will increase OJ. We therefore accepted H3. As for H4 that suggests that OJ will positively affect employee retention, the results show a positive and significant causal relationship (path coefficient = 0.300,  $p < 0.05$ ), showing that as OJ increases, so does employee retention. Therefore, we accept H4. With regard to H5 that proposes a negative relationship between OJ and employee turnover, the results support the hypothesis, indicating a relationship that is negative and significant (path coefficient = -0.654,  $p < 0.000$ ). This implies that a high level of OJ will decrease the level of employee turnover.



**Figure 2. Estimates of the Structural Model**

Table 6 (Estimates of Path Coefficients in the Structural Model (Direct Effects))

Effect	Original coefficient	Standard bootstrap results			
		Standard error	t value	p value (2-sided)	p value (1-sided)
ICS -> OJ	0.8443	0.0335	25.2175	0.000	0.000
ICS -> Turnover	-0.0475	0.1252	-0.3793	0.7046	0.3523
ICS -> Retention	0.4548	0.1406	3.2359	0.0013	0.0006
OJ -> Turnover	-0.6543	0.1162	-5.6335	0.000	0.000
OJ -> Retention	0.3002	0.1387	2.1652	0.0306	0.0153

Note. ICS = internal complaint system; OJ = organizational justice.



Finally, to test the hypothesized mediation effects, we assessed the significance level of indirect effect and estimated the bootstrap confidence intervals (Nitzl, Roldan & Cepeda, 2016; Preacher & Hayes, 2008). In H6, ICS is hypothesized to increase the level of employee retention through its influence on OJ. Similarly, in H7, ICS is postulated to decrease the level of employee turnover through its influence on OJ. The results of the PLS estimate appear in Table 7. The results show that the indirect effect of ICS on employee retention through OJ is positive and significant (path coefficient = 0.253,  $p < 0.05$ ), and that the indirect effect of ICS on employee turnover through OJ is negative and significant (path coefficient = -0.552,  $p < 0.000$ ). The estimates of bootstrap confidence intervals show that the indirect effects of ICS on both employee retention and turnover differ from zero. If none of the confidence intervals include zero, the indirect effect (i.e., mediation) is then considered meaningful. Therefore, both the significance level of indirect effects and the estimate of bootstrap confidence intervals indicate support for H6 and H7.

Table 7 (Estimates of Indirect Path Coefficients in the Structural Model)

Effect	Original coefficient	Standard bootstrap results				Bootstrap confidence intervals			
		Standard error	t value	p value (2-sided)	p value (1-sided)	0.50%	2.50%	97.50%	99.50%
ICS -> Turnover	-0.5524	0.1105	-4.9997	0.000	0.000	-0.859	-0.7987	-0.3743	-0.3351
ICS -> Retention	0.2535	0.1244	2.0381	0.0418	0.0209	0.0268	0.0676	0.5459	0.602

Note. ICS = internal complaint system.

In summary, we employed several tests to ensure the quality and robustness of our results. The results provide support for all the hypotheses suggested in our model except H2. The results support the main supposition of our thesis that OJ mediates the relationship between ICS and both employee retention and turnover intention.

## Conclusion

The purpose of this research was to study the impact of ICS on the intention of employees to leave their jobs and the ability of the organization to retain its staff with the existence of OJ as a mediator in the North Cyprus five hotel industry. The results of the study show a negative relationship between the ICS and turnover intention and a positive one between ICS and retention. This is consistent with the study (Johnston, 2001), whose findings showed that the ICS effectively contributes to achieving higher rates of job satisfaction. The questionnaire used in our study examined the effectiveness of the ICS from the perspective of the hotel employees, which highlighted the importance of, for example, providing training programs for employees to increase their ability to deal with complaints and customer response (Moliner Velázquez et al., 2006; Tronvoll, 2007; Namkung, Jang & Choi, 2011; Russell-Bennett & Ashkanasy, 2014; Ang & Buttle, 2006; Namias, 1964).



In addition, it has been previously acknowledged in other research that giving sufficient authority to employees responsible for dealing with complaints contributes to their handling complaints better (Moliner Velázquez et al., 2010; Namkung, Jang & Choi, 2011; Varela-Neira, Vázquez-Casielles & Iglesias 2010; Karatepe & Ekiz, 2004; Ogbeide et al., 2017; Gursoy, McCleary & Lepsito, 2007; Ergün & Kitapci, 2018). It has moreover been suggested that strengthening employee feedback processes would allow organizations to benefit from employees' proposals regarding the development of the work systems and thereby perhaps reduce the recurrence of customer complaints as well as dissatisfaction among workers (Mishra, 1994; Bendall-Lyon & Powers, 2001). All of the above contribute to a more stable and less stressful work environment (Fornell & Wernerfelt, 1987).

On the other hand, weaknesses in the ICS can negatively affect employees' sense of OJ, which is measured in three dimensions (distributive, procedural, and interactional). The results of this study show that in the case of an effective ICS, it contributes to a positive sense of justice. The study also investigated the effect of OJ in its three dimensions on the intention of employees to leave the organization, and the study indicated that there is a negative relationship between each of the dimensions and turnover intention. Thus, the reduction of OJ generates the intention to leave among employees, which is consistent with the results of previous studies, while increasing the sense of justice within the organization generates a greater desire to stay in the organization and thus strengthens the organization's ability to retain its employees. This confirms the validity of the relationship between turnover intention and the ability of the organization to retain employees (Loi, Hang-Yue & Foley, 2006; Rai, 2013; Dailey & Kirk, 1992; Campbell et al., 2013; Nadiri & Tanova, 2010; Ponnu & Chuah, 2010). As a result, OJ was considered a mediator between the ICS and both employee turnover and retention.

Based on the above, the ICS is an indispensable necessity for the organization to achieve defensive marketing objectives and an effective way to improve the quality of service in hotels. Poor implementation of the ICS can however generate negative damage to the organization by increasing turnover rates and reducing its ability to retain staff. We recommend providing a highly efficient ICS to achieve retention objectives for clients and employees alike. We furthermore advise increasing research attention on the effects of the ICS on employees, as opposed to its impact on customers or organizational objectives only.

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