

**A CRITICAL ANALYSIS OF ORGANISATIONAL
JUSTICE IN THE SOUTH AFRICAN FINANCIAL
SERVICE INDUSTRY**

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**A CRITICAL ANALYSIS OF ORGANISATIONAL JUSTICE IN THE
SOUTH AFRICAN FINANCIAL SERVICE INDUSTRY**

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DECLARATION

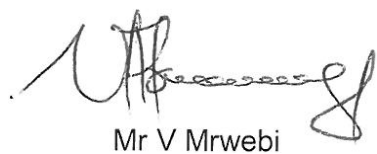
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In accordance with Rule G4.6.3, I hereby declare that the above-mentioned thesis is my own work and that it has not previously been submitted for assessment to another University or for another qualification.



Mr V Mrwebi

.....
SIGNATURE

4 March 2018
.....

DATE:

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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. It thus captures what an individual feel or evaluates to be, morally correct rather than viewing it to be something prescriptive. 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 followed. This study made use of the non-probability sampling technique, specifically convenient and judgemental sampling, 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 mediating variable of organisational justice was viewed by respondents as a two-dimensional construct, namely procedural-interactional justice and distributive justice. Consequently, intrinsic rewards, extrinsic rewards, organisational transparency and organisational climate were identified as independent variables that could have an impact on the procedural-interactional justice to predict organisational citizenship behaviour and reputable employee retention in the financial services industry. No relationships were identified between

trustworthiness of management and employee engagement and procedural- interactional justice. The independent variables, trustworthiness of management, extrinsic rewards and organisational climate, could have an impact on distributive justice to predict organisational citizenship behaviour and reputable employee retention in the financial services industry. No relationships were identified between employee engagement, intrinsic rewards, organisational transparency and distributive justice.

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 antecedents of organisational justice in the financial services industry are not well documented in literature and findings of this study could thus contribute towards closing this gap in literature. The findings of this study could 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 strategising and management of OJ that could enhance their local and global competitiveness and long-term survival.

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

TABLE OF CONTENTS

DECLARATION	i
ACKNOWLEDGEMENTS	ii
ABSTRACT	iii
TABLE OF CONTENTS	v
LIST OF FIGURES	xx
LIST OF TABLES	xxii

CHAPTER 1

BACKGROUND AND SCOPE OF THE STUDY

1.1	INTRODUCTION AND BACKGROUND	1
1.2	PROBLEM STATEMENT	2
1.3	PURPOSE AND SIGNIFICANCE OF THE STUDY	3
1.4	RESEARCH OBJECTIVES	4
	1.4.1 Primary objective	4
	1.4.2 Secondary objectives	4
1.5	RESEARCH QUESTIONS.....	4
1.6	CONCEPTUAL MODELS SUPPORTING THE RESEARCH.....	5
	1.6.1 Lavelle, Rupp and Brockner's model (2007)	5
	1.6.2 Kang's model (2007).....	5
	1.6.3 Rupp's model (2011).....	6
1.7	HYPOTHETICAL MODEL AND HYPOTHESES OF THE STUDY	7
1.8	OPERATIONALISATION OF STUDY VARIABLES AND PREVIOUS RESEARCH.....	9
	1.8.1 Trustworthiness of management.....	9
	1.8.2 Employee engagement	9
	1.8.2.1 <i>Decision-making</i>	10
	1.8.2.2 <i>Expression of opinions</i>	10

1.8.2.3	<i>Job development</i>	11
1.8.2.4	<i>Concern for well-being</i>	11
1.8.3	Reward system	12
1.8.3.1	<i>Extrinsic rewards</i>	12
1.8.3.2	<i>Intrinsic rewards</i>	12
1.8.4	Organisational transparency	12
1.8.5	Two-way communication.....	13
1.8.6	Organisational climate.....	13
1.8.6.1	<i>Supervisory style</i>	13
1.8.6.2	<i>Organisational support</i>	14
1.8.7	Outcomes of organisational justice	14
1.8.7.1	<i>Organisational citizenship behaviour</i>	15
1.8.7.2	<i>Ethical behaviour</i>	16
1.8.7.3	<i>Employee retention</i>	16
1.9	LITERATURE REVIEW OF ORGANISATIONAL JUSTICE.....	16
1.9.1	Clarification of organisational justice concept	16
1.9.2	Antecedents of organisational justice.....	18
1.10	RESEARCH DESIGN AND METHODOLOGY	20
1.10.1	Research paradigm.....	20
1.10.2	Population	21
1.10.3	Sampling	21
1.10.4	Data collection	22
1.10.5	Questionnaire design	23
1.10.6	Pilot study	24
1.10.7	Data analysis	25
1.10.8	Reliability and validity of the measuring instruments.....	25
1.11	SCOPE AND DELIMITATION OF THE RESEARCH.....	26
1.12	PRIOR RESEARCH	26

1.13	STRUCTURE OF THE RESEARCH.....	27
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CHAPTER 2

OVERVIEW OF FINANCIAL SERVICES INDUSTRY IN SOUTH AFRICA

2.1	INTRODUCTION	29
2.2	THE BUSINESS ENVIRONMENT	30
2.2.1	Micro environment	30
2.2.1.1	<i>The vision, mission and objective of a business.....</i>	31
2.2.1.2	<i>The organisation and its management</i>	31
2.2.1.3	<i>Resources</i>	31
2.2.2	Market environment	32
2.2.2.1	<i>Competitors.....</i>	32
2.2.2.2	<i>Suppliers</i>	32
2.2.2.3	<i>Customers.....</i>	33
2.2.2.4	<i>Intermediaries.....</i>	33
2.2.3	Macro environment	33
2.2.3.1	<i>Economic environment.....</i>	34
2.2.3.2	<i>Technological environment</i>	34
2.2.3.3	<i>Physical environment.....</i>	34
2.2.3.4	<i>Social environment.....</i>	35
2.2.3.5	<i>Political or institutional environment</i>	35
2.3	CHALLENGES OF THE FINANCIAL SERVICES INDUSTRY IN SOUTH AFRICA	36
2.3.1	Globalisation of financial services	36
2.3.2	Management of waiting lines.....	36
2.3.3	Technology in financial services	37
2.3.4	Service encounter	37
2.3.5	Transformation of financial services industry	37

2.3.6	Financial sector regulation	38
2.4	CLASSIFICATION OF SERVICES	38
2.4.1	Services firms characterised as people processing	41
2.4.2	Services firms characterised as possession processing	41
2.4.3	Services firms characterised as mental stimulus processing	41
2.4.4	Services firms characterised as information processing	41
2.5	CHARACTERISTICS OF SERVICES	41
2.6	ROLE OF THE FINANCIAL SERVICES INDUSTRY	42
2.6.1	Services industry contribution to GDP.....	43
2.6.2	Services industry contribution to society	44
2.7	CHANGING SERVICES ENVIRONMENT	45
2.7.1	The services scape	46
2.7.2	Perceived waiting time	46
2.8	FUTURE PROSPECTS FOR FINANCIAL SERVICES INDUSTRY IN SOUTH AFRICA.....	47
2.9	COMPARISON OF SERVICES INDUSTRY IN S.A. WITH OTHER BRICS COUNTRIES.....	47
2.9.1	Economic and social trends	48
2.9.2	Technology trends	49
2.9.3	Modern customers	49
2.9.4	Cybersecurity and analytics	49
2.10	THE FINANCIAL SERVICES INDUSTRY IN SOUTH AFRICA	50
2.11	REGULATORY BODIES OF THE SOUTH AFRICAN FINANCIAL SERVICES	51
2.11.1	The Association of Savings and Investment South Africa (ASISA) ...	51
2.11.2	Banking Association South Africa (BASA)	51
2.11.3	Banking Sector Education and Training Authority (BANKSETA)	51
2.11.4	Insurance Sector Education and Training Authority (INSETA).....	52
2.11.5	South African Insurance Association (SAIA)	52

2.12	ORGANISATIONAL JUSTICE IN THE FINANCIAL SERVICES INDUSTRY	52
2.13	SUMMARY	54

CHAPTER 3

THEORIES RELATED TO ORGANISATIONAL JUSTICE

3.1	INTRODUCTION	55
3.2	THEORIES OF ORGANISATIONAL JUSTICE	55
3.2.1	Leader-Member Exchange theory	55
3.2.1.1	<i>Managerial implications of LMX theory</i>	57
3.2.1.2	<i>How to build high-quality leader member exchange relationships</i>	58
3.2.2	Trust as a quality of building exchange relationships	59
3.2.3	Empowerment as builder of high-quality exchange	60
3.2.4	Further developments of high quality exchange relationships	61
3.2.5	Equity theory	62
3.2.5.1	<i>Antecedents of inequity</i>	64
3.2.5.2	<i>Consequences of inequity</i>	66
3.2.5.3	<i>Theoretical implication of Equity theory on organisational justice</i>	67
3.2.5.4	<i>Critique of Equity theory</i>	69
3.2.6	Social exchange theory	70
3.2.6.1	<i>The reciprocity rules</i>	73
3.2.6.2	<i>Justice as an indicator of social exchange</i>	75
3.2.6.3	<i>Social exchange relationships</i>	76
3.2.6.4	<i>Social exchange relationships in the workplace</i>	77
3.2.6.5	<i>Types of relationships in social exchange theory</i>	78
3.2.7	Psychological contracts theory	80
3.2.7.1	<i>Consequences of contract breach and violation</i>	84

3.2.7.2	<i>Key debates and challenges in the domain of psychological contract theory</i>	85
3.2.7.3	<i>Employer perspectives on psychological contract</i>	87
3.2.8	Stage Models of Trust Theory	89
3.2.9	Expectancy theories	92
3.2.10	Affective events theory	101
3.2.11	Emotions and work motivation	103
3.2.12	Emotions and voluntary work behaviours	105
3.2.13	Emotions and organisational justice	107
3.2.14	Action theory	108
3.2.15	Stakeholder Management theory	110
3.2.15.1	<i>A stakeholder based perspective on value</i>	116
3.2.15.2	<i>Stakeholder utility associated with actual goods and services</i>	117
3.2.15.3	<i>Stakeholder utility associated with organisational justice</i>	118
3.2.15.4	<i>Stakeholder utility associated with organisational affiliation</i>	120
3.2.15.5	<i>Stakeholder utility associated with opportunity costs</i>	121
3.3	SUMMARY	123

CHAPTER 4

OVERVIEW OF ORGANISATIONAL JUSTICE

4.1	INTRODUCTION	124
4.2	CONCEPTUALISATION OF ORGANISATIONAL JUSTICE	125
4.2.1	Distributive justice	127
4.2.2	Procedural justice	127
4.2.3	Interactional justice	128
4.3	EVOLUTION AND HISTORY OF ORGANISATIONAL JUSTICE	128
4.3.1	Distributive justice movements	130

4.3.2	Procedural justice movement.....	133
4.3.3	Interactional justice movement.....	134
4.4	TYPES OF ORGANISATIONAL JUSTICE	135
4.4.1	Distributive justice	136
4.4.2	Procedural justice	138
4.4.3	Interactional justice	141
4.5	ANTECEDENTS OF ORGANISATIONAL JUSTICE	143
4.5.1	Employee participation.....	143
4.5.2	Leadership	144
4.5.3	Communication	146
4.5.4	Justice climate	147
4.5.5	Trust.....	147
4.5.6	Ethical climate.....	148
4.6	THE IMPORTANCE OF ORGANISATIONAL JUSTICE IN THE WORKPLACE ..	1439
4.7	BENEFITS AND CHALLENGES OF ORGANISATIONAL JUSTICE	14351
4.8	ETHICAL CLIMATE AND ORGANISATIONAL JUSTICE	143
4.9	REASONS WHY JUSTICE MATTERS TO EMPLOYEES IN THE WORKPLACE.....	14354
4.10	EMPLOYEES' BEHAVIOUR IN RESPONSE TO INJUSTICE IN THE WORKPLACE.....	155
4.10.1	Naming.....	156
4.10.2	Blaming	156
4.11	ACTING ON INJUSTICE IN THE WORKPLACE	159
4.11.1	Factors influencing a person`s need to act on an injustice.....	159
	4.11.1.1 <i>The impact of the injustice</i>	159
	4.11.1.2 <i>Limiting future injustices</i>	159
4.11.2	Factors influencing choice of action	161
	4.11.2.1 <i>Level of perceived control</i>	162
	4.11.2.2 <i>The predisposition of unfairly treated individuals</i>	162

4.11.2.3	<i>Clear route for action</i>	163
4.11.2.4	<i>Shared perceptions with others</i>	163
4.12	MANAGEMENT OF EMPLOYEE REACTIONS TO ORGANISATIONAL INJUSTICES.....	163
4.12.1	Eliminate gross injustices.....	163
4.12.2	Provide accessible and effective mechanisms for responses to injustices	164
4.12.3	Allow employee voice.....	164
4.13	BENEFITS AND CHALLENGES OF ORGANISATIONAL JUSTICE	166
4.14	THE IMPACT OF ORGANISATIONAL JUSTICE ON ORGANISATIONAL CITIZENSHIP BEHAVIOUR	168
4.15	MANAGING THE EMPLOYEES FAIRLY IN AN ORGANISATION.....	170
4.16	SUMMARY	173

CHAPTER 5

HYPOTHETICAL MODEL OF ORGANISATIONAL JUSTICE IN THE SOUTH AFRICAN FINANCIAL SERVICES INDUSTRY

5.1	INTRODUCTION	175
5.2	MODELLED INFLUENCES OF ORGANISATIONAL JUSTICE IN THE SOUTH AFRICAN FINANCIAL SERVICES INDUSTRY	175
5.3	DEFINITION OF RESEARCH VARIABLES AND HYPOTHESES.....	176
5.3.1	The modelled influences of organisational justice	176
5.3.1.1	<i>Trustworthiness of management</i>	176
5.3.1.2	<i>Employee engagement</i>	178
5.3.1.3	<i>Reward system</i>	184
5.3.1.4	<i>Organisational transparency</i>	185
5.3.1.5	<i>Two-way communication</i>	187
5.3.1.6	<i>Organisational climate</i>	189
5.3.2	Organisational justice as mediating variables	191

5.3.3	The modelled outcomes of organisational justice	193
5.3.3.1	<i>Organisational citizenship behaviour</i>	193
5.3.3.2	<i>Ethical behaviour</i>	195
5.3.3.3	<i>Employee retention</i>	198
5.4	SUMMARY	199

CHAPTER 6

RESEARCH METHODOLOGY

6.1	INTRODUCTION	200
6.2	PURPOSE OF THE STUDY	200
6.2.1	Primary research objective.....	201
6.2.2	Secondary research objectives	201
6.2.3	Research questions	201
6.3	RESEARCH PARADIGM.....	202
6.3.1	Quantitative research.....	204
6.3.2	Qualitative research	205
6.3.3	Mixed methods research.....	206
6.4	RESEARCH DESIGN	207
6.4.1	Population	207
6.4.2	Sampling design	207
6.4.2.1	<i>Stages in selecting a sample</i>	208
6.4.2.2	<i>Sampling frame and sample size</i>	208
6.5	DATA COLLECTION METHODS	210
6.5.1	Primary data.....	210
6.5.2	Secondary data.....	211
6.6	QUESTIONNAIRE DESIGN	212
6.7	ADMINISTRATION OF QUESTIONNAIRES	215
6.7.1	Response rate and sample size.....	215

6.7.2	Missing data	216
6.8	DEMOGRAPHIC PROFILE OF THE RESPONDENTS	216
6.9	OPERATIONALISATION OF VARIABLES AND RESEARCH INSTRUMENT DESIGN	219
6.9.1	Trustworthiness of management.....	219
6.9.2	Employee engagement	219
	6.9.2.1 <i>Decision-making</i>	220
	6.9.2.2 <i>Expression of opinions</i>	220
	6.9.2.3 <i>Job development</i>	220
	6.9.2.4 <i>Concern for employee well being</i>	22019
6.9.3	Reward system	220
	6.9.3.1 <i>Extrinsic rewards</i>	221
	6.9.3.2 <i>Intrinsic rewards</i>	221
6.9.4	Organisational transparency	221
6.9.5	Two-way communication.....	2210
6.9.6	Organisational climate.....	221
	6.9.6.1 <i>Supervisory style</i>	222
	6.9.6.2 <i>Organisational support</i>	222
	6.9.6.3 <i>Organisational citizenship behaviour</i>	222
6.9.7	Ethical behaviour	2221
6.9.8	Employee retention	222
6.10	CRITERIA FOR EVALUATING THE MEASURING INSTRUMENT	224
	6.10.1 Reliability.....	224
	6.10.2 Cronbach's alpha values.....	225
	6.10.3 Validity	225
6.11	DATA ANALYSIS.....	228
	6.11.1 Descriptive statistics.....	229
	6.11.2 Factor analysis.....	229

6.12	REGRESSION ANALYSIS	232
6.13	CORRELATION ANALYSIS	2332
6.14	ETHICAL CONSIDERATIONS	233
6.15	SUMMARY	234

CHAPTER 7

EMPIRICAL RESULTS OF THE STUDY

7.1	INTRODUCTION	235
7.2	HYPOTHESES AND HYPOTHETICAL MODEL OF THE STUDY	235
7.2.1	The first set of hypotheses concerning the independent variables and the mediating variable (organisational justice)	235
7.2.2	The second set of hypotheses concerning the relationship between the organisational justice and dependent variables (outcomes).....	236
7.3	DATA ANALYSIS OF THE EMPIRICAL RESULTS.....	238
7.4	RELIABILITY OF THE INITIAL MEASURING INSTRUMENTS.....	239
7.5	VALIDITY OF THE MEASURING INSTRUMENTS	240
7.5.1	Exploratory factor analysis	241
7.5.1.1	<i>Perceptions of employees regarding trustworthiness of management, employee engagement, reward system, organisational transparency, two-way communication and organisational climate.....</i>	241
7.5.1.2	<i>Perceptions of employees regarding organisational justice and its outcomes (OCB, ethical behaviour and employee retention).....</i>	245
7.6	CRONBACH'S ALPHA VALUES OF LATENT VARIABLES BASED ON THE RESULTS OF FACTOR ANALYSIS: THEORETICAL MODEL	247
7.7	DESCRIPTIVE STATISTICS	252
7.8	REFORMULATION OF HYPOTHESES	253
7.8.1	The hypotheses related to procedural interactional justice which were subjected to empirical verification (Figure 7.3a)	253

7.8.1.1	<i>First set of hypotheses: Relationships between the independent variables and procedural interactional justice (mediating variable).....</i>	253
7.8.1.2	<i>Second set of hypotheses: Relationships between procedural interactional justice and the dependent variables (outcomes).....</i>	254
7.8.2	The hypotheses related to distributive justice which were subjected to empirical verification (Figure 7.3b)	256
7.8.2.1	<i>First set of hypotheses: Relationships between the independent variables and distributive justice (mediating variable)</i>	256
7.8.2.2	<i>Second set of hypotheses: Relationships between distributive justice and the dependent variables (outcomes)</i>	2567
7.9	REGRESSION ANALYSIS	259
7.9.1	The influence of trustworthiness of management, employee engagement, extrinsic and intrinsic rewards, organisational transparency and organisational climate on procedural interactional justice in the financial service industry	259
7.9.2	The influence of trustworthiness of management, employee engagement, extrinsic and intrinsic rewards, organisational transparency and organisational climate on distributive justice.....	261
7.9.3	The influence of procedural interactional justice (PIJ) on organisational citizenship behaviour and reputable employee retention (outcomes)	262
7.9.4	The influence of distributive justice (DJ) on organisational citizenship behaviour and reputable employee retention (outcomes)	264
7.10	CORRELATION ANALYSIS TABLE	269
7.11	FINDINGS ON HYPOTHESISED RELATIONSHIPS.....	271

7.11.1	Findings of hypotheses: Relationship between independent variables and procedural interactional justice	271
7.11.2	Findings of hypotheses: Relationship between procedural interactional justice and outcomes	272
7.11.3	Findings of hypotheses: Relationships between independent variables and distributive justice	273
7.11.4	Findings of hypotheses: Relationship between distributive justice and outcomes	274
7.12	SUMMARY	275

CHAPTER 8

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

8.1	INTRODUCTION	277
8.2	SUMMARY OF OBJECTIVES AND FINDINGS OF THE STUDY	277
8.3	INFERENCES TO THE RESEARCH QUESTIONS.....	279
8.4	CONCLUSIONS OF THE FINDINGS OF THE STUDY	282
8.4.1	The empirical findings based on employees' perceptions of procedural-interactional justice	283
8.4.1.1	<i>The influence of extrinsic rewards on procedural-interactional justice.....</i>	<i>284</i>
8.4.1.2	<i>The influence of intrinsic rewards on procedural-interactional justice.....</i>	<i>285</i>
8.4.1.3	<i>The influence of organisational transparency on procedural-interactional justice.....</i>	<i>285</i>
8.4.1.4	<i>The influence of organisational climate on procedural-interactional justice.....</i>	<i>285</i>
8.4.2	The empirical findings and implications based on employees' perceptions of distributive justice	286
8.4.2.1	<i>The influence of trustworthiness of management on distributive justice.....</i>	<i>287</i>

8.4.2.2	<i>The influence of extrinsic rewards on distributive justice..</i>	287
8.4.2.3	<i>The influence of organisational climate on distributive justice</i>	288
8.4.3	The empirical findings based on outcomes of organisational justice.....	289
8.4.3.1	<i>The influence of perceptions of procedural-interactive and distributive justice on organisational citizenship behaviour</i>	289
8.4.3.2	<i>The influence of perceptions of procedural-interactive and distributive justice on reputable employee retention..</i>	290
8.5	RECOMMENDATIONS REGARDING ORGANISATIONAL JUSTICE IN THE FINANCIAL SERVICE INDUSTRY	291
8.5.1	Distributive and procedural-interactive justice.....	291
8.5.2	Trustworthiness of management.....	293
8.5.3	Extrinsic rewards.....	293
8.5.4	Intrinsic rewards.....	294
8.5.5	Organisational transparency	295
8.5.6	Organisational climate.....	296
8.5.7	Organisational citizenship behaviour.....	297
8.5.8	Reputable employee retention	297
8.6	CONTRIBUTIONS OF THE STUDY.....	298
8.7	LIMITATIONS OF THE STUDY	300
8.8	RECOMMENDATIONS FOR FURTHER STUDIES	300
8.9	CONCLUDING REMARKS	301
	REFERENCES	303

APPENDIX A: COVER LETTER	357
APPENDIX B: QUESTIONNAIRE	359
APPENDIX C: ETHICS CLEARANCE: FORM E	368
APPENDIX D: LETTER: LANGUAGE EDITOR	372
APPENDIX E: TURNITIN REPORT	374

LIST OF FIGURES

Figure 1.1: Hypothetical model of organisational justice in the South financial service industry	7
Figure 2.1: Elements of the business environment	30
Figure 2.2: Classification of service firms.....	39
Figure 2.3: Trends among BRICS countries	48
Figure 3.1: Building high quality leader member -exchange	58
Figure 3.2: A social exchange explanation for organisational justice effects	71
Figure 3.3: Development-based trust for employment relationship	89
Figure 3.4: Development-based trust.....	90
Figure 3.5: Graphic representation of the development-based model in the workplace.....	90
Figure 3.6: Vrooms expectancy theory	93
Figure 3.7: Expectancy theory of Porter and Lawler	99
Figure 3.8: Conceptual model of affective events theory	102
Figure 3.9: Uses of stakeholder theory	113
Figure 4.1: Typesd of organisational justice.....	135
Figure 4.2: Behavioural responses to dissatisfaction	160
Figure 5.1: Modelled influences and outcomes of the hypothetical model of this study.....	176
Figure 7.1: Hypothetical model of organisational justice in the financial service industry in South Africa	237
Figure 7.2a: The adapted model of the relationships among variables based on employee views regarding procedural interactional justice (PIJ)	250
Figure 7.2b: The adapted model of the relationships among variables based on employee views regarding distributive justice (DJ)	251

Figure 7.3a: The hypothesised model of employee perceptions regarding procedural interactional justice (PIJ)	255
Figure 7.3b: The hypothesised model of employee perceptions regarding distributive justice (DJ).....	258
Figure 7.4a: Summary of the regression analysis results: Procedural interactional justice in the financial service industry.....	267
Figure 7.4b: Summary of the regression analysis results: Distributive justice in the financial services industry	268
Figure 8.1: Empirical evaluation of the proposed influences and outcomes on perceptions regarding organisational justice.....	283

LIST OF TABLES

Table 2.1:	Contribution of services sector to GDP of the country.....	43
Table 2.2:	Employment by industry	44
Table 2.3:	Financial services industry employment by gender.....	44
Table 2.4:	South African financial services employment by province.....	45
Table 3.1:	Inputs and outcomes of Equity theory	64
Table 3.2:	Summary of theories of organisational justice.....	122
Table 6.1:	Sample structure of the study.....	209
Table 6.2:	Layout of questionnaire and study variables	214
Table 6.3:	Response rate of the study	215
Table 6.4:	Composition of the respondents in demographic terms	216
Table 6.5:	Summary of operationalisation of variables and scale development.....	223
Table 7.1:	Abbreviations of study variables.....	238
Table 7.2:	Cronbach's alpha values of initial measuring instruments: Theoretical model.....	240
Table 7.3:	Exploratory factor loadings: Employee perceptions regarding trustworthiness of management, employee engagement, reward system, organisational transparency, two-way communication and organisational climate	242
Table 7.4:	Exploratory factor loadings: Organisational justice (mediating variable) and outcomes (dependent variables)	245
Table 7.5:	Factor loadings: Cronbach's alpha coefficients of the latent variables which are based on the comprehensive exploratory factor analysis	248
Table 7.6:	Empirical factor structure for regression analysis for latent variables.....	249
Table 7.7:	Descriptive statistical analysis.....	252

Table 7.8:	Regression analysis: The influence of trustworthiness of management, employee engagement, extrinsic and intrinsic rewards, organisational transparency and organisational climate on procedural interactional justice.....	260
Table 7.9:	Regression analysis: The influence of trustworthiness of management, employee engagement, extrinsic and intrinsic rewards, organisational transparency and organisational climate on distributive justice.....	262
Table 7.10:	Regression analysis: The influence of procedural-interactional justice (PIJ) on organisational citizenship behaviour.....	263
Table 7.11:	Regression analysis: The influence of procedural-interactional justice (PIJ) on reputable employee retention.....	264
Table 7.12:	Regression analysis: The influence of distributive justice (DJ) on organisational citizenship behaviour.....	265
Table 7.13:	Regression analysis: The influence of distributive justice (JD) on reputable employee retention.....	266
Table 7.14:	Correlation matrix of variables of the study.....	269
Table 8.1:	Conclusions based on research questions of the study.....	279

CHAPTER 1

BACKGROUND AND SCOPE OF THE STUDY

1.1 INTRODUCTION AND BACKGROUND

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 & 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).

The perceptions of fairness are crucial to explore as it has consistently been associated with employee attitudes and behaviours related to work that can either lead to withdrawal behaviours or can motivate a person to go beyond the call of duty as well as to demonstrate citizenship behaviours (Greenberg, 1990:402). The perceptions of unfairness can make people indulge in an act of deviance targeted towards the source thereby resulting into less commitment and dissatisfaction that eventually results into lower performance (El Akremi, Vandenberghe & Camerman, 2010). Conversely, the perceptions of being treated fairly benefits the organisation in terms of profitability (Baldwin 2006:10), through organisational commitment, increased job performance, engagement of employees into organisational citizenship behaviour, trust in supervisors and management and reduced conflicts (Cohen-Charash &

Spector 2001:280; Colquitt 2001:389 El Akremie *et al.*, 2010, Konovsky, 2000 and Rhoades & Eisenberger 2002).

Although the financial services industry makes up an increasingly large percentage of total jobs in the South African economy (Coetzee, 2005:9), limited research was found on organisational justice in the financial services industry in South Africa. In addition, since the financial services industry is composed of a diverse group of employees, limited research was found investigating similarities or disparities and factors that contribute to the financial services industry. Moreover, the antecedents of organisational justice are not well documented and represent a significant gap in literature. Furthermore, several characteristics of financial services, as compared to other organisational behaviour settings, suggest the need to examine organisational justice in this context (Butt & Atif 2015:36). In addition, despite the importance of service behaviours influencing customer perceptions of service quality and customer satisfaction, relatively little research has placed attention on identifying factors that affect organisational justice behaviours (Rahim, Magner, Antonioni & Rahman, 2000:333).

Against this background, this study will thus focus on the nature, extent and impact of organisational justice within the financial services industry in South Africa.

1.2 PROBLEM STATEMENT

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 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).

The quality of work is compromised owing to poor work performance and disciplinary hearings are increasingly being challenged in appeals to the CCMA, even though it is sometimes not clear of what constitutes a dismissible offence. Jones (2009:114) researched counterproductive work behaviours and found that employees tend to direct a desire for revenge towards the source of the perceived injustices and may exhibit a longing for reprisals. This has been seen to be causing disastrous consequences such as increased employee absenteeism, absence without leave and even theft and sabotage by employees. Bolino (2004:236) suggests that when employees are unhappy they can display negative attitudes that can affect the overall work operations. This leads to the following main research question to be addressed in this study: *What are is nature and the extent of organisational justice in the financial services industry in South Africa?*

1.3 PURPOSE AND SIGNIFICANCE OF THE STUDY

The main purpose of this study is to investigate and critically analyse organisational justice in the financial services industry in South Africa. Various South African publication databases were used to consider previous studies on organisational justice. Limited research that investigated organisational justice was found within the services industry in South Africa, with special reference to the financial services industry. It is envisaged that on completion, the results of this study could assist financial services firms to understand the variables that influence organisational justice. It is further envisaged that the results and recommendations of this study will be used to implement effective organisational justice practices that could ensure effective functioning of organisations by means of organisational citizenship behaviour, ethics, employee motivation and innovativeness.

1.4 RESEARCH OBJECTIVES

1.4.1 Primary objective

The primary objective of this study is to critically analyse organisational justice within the financial services industry in South Africa.

1.4.2 Secondary objectives

The following secondary objectives of this study are identified to:

- critically review the literature pertaining to organisational justice;
- empirically assess the views of employees and managers with regard to organisational justice in the financial services industry in South Africa;
- provide managerial guidelines and recommendations in terms of how organisational fairness can be effectively implemented and improved in the financial services industry; and
- add to the body of knowledge of organisational justice in the financial service industry.

1.5 RESEARCH QUESTIONS

The following research questions to be addressed in this study are:

- Does *trustworthiness of management* effectively impact on organisational justice?
- Does *employee engagement* impact on organisational justice?
- Does the *reward system* regarding extrinsic and intrinsic rewards promote organisational justice?
- Does *organisational transparency* impact on organisational justice?
- Does *two-way communication* positively influence organisational justice?
- Does *organisational climate* with regard to supervisory style and organisational support impact on organisational justice?
- Does organisational justice impact on *organisational citizenship behaviour*?
- Does organisational justice increase *ethical behaviour* in the South African financial services industry?

- Does organisational justice increase *employee retention* in the South African financial services industry?

1.6 CONCEPTUAL MODELS SUPPORTING THE RESEARCH

This section covers various previous studies and models regarding organisational justice that were used as a basis for developing the hypothetical model of this study.

1.6.1 Lavelle, Rupp and Brockner's model (2007)

Lavelle, Rupp and Brockner (2007:852) developed a multi-foci approach to justice, social exchange and citizenship behaviour and opine that employees use multiple parties to create perceptions of organisational justice. These assessments will impact on the level of social exchange between the employee and a particular party and are more likely to reciprocate feelings of justice and social exchange by directing their attitude and behaviours to the focal party. This model is termed a targeted similarity, whereby the utilisation of the organisation, supervisors and co-workers are the demonstrating foci. It is stated that higher expectations of fairness about a particular entity estimates social attitude and behaviour with that entity, which in turn estimates higher levels of citizenship behaviour. Distributive justice is embedded in the model for social exchange, which can affect relationships and effectively predict organisationally-directed outcomes and organisational identification. Three types of organisational justice are effectively utilised in this model (Moorman, 1991:861). Lavelle *et al.* (2007:855) further postulate that the social exchange process is a two-way one in that when the organisation shows serious concern about the well-being of an employee, the employee will also be concerned about the functional well-being of the organisation in a form of organisational commitment. Perceived organisational support (POS) could create commitment in organisational support, which could help in boosting employee self-esteem and affiliation.

1.6.2 Kang's model (2007)

Kang's (2007:90) organisational justice model postulates that employee justice perceptions are a predictor of their motivation to participate in training (Konovsky & Cropanzano 1993:701). Barling and Philipps (1993:651) concur that perceptions of employees' procedural justice are perceived as benefits of training that affect

employee motivation to participate in training activities. Organisational justice can effectively predetermine the willingness of employees to effectively participate in training programmes. The findings of this study suggest that HR practitioners or auxiliary departments need to act upon formal organisational procedures and pursue the quality of interpersonal treatment. In order to realise the full potential of the notion of organisational justice, they could enable organisational training design to be effectively linked with the important aspect of organisational life, such as performance appraisal, compensation and employee relationship management (Kang, 2007:92).

1.6.3 Rupp's model (2011)

The justice process model postulates that employees are confronted with work-related events on a daily basis. The experience of these events creates various psychological processes (Rupp, 2011:81). The formation of justice judgements and holding others accountable for unjust acts and development of relationships is critical with those parties that are accountable for justice-related events and development of employees' subsequent attitudinal and behavioural responses. Rupp (2011:84) further envisaged that these phenomena are encroached by individual differences and the social context in which employees experience these events. It considers the cognitive and emotional mechanisms by which fairness perceptions lead to behaviours and acknowledges the complex network of relationships in which employees reside.

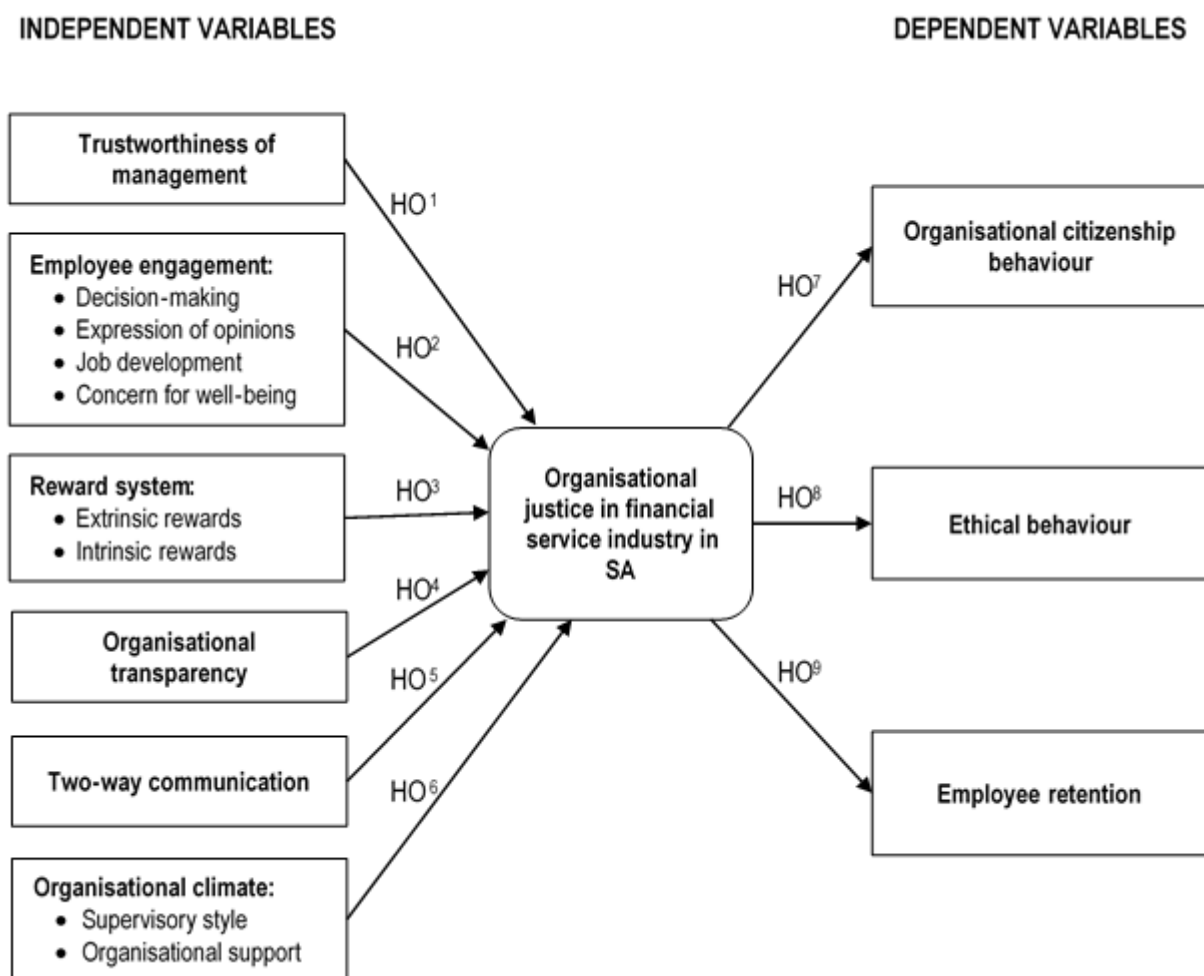
What justice researchers have been arguing of late is not that these facets are unimportant to the understanding of justice, but rather, that they may not be capturing the true experiential nature of work events as they are interpreted by working people. In fact, there may be significant variance of individuals' global perceptions of organisational justice that is left un-captured (Rupp, 2011:90). Greenberg (2001:214) has criticised and condemned the justice based process model. It is perceived as a model that focuses on a unitary single-dimension of overall justice purporting that holistic judgements are more proximal predictors of employee attitudes and behaviours than individual facets. The justice process model stems from general experiences of general injustices calculated, orthogonal judgments of outcomes, processes and interpersonal treatment (Haustein, McGonigle & Flinder, 2001:45).

1.7 HYPOTHETICAL MODEL AND HYPOTHESES OF THE STUDY

In light of the secondary sources analysed in this study and particularly the models by Lavelle *et al.*, Kang (2007:102) and Rupp (2011:80), a theoretical model of perceptions regarding organisational justice was constructed (see Figure 1.1).

The proposed theoretical model of the study shows that the perceptions of organisational justice are influenced by six independent variables, namely, *trustworthiness of management*, *organisational transparency*, *reward systems*, *employee engagement*, *two-way communication*, and *organisational climate*. The dependent variables are *organisational citizenship behaviour*, *employee motivation*, *ethical behaviour* and *organisational innovativeness*.

Figure 1.1: Hypothetical model of organisational justice in the South financial service industry



The following null hypotheses are to be addressed in this study:

- **First set of hypotheses: Relationships between the independent variables and the mediating variable**
 - H0¹: *Trustworthiness of management* does not influence organisational justice in the financial service industry.
 - H0²: *Employee engagement* (as measured by involvement in decision-making, expression of opinions, job development and concern for well-being) does not influence organisational justice in the financial service industry.
 - H0³: *Reward systems* (as measured by extrinsic and intrinsic rewards) do not influence organisational justice in the financial service industry.
 - H0⁴: *Organisational transparency* does not influence organisational justice in the financial service industry.
 - H0⁵: *Two-way communication* does not influence organisational justice in the financial service industry.
 - H0⁶: *Organisational climate* (as measured by supervisory style and organisational support) does not influence organisational justice in the financial service industry.

- **Second set of hypotheses: Relationships between the mediating variable and the dependent variables (outcomes)**
 - H0⁷: Organisational justice does not influence *organisational citizenship behaviour* in the financial service industry.
 - H0⁸: Organisational justice does not influence *ethical behaviour* in the financial service industry.
 - H0⁹: Organisational justice does not influence *employee retention* in the financial service industry.

1.8 OPERATIONALISATION OF STUDY VARIABLES AND PREVIOUS RESEARCH

1.8.1 Trustworthiness of management

Cropanzano, Bowen and Gilliland (2007:39) state that trust can be defined as the propensity to become vulnerable in respect to another party. This means that management is accountable to gain employee trust within the organisation. It is thus a socially confirmed expectation to deal with expectations and to deal with all pertinent issues and strategic goals of the organisation. Trustworthiness of management plays a crucial role for effective organisational justice to take place in an organisational setting. The value of trustworthy managers is an antecedent of trust, which creates positive attitudes and behaviours within the workplace. The trust within the organisation increases employee performance and compliance to rules and regulations of the organisation (Kramer, 1999:572). The antecedents of trust include aspects such as competence, consistency, fairness, integrity, loyalty, openness, receptivity, benevolence and value congruence. Managerial trustworthiness is significantly associated with employee satisfaction by building trust between managers and subordinates. Colquitt, Conlon, Wesson, Porter and Ng (2001:432) envisaged that the three components of organisational justice can create a trustworthy environment within the organisational setting. Haliru and Mokhtar (2015:4) perceive a strong correlation between organisational justice and trustworthiness of management.

Trustworthiness of management should be clearly characterised by a situation where there is mutual trust between employees and management to reinforce organisational justice. Trust involves the active participation of management to gain the trust of employees and a better understanding of how organisational goals and objectives are to be achieved. Trust is perceived as a socially confirmed expectation of management to deal with expectations of managerial roles and to deal with all pertinent issues and strategic goals of the organisation (Korsgaard, Pitariu & Jeong 2008:90).

1.8.2 Employee engagement

Al-Tit and Hunitie (2015:48) envisaged that there is a strong relationship between organisational justice and employee engagement. Employee engagement refers to a mutual commitment between employers and employees to do things to help one

another to achieve goals and aspirations (Markos & Sridevi, 2010:92). Employee engagement is strongly considered as a viable means of competitive advantage in the increasingly complex world of business and services and is instrumental in the realisation of organisational goals and objectives (Lockwood, 2007:2). Organisations can do several specific things to promote feelings of engagement among employees. The key four drivers of engagement are:

- involving employees in making decisions;
- giving employees opportunities to express their ideas and opinions;
- providing opportunities for employees to develop their jobs; and
- showing concern for employees' well-being as individuals (Al-Tit & Hunitie, 2015:54).

1.8.2.1 Decision-making

Decision-making is seen as a process of making choices by setting goals, gathering information and assessing alternative courses of action (Pettigrew 2014:59). It can be described as a situation where employees are afforded an opportunity to effectively contribute in making effective organisational decisions as a reaction to problems confronting the organisation, which may directly or indirectly impact on organisational effectiveness (Robbins, Judge, Odendaal & Roodt, 2009:123). The decision-making process is a way of engaging employees, which is directly linked to organisational justice as a form of interactional justice within the organisation. Employees that are effectively engaged in the decision-making process of the organisation are more likely to be engaged in their work and derive more satisfaction as a form of organisational justice and can increasingly contribute to organisational development (Guirdham, 2002:402).

1.8.2.2 Expression of opinions

Expression of opinions is seen as a belief, judgment, or way of thinking about something or what someone thinks about a particular thing (Kassing, 2011:95). Edmundson (2006:308) suggests that expression of opinions and concern about organisational phenomena may reveal agreement, suggestion, arguments and support or discontent, disagreement or contradictory opinions or divergent views. In

order to be effectual, expressions must be voiced to people who are able to directly address the discerned concern. In an organisational setting, a voice system represents sanctioned channels for employees to express their content or discontent. Harlos (2001:260) outlined that the expression of opinions is a way which leads to organisational justice and is strongly linked with procedural justice and interactional justice, which is a conduit for successful organisational performance. Organisational injustices can be created indirectly if employees fear retaliation, they will not voice out their concerns.

1.8.2.3 Job development

Job development is described by Robbins *et al.* (2009:172) as a form of job expansion, which increases the degree to which the employee controls planning, executing and the evaluation of work. Job development means the number and variety of tasks that an individual performs are increased. This means that combining tasks, establish client relationship and open feedback channels and provisions for training and development are created for the employee (Simonsen, Fabian, Buchanan & Luecking, 2011:80). Job development plays an important role in terms of organisational justice perceptions. When employees are granted such an opportunity to develop themselves and take crucial decisions in their jobs, they are more likely to perceive positive organisational justice (Nel, Werner, Poisat, Du Plessis, Ngalo, Sono & Van Hoek, 2011:360).

1.8.2.4 Concern for well-being

Employee wellness forms an integral part of organisational justice perceptions. It is described as a way in which the organisation identifies the factors that may impede the well-being of employees and attempts to meet all needs and expectations that may hinder their well-being (Fenton, Pinilla Roncancio, Sing, Sodhra & Carmichael, 2014:2). The antecedents of well-being include employee wellness programmes such as counselling and provision of gymnasium and health-related products. Concern for well-being creates a situation where employees perceived a positive relationship between concern for well-being and organisational justice if the employee wellness programme is addressed and practised without any form of favouritism, which could create injustice perceptions (Grandey, 2008:237).

1.8.3 Reward system

The reward system includes both extrinsic and intrinsic rewards.

1.8.3.1 Extrinsic rewards

Extrinsic rewards are those which have physical existence and cash-based rewards (e.g. office pay, salary, bonuses and other indirect forms of payment). According to Baer, Oldham and Cummings (2003:569), when extrinsic rewards are fairly reimbursed to an employee, this will create a situation where fairness is perceived as distributive justice, which may eventually lead to increased motivation and organisational commitment, employee satisfaction and employee effectiveness. Ajmal, Bashir, Abrar, Khan and Saqib (2015) envisaged that lower-level employees such as administrators and foremen, perceive extrinsic rewards based on their level of employment, which may contribute extensively in terms of how organisational justice practises should be affected to create a motivated work-force.

1.8.3.2 Intrinsic rewards

Giancola 2014:25) argues that intrinsic rewards are perceived as non-cash rewards or a reward that does not have any physical existence (e.g. employee recognition, acknowledgement, professional growth, authority to immediate tasks, respect and appreciation). Intrinsic rewards require equity in the form of distributing them amongst employees within the organisation. When employees perceive inequity in a way of how intrinsic rewards are distributed, this could create organisational injustice, which may lead to demotivated and demoralised employees. The rewards where employees are praised, promoted and developed create a positive organisational culture and could lead to perceived organisational justice (Ryan & Deci, 2000:62). Employees at a higher level of employment such as middle managers, top managers and other strategic managers, seek intrinsic rewards which contribute to a positive relationship between organisational justice and rewards systems (Robbins *et al.* 2009:437).

1.8.4 Organisational transparency

Transparency can be defined as an organisational ability to divulge information to its employees in order to create an effective understanding between the organisation and its employees (Sturges 2007:85). The revelation of pertinent information creates a

balanced workforce, which creates perceived organisational justice which eventually increases employee performance. Openly communicating goals should be the fundamental step which drives collaborative work effort exerted within the organisation (Dando & Swift, 2003). The information needs to be broken down to manageable goals for each employee. This could create a positive relationship between transparency and organisational justice in term of informational justice (Schnackenberg & Tomlinson, 2014:39).

1.8.5 Two-way communication

This refers to sending a message and feedback between the sender and receiver by employing tools of persuasion and negotiation (Morsing & Schultz, 2006:333). According to Versosa and Garcia (2009:1), communication refers to the design of action plans intended to promote voluntary changes in behaviours amongst those involved in the organisation. Employee participation is a key indicator of effective communication and assists with initiating well-tailored organisational justice policies which serve as a two-way check and feedback instrument from planning to implementation. Taran and Gächter (2012:28) postulate that when preparing for organisational justice, the organisation must communicate with shop stewards or union representatives, managers, employees, business leaders, potential investors, customers and national and international organisations about the imperative policies and procedures that constitutes a successful practice of organisational justice.

1.8.6 Organisational climate

This refers to the conditions within an organisation as viewed by its employees and usually describes practices involved in communication, conflict, leadership and rewards (Verbeke, Volgering & Hessels, 2002:321). For the purpose of this study, aspects of organisational climate include supervisory style and organisational support.

1.8.6.1 Supervisory style

Supervisory style can be described as the way in which management controls the resources and organisational atmosphere in terms of acceptable organisational rules. The supervisory style is a form of interaction exerted by the supervisor toward his subordinates (Aquinas, 2007:160). According to Cooper, Cartwright and Earley

(2001:178), in terms of organisational climate, supervisory styles entail antecedents of conflict management, developing team membership and dealing with subordinates. The extent to which the manager can successfully exercise his role as supervisor in a fair manner can be increasingly be correlated with motivation. Supervisory styles such as an employee-centred manager, transactional leader and task-oriented leader can be a true determinant of organisational justice practices or organisational injustice exercised (Guirdham, 2002:548). The perceived employee-centred or participative supervisor, who successfully exercises his authority, is more likely to be perceived as fair in terms of interactional justice.

1.8.6.2 Organisational support

In terms of organisational climate, Schneider, Erhart and Macey (2013:361) view organisational support as organisational commitment towards its employees and how employees internalise this form of support. Perceived organisational support reflects employee beliefs concerning the organisation's commitment towards them. Rhoades and Eisenberger (2002:701) stated that favourable treatment received by employees is positively related to perceived organisational support, which in turn influences outcomes such as affective commitment performance and reduced turnover. Lind (2001:57) state that the most important part of fairness is the resultant belief that employees develop in being a valued member of the organisation. Research has shown that the level of organisational justice present in management decisions, directly relates to the quality of social exchange relationships between the organisation and their employees (Tekleab, Takeuchi & Taylor 2005:140). Wayne, Shore, Bommer and Tetrick (2002:591) have found distributive justice and procedural justice relate significantly with perceived organisational support, with procedural justice having a stronger relationship. Employees perceive that the organisation cares when decisions are based on accurate and unbiased information and when the employees have the ability to raise their concerns.

1.8.7 Outcomes of organisational justice

Based on the theoretical model in Figure 1.1, this section discusses the outcomes that are realised after the successful implementation of organisational justice.

1.8.7.1 Organisational citizenship behaviour

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).

Organisational justice is strongly linked to employees' willingness to engage in behaviours helpful to the organisation. A meta-analysis by Colquitt *et al.* (2001:389) indicates that perceptions of organisational justice are related to several important work attitudes. Cohen-Charash and Spector (2001:303) also found that distributive, procedural and interactional justice, are all positively related to organisational citizenship behaviour. Citizenship behaviours improve organisational effectiveness by providing high performance in qualitative and quantitative senses (Trunkenbrodt, 2000:237). Podsakoff and MacKenzie (1997:136) suggest that citizenship behaviours improve organisational performance by increasing effectiveness through greasing the engine and reducing the friction. According to Moorman (1991:851), the evaluation of the employees by their superiors and their perceptions towards its fairness, determine their organisational behaviour and employees who perceive fair practices of managers provide more organisational citizenship behaviours. Konovsky and Pugh (1994:658) conclude that trust towards managers strengthens the relationship between procedural justice and organisational citizenship behaviours.

1.8.7.2 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).

1.8.7.3 Employee retention

According to De Vos and 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.

1.9 LITERATURE REVIEW OF ORGANISATIONAL JUSTICE

1.9.1 Clarification of organisational justice concept

Cropanzano and Greenberg (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; employees' perceptions of the fairness of decision-making and decision-making processes and the influence 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 processes followed as well as in decisions being made. Organisational justice could be divided into three distinct dimensions, namely, distributive, procedural and interactional justice, which is further divided into interpersonal and informational justice (Greenberg & Baron, 2008:44).

- Distributive justice

Distributive justice is primarily concerned with how the outcomes of the organisation are in terms of fairness (Maiese, 2013:51). It thus relates to the degree to which decisions by managers are fair in terms of distribution and allocation of 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, 2010:354). Distributive justice focuses on people's belief that they have received a fair amount of pay and recognition, which could have a great impact on employees' 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-ratio and if there are any imbalances, they perceive distributional injustice.

- 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 (Solum, 2004:14). Procedural justice thus refers to the degree of fairness during the process of making decisions or creating procedures, and relates to perceptions that affect employees and the degree of fair methods and guidelines used when allocation decisions are made (Niehoff & Moorman, 2010:356). Procedural justice and employees' perceptions of fairness of the procedures can be improved if employees are afforded an opportunity to voice 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.

- Interactional justice

Muzumdar (2012: 31) states that interactional justice refers to how one person treats another. A person is considered interactional if he or she appropriately shares information and avoids rude or cruel remarks. According to Colquitt *et al.* (2001:428), there are two aspects of interactional justice. The first part is called informational justice and refers to whether one is truthful and provides adequate justifications when things go wrong. The second part is called interpersonal justice and refers to the respect and dignity with which one treats others.

1.9.2 Antecedents of organisational justice

An understanding of events that arouse a sense of injustices in organisations could allow one to appreciate the richness of justice dynamics. Bies (2001:104) and Cohen (2015) researched organisational justice and identified the following categories of injustice:

- *Derogatory judgments* refer to any wrongful or unfair accusations about one's work performance or employees being stigmatised by being labelled by the employer as a trouble-maker or traitor.
- *Deception* could also arouse a sense of injustice. If employees have placed their trust on an employer, they reveal their vulnerability. If this vulnerability is misused it can trigger a sense of outrage.
- *Invasion of privacy* occurs where additional employee information is disclosed by the employer. Employers who use employees to spy against each other are viewed as a fundamental betrayal that results in the shattering of trust.
- *Disrespect* can take a variety of forms such as inconsiderate actions, abusive words and coercion. Abusive words or actions can take place in the form of rudeness, public criticism or berating of employees. Name-calling and actions which are deliberately intended to embarrass and humiliate can also be considered abusive.

Another significant abusive action, which could lead to perceptions of injustices, includes prejudicial statements such as racist or sexist remarks. Being a target of these kinds of insults can arouse a sense of injustice (Bies, 2001:105). Coercion,

which refers to the psychological effect that management practices might have on employees, where an employer compels an employee to perform a task which they both know, will arouse a sense of injustice. Cropanzano and Ambrose (2001:135) propose that the employee will compare his or her expectations to the actual outcome to exercise this judgment. Employees will feel that the outcome was fair if his or her expectations have been met or exceeded. However, when expectations have been violated and the outcomes fall short of what was anticipated he/she would experience a sense of injustice. Procedures in which people are treated differently are unusually considered as unfair. Cropanzano and Ambrose (2001:138) found that three rules could be applied in the distribution that could all be considered as fair, namely, equity, equality and need.

- An equity rule suggests that everyone should receive the same reward on their contribution.
- The equality rule states that all are equal and should have an equal chance of receiving a particular outcome or reward.
- Some individuals can quite fairly receive more favourable treatment than another if it is used to address an imbalance. Distribution could be allocated to meet the employee who has the most need.

Muchinsky (2003:316) warns that these types of disagreement on what is fair or unfair are not uncommon. Organisations should typically seek to gain consensus regarding which rule is the fairest to follow when distributing rewards and by different rules. Fairness perceptions play an important role in employees' decision to co-operate. Cropanzano and Ambrose (2001:120) regard organisations as sources of both economic and socio-emotional benefits, and it is important to individuals how rewards are distributed. Workplace benefits can be categorised into two types, namely, economic and socio-emotional. Economic benefits are relatively concrete and can be easily quantified into money. The manner in which the distribution is made and the final outcome is evaluated by the individual. Socio-emotional benefits are symbolic and are concerned with an individual's identification, standing and status within a group. Perceptions are formed whether the procedure and distribution process is fair or not (Anik, Akin, Norton & Dunn, 2009:19).

Gilliland (1994:701) proposes that fair treatment is associated with favourable work attitudes and higher job performance. Cropanzano, Prehar and Chen (2002:324) found that procedural justice relates to trust in top management, while interactional justice pertaining to interpersonal treatment is directly related to the quality of the manager who treated the employee fairly. The crucial factor in understanding the beneficial effect of interactional fairness is the quality of the leader-member relationship.

1.10 RESEARCH DESIGN AND METHODOLOGY

According to Blumberg, Cooper and Schindler (2008:195), a research design can be defined as a plan and structure of investigation as to obtain answers to research questions. It expresses both structures of the research problem and the plan of investigation used to obtain empirical evidence on relations to the problem. According to Leedy and Ormond (2001:14), the research methodology is a broad spectrum approach that the researcher takes in carrying out the research project. Furthermore, it is envisaged in Pilot *et al.* (2001:948) and Burns (2000:20) that research methodology is a way of obtaining, organising and analysing data, which includes the data collection and analysis techniques employed in the study. This study will adopt a survey research design.

1.10.1 Research paradigm

Furthermore, a research paradigm are different studies that clearly utilise various descriptions of main research approaches with homogenous themes, categories and overlapping emphases, which is in fact, qualitative and quantitative in nature (Mkhansi & Acheampong, 2012:135). Most research projects follow three main approaches, namely, qualitative, quantitative, and mixed methods (Creswell, 2003:209; 2009:5; Burns, 2006:613; Denzin & Lincoln, 2000:7). The quantitative and qualitative methods of data collection are often in support of each other on the research project (Burns, 2000:13). Wilson (2010:13-14) notes that quantitative studies emphasise the measurement and analysis of the causal relationships between variables, not processes. Gill and Johnson (2010:148) state that qualitative research, on the other hand, is defined as an approach in which quantitative data are not used and the research is less structured and focuses on the belief that the world is socially

constructed and subjective. Small samples are being researched in-depth or overtime by qualitative methods (Gray, 2009:64). A qualitative study follows an inductive theory, whereby theory becomes an outcome rather than one which is applied from start of the research (Wilson, 2010:13). Creswell (2003:8) also argued that the mixed methods approach is sometimes used whereby a combination of qualitative and quantitative research methods are utilised. The similarities of the ontology, epistemology and axiology in their definitions provide an ordinary subject matter with changed meanings and emphasis, yet there seems to be no agreement in the classification and categorisation of these paradigms (Mkansi & Acheampong, 2012:132).

This study adopted the positivistic research design by means of quantitative research.

1.10.2 Population

Blumberg *et al.* (2008:228) notes that a population is the total collection of elements about which one wishes to make inferences. The population, according to Hart and Clark (2007:24), is defined as the targeted homogenous group with similar characteristics that is in accordance to the researcher's interest when a study is conducted. According to Cooper and Schindler (2008:374), the population is a complete group of people that is suitable for a conducive research purpose. The population of this study comprised all the financial services firms such as banking, insurance and financial accounting as well as auditing firms operating in South Africa within the four provinces of the Eastern Cape, Western Cape, Gauteng and Kwazulu-Natal.

1.10.3 Sampling

Sampling is done when it is impractical for the researcher to survey the entire population and when the budget and time constraints prevent a survey of the population as a whole (Wilson, 2010:191). According to Neuman (2003:232), for small populations (under 1000) a researcher needs a larger sampling ratio (about 30%). The larger the sample, the less likely the error in generalising results to the population will be. Bryman and Bell (2007:182) assert that there are two sampling techniques that are called probability and non-probability sampling. A probability sampling refers to a sample that has selected and uses random selection so that each unit in population has a known chance of being selected. A non-probability sample can be defined as a

sample selected that does not use a random selection method. This method does not give units in the population equal chances of being selected (Neuman, 2003:210-211). Furthermore, sampling refers to the embodying factor, which envisages the representative group of participants in the target population base for statistical inferences (Palit, 2006:351).

According to Scooper and Schindler (2006:402), sampling is defined as any particular procedural element aimed at selecting a prion of population from which conclusions can be deduced about the entire population. The entailed sampling stages should be properly followed prior to the process of reaching the conclusions (Harmse, 2012:153). This means that sampling is primarily embedded in selecting a reasonable group which is sufficiently large to be representative of a large group of the population entailed within the study in order to avoid impeding the global picture of the data to be collected.

This study made use of the non-probability sampling technique, specifically convenient and judgemental sampling, as there is no data base of financial services firms available in South Africa. The study aimed to gather responses from 800 employees of financial services firms from the four selected provinces in South Africa. Furthermore, 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 will be in a position to produce similar data that 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.

1.10.4 Data collection

According to Neuman (2003:8), data can be defined as the empirical evidence or information that one gathers carefully according to rules and procedures. Wilson (2010:134) notes that there are two basic types of data, namely, primary and secondary data.

- **Secondary data**

Secondary data is composed of existing literature on organisational justice, which formed the basis for the conceptual framework, upon which the frame of reference of

the study was built. It is known as ones which was originally collected for a different purpose and reused for other research questions, and has an advantage to the researcher in terms of interaction as it allows printed materials which are non-human in nature (Shumba *et al.* 2005:91). A thorough literature review of theoretical work on the key concept of the organisational justice debate was conducted. Several data searches were done at Nelson Mandela University libraries using databases such as EBSCO, Emerald, Google searches, dissertation abstracts as well as leading organisational psychology journals. The review, however, covered journal articles, online reports as well as government and organisation/company documents.

- **Primary data**

Wilson (2010:134) defines primary data as information gathered for the purpose of the researcher's own study. The survey method was employed by means of self-administered structured questionnaires to collect primary data from managers and employees of the selected financial service firms. Primary data was collected by the researcher with the assistance of four fieldworkers recruited for this exercise. Questionnaires were distributed to the respondents by means of hand delivery and electronic mail and were collected after completion. The fieldworkers were trained prior to the data collection exercise so as to administer the questionnaires correctly and to observe ethical issues. The aim was to target 800 employees in the financial services industry (200 employees from each selected province). A total of 436 useable questionnaires were obtained (effective response rate of 54.5%) Ethical clearance was obtained from NMU before the empirical study was conducted.

1.10.5 Questionnaire design

In this study, the purpose of the measuring instrument was to obtain primary data to test the relationships shown in the hypothesised model, and to subsequently identify and critically examine organisational justice in South African financial services industry. Prior to the formulation of the questions, it is imperative that the researcher is precise about research questions and the intended goals of the study. A questionnaire usually consists of a combination of factual and opinion-related questions (Cohen *et al.* 2004:407). Closed-ended statements were used to elicit standard answers that can be analysed statistically. In lieu of measurement, a

semantic differential scale was utilised with a possible response, ranging from strongly disagree to strongly agree. A seven-point Likert ordinal scale was used in Sections A to C because it was believed that such a scale would allow the knowledgeable target population (i.e. senior managers, middle managers, supervisors and employees) to specify their responses more accurately (Han & Kamblar, 2006:104). Yet Leedy and Ormond (2005:26-27) assert that the choice of an interval scale also facilitates the obligatory inferential statistics data analysis to be undertaken. Section D used a nominal scale. The measuring instrument of this study consisted of a cover letter and four sections. The cover letter provided full details regarding the purpose of the study as well as the type of information being pursued (Collis & Hussey, 2003:55). Furthermore, a declaration of confidentiality and instruction on how to respond to the statement on the questionnaire formed part of the cover letter.

The questionnaire was comprised of the following four sections:

- Section A used an ordinal scale to analyse the role of the six *independent variables* on organisational justice using a seven-point Likert scale (47 statements).
- Section B analysed perceptions regarding organisational justice in the financial services industry in South Africa by means of a seven-point Likert-type scale (15 statements).
- Section C analysed the impact of organisational justice on the dependent variables (outcomes) using a seven-point ordinal Likert-type scale (15 statements).
- Section D consisted of nominal-scaled questions meant to solicit background information of respondents (*biographical characteristics*) such as gender, age, ethnic group, educational background and employment level (nine variables).

1.10.6 Pilot study

According to Bryman and Bell (2007:273), the purpose of a pilot study is to ensure that the survey operates well and that the entire research process functions well, as well as to make sure that questions, instruments or procedures are refined. The pilot study was conducted among 15 financial service firms that were selected from the

designated population, but were not included in the final sample. The wording of some of the questions, were changed to make it clearer for respondents.

1.10.7 Data analysis

Data collected was transferred to an Excel spread sheet and analysed by means of the Statistica computer programme. Upon receipt of the questionnaires, a rigorous check was done during data capturing for missing and incomplete questionnaires for the purpose of facilitating data processing without falsifying the results. Various statistical methods were used in this study. Descriptive statistics through measures of central tendency (mean, mode and median) and dispersion (standard deviation) was used. Frequency distributions expressed as percentages were presented in the form of tables, graphs and figures. Cronbach's alpha coefficients were used to assess the internal reliability of the study variables. Exploratory factor analysis was used to assess construct validity. Regression and correlation analysis was used to test relationships between the dependent and independent variables and to test the stated null-hypotheses of the study.

1.10.8 Reliability and validity of the measuring instruments

The measuring instruments were assessed for validity and reliability. According to Gill and Johnson (2010:143), validity refers to the extent to which a set of questions actually measures the variable it is supposed to measure. Both face and content validity will be assessed through a pilot study and expert judgement of management, ethics and statistical experts. Exploratory factor analysis was assessed through construct validity using discriminant validity. A cut-off point of 0.40 was used and at least three items should load per factor to be regarded as acceptable. Reliability of the measuring instrument refers to its internal consistency – that is, the extent to which a measuring device will produce the same result when applied more than once to the same person under similar conditions (Gill & Johnson, 2010:143). The assessment of the internal reliability of the instrument will be done by means of calculating Cronbach's alpha values.

1.11 SCOPE AND DELIMITATION OF THE RESEARCH

This study seeks to critically analyse organisational justice within the financial service industry in South Africa. It mainly looks at how the process of organisational justice is managed by paying particular attention to aspects such as *trustworthiness of management, employee engagement, reward system, organisational transparency, two-way communication and organisational climate (independent variables)*. The impact of organisational justice on outcomes such as *organisational citizenship behaviour, ethical behaviour, employee motivation and innovativeness* in the financial services industry will also be assessed. Geographically, the study will be done in three types of financial service firms (800), namely, banking, insurance and accounting within four provinces (200 from each) of South Africa.

1.12 PRIOR RESEARCH

It appears that limited research has been done on the influence of organisational justice in the financial services industry in South Africa. Coetzee's (2005:110) research was primarily based on the fairness of affirmative action from an organisational justice perspective. This study investigated, in particular, how perceived fairness of affirmative action influences employee commitment. Unless employees perceive affirmative action as fair, they will not commit themselves to the common purpose of maximising their own and one another's success and ultimately accomplish something beyond individual achievements. Another study was conducted by Govender, Grobler and Joubert (2015:571), which explored the importance of understanding justice perceptions of performance management practices as an enabler for sustained business performance. Govender *et al.* (2015:572) provide insightful thoughts about organisational justice in the chemical industry in terms of organisational performance. The study provides valuable new knowledge in the field of psychology and is useful for human resources management to implement the procedures that will fully engage all concerned in performance management practices (Chen & Eldridge 2010:250).

1.13 STRUCTURE OF THE RESEARCH

The study is divided into the following eight chapters:

- Chapter 1: Scope and background of the study

This chapter outlines the problem statement, research objectives and questions, proposed hypothetical model and hypotheses of the study, brief literature overview of organisational justice, the research design and methodology, demarcation of the study and the structure of the research.

- Chapter 2: Overview of the South African service industry

An analysis of the South African service industry and environment is presented in this chapter. Aspects to be covered include the business environment in general, types of service industries, characteristics and functions of services, challenges and trends in the service industry, comparison of the South African service industry with other BRICS countries and the financial services industry in South Africa.

- Chapter 3: Theories related to organisational justice

This chapter provides a detailed analysis of main theories related to organisational justice.

- Chapter 4: Overview of organisational justice

The nature of organisational justice is outlined in detail and includes aspects such as types of justice, models, processes, characteristics, benefits and challenges of organisational justice.

- Chapter 5: Hypothetical model of organisational justice in the service industry

This chapter outlines the hypothetical model and hypotheses of the study and discusses the variables of the study.

- Chapter 6: Research design and methodology

In this chapter, the research design and methodology of the study is discussed. Topics covered include research paradigm, population and sampling, data collection, questionnaire design, data analysis and reliability and validity of the measuring instruments.

- Chapter 7: Empirical tests and results

This chapter presents a summary of the empirical findings of the study.

- Chapter 8: Conclusions, summary and recommendations

Based on the empirical findings of the study, this chapter presents the main conclusions, summary and recommendations of the study.

Chapter 2 provides an overview of the financial services industry in South Africa.

CHAPTER 2

OVERVIEW OF FINANCIAL SERVICES INDUSTRY IN SOUTH AFRICA

2.1 INTRODUCTION

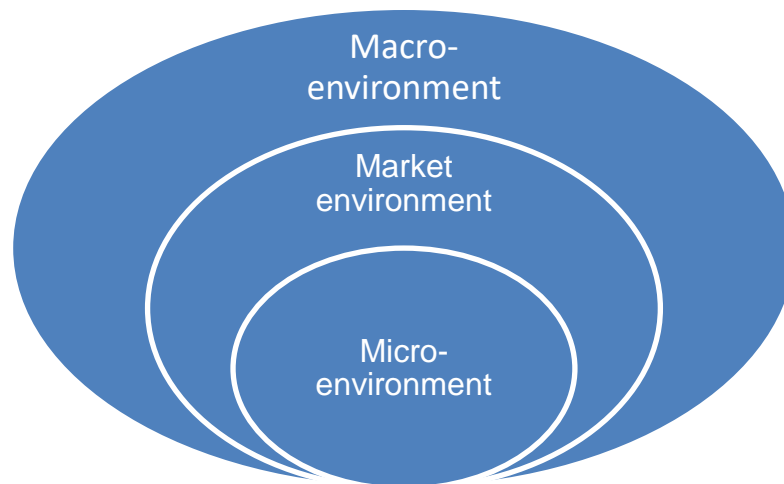
In the previous chapter, the background and the scope of organisational justice and all other conceptual models supporting the study related to organisational justice were discussed. The complexity of technology and its development intricacies have created a better world in the financial services industry. This is created by the sophisticated consumers who require different services and services quality to be met to exceed their expectations. Consequently, consumers use various forms of technological devices and digital instruments to determine their service quality and value they place on their services.

Lovelock and Wright (2002:6) further alluded that consumers have modified their services expectations as they are more technologically advanced and socially connected, educated and are environmentally conscious. Hence, the service providers are expected to adapt to the ever-changing technological trends. Lovelock and Wright (2002:6) define services as a collaborative effort that creates benefits for the customers by bringing a modified desire in or on behalf of the customer or the recipient. Bosch, Tait and Venter (2006:442) envisaged that services are those identifiable intangible economic activities that give more fulfilment and are not necessarily associated with the sale of a certain product or service. The knowledgeable consumers are price conscious and often embrace digital technology which has changed the way service providers interact with customers. Subsequently service providers are globally forced to approach the service demands from a multidimensional perspective as consumers are increasingly becoming more sophisticated and complex. Conversely, while the growth of online services is increasing and has created a new platform and market space in the digital space, the major aspect of services are still delivered through the physical presence of the consumers. This is caused by consumers who still prefer the service experience and interaction.

2.2 THE BUSINESS ENVIRONMENT

Marx, Van Rooyen, Bosch and Reynders (1998:160) define the business environment as the collection of variables which have an impact on the continued and successful existence of business. It consists of the micro- environment market and macro environment (see Figure 2.1).

Figure 2.1: Elements of the business environment



Source: Marx, Van Rooyen, Bosch & Reynders (1998)

2.2.1 Micro environment

The micro environment is composed of the business itself which can be fully controlled by management of the organisation. The micro environment has controllable variables. The management is expected to successfully control these variables in order to have a successful, profitable and manageable business (Cronje, Dutoit, Motlatla & Marais, 2004:85). The organisation is expected to develop viable strategies that can easily be adapted to the nature of the external environment. The aim is to align the strengths of the organisation with the opportunities presented in external environment (Nieman & Bennett, 2001:31). The micro environment is composed of three sets of variables namely, the vision, mission and objectives of the business; its management, and its resources. These variables have an impact on the development and growth of the business enterprise and its continued existence (Niewenhuizen and Rossouw, 2008:15).

2.2.1.1 The vision, mission and objective of a business

The vision, mission and objectives of a business are the fundamental objectives of its existence. The vision statement creates an understanding of becoming a business. The mission statement is developed to answer the question: What is our business? The mission statement differentiates one business from other forms of similar businesses and creates long-term objectives for organisational development which can result in achieving organisational objectives (Cronje *et al.* 2004:89). The external environment is a determinant of the organisations' objectives and mission statement.

2.2.1.2 The organisation and its management

Management can be defined as tasks and activities performed by people within the organisational setting. It is composed of areas such as finance, marketing, operation, human resources, purchasing, general management and administrative management (Hellriegel, Jackson, Slocum, Staude, Amos, Klopper, Louw & Oosthuizen, 2005:93). Other aspects that are more instrumental include information systems and for effective decision-making and clear communication. Employees play an important role in the management of the organisation. In mobilising the business, it is imperative for employees to be placed suitably to carry out the work across departments. The employees who belong to the business are often in contact with the customers and certain negative externalities may be created in terms of perceptions of how customers perceive the business and in certain instances this may eventually create a situation where customers are forming negative perceptions about the business and viral communication may prevent other customer in entering the business in future (Niewenhuizen & Rossouw, 2001:18). It is therefore important for the business to employ the right person from the beginning as employees display the organisation which means they can either attract or repel the customers.

2.2.1.3 Resources

Resources are production means of the organisation and comprise of tangible resources, intangible resources and organisational capabilities (Du Toit, 2010:110). Tangible resources refer to production facilities, raw material, financial resources, property and computers and intangible resources include brand names, patents, trademarks, the company reputation, technical knowledge, organisational morale and

accumulated experience, while organisational capabilities refer to the ability to combine resources, people and process in particular ways. A business has to utilise its resources to protect itself from threats in the external environment (Strydom & Niwehuizen, 2011:33), as these resources can be at risk from threat, for example a particular production process may be threatened by a new technology or a new invention. Conversely these threats are not generic to all businesses and while some business organisations are threatened by a specific variable in the external environment, it may provide an opportunity to understand for other organisations. (Du Toit *et al.* 2010:110). Therefore it is crucial to understand that the threats that are encountered by that firm might be unique to that particular firm since the micro environment varies from one business organisation to the next.

2.2.2 Market environment

The market environment creates a situation where the organisation and the environment are interrelated and can directly influence each other. In other words the market place has a direct influence on the activities of the firm, while the firm also exerts an influence on the variables in the market place. The market environment consists of consumers, competitors, intermediaries and suppliers.

2.2.2.1 Competitors

The business must compete for customers. Effective managers develop strategies that offer unique advantages over the competition in services firms. Allon and Federgruen (2007:38) envisaged that services firms use various strategies such as price, effective management of waiting lines and other attributes which include convenience of the pickup process and the likelihood of the package being damaged.

2.2.2.2 Suppliers

Suppliers play an important role as far as the supply of products and services are concerned. Businesses are dependent on other businesses to supply the product and or services they offer to customers (Van Aardt *et al.* 2013:19). In striving to the satisfy customers, good supplier relationships are key to the businesses. Thus, businesses need to work well with suppliers in order to secure favourable purchase terms, new

products, good return policies, prompt shipments and cooperation (Berman & Evans, 2013:94).

2.2.2.3 Customers

The specific characteristics of customers with different purchasing patterns determine the number of market participants. The buying behaviour of customers influences the activities within the enterprise and in terms of the type of the product they require. The consumers on the other hand must be fully prepared to spend the money on offered goods and services (Marx *et al.* 1998:50).

2.2.2.4 Intermediaries

Intermediaries play an important role in the market environment of the business. They bridge the gap between role players such as manufacturers and consumers (Bosch *et al.* 2006:402). The intermediaries act on behalf of the suppliers in ensuring that all the deals are carried out effectively. The intermediaries often include the wholesalers, retailers, agents, representative and brokers (Cronje *et al.* 2004). The organisations often enter into various complicated business agreements with suppliers which may conflict with the marketing strategy of the organisation. The evolution of new trends has resulted in the development of new types of intermediaries. Thus businesses perform the role of the intermediaries (Bosch *et al.* 2006). There are certain firms that are responsible for direct selling of the product to the consumers. These types of firms are responsible for the manufacturing, wholesaling and other pertinent business activities that could have been carried out by the suppliers. Therefore, businesses must be effectively responsible for possible strategies that will embrace the effective and efficient delivery of product and services to the customer (Smit, Cronje, Brevis & Vrba, 2011).

2.2.3 Macro environment

The macro environment is composed of certain elements that cannot be controlled by the entrepreneur. These elements may eventually constrain the business activities. This environment consists of the economic, political, technological, social, institutional or political and physical factors in the external environment.

2.2.3.1 Economic environment

In the economic environment it is imperative for the business to consider unemployment interest rates, fiscal policy, monetary policy, inflation, economic cycle, gross national product and the exchange rates volatility and the general state of the economy (Smit *et al.* 2011; Bosch *et al.* 2006; Cronje *et al.* 2004; Marx *et al.* 1998). The factors in the economic environment have a negative impact on the business operations and expenditure by the consumers in the business. The increasing economic growth is more likely to cause an overcrowding effect which may increase the rate of inflation, while the slow growth may affect the profitability of the business (Mohr, 2012). It is of utmost importance for the businesses to prefer a moderate rate of economic growth. At the same time the increase in the rate of inflation is more likely to cause a decrease in the marginal propensity to consume which may negatively affect the business and decrease the demand for the goods and services that are sold by the firm (Strydom, Niewenhuizen, Antonites, de Beer & Jacobs, 2007:38-39).

2.2.3.2 Technological environment

Technology plays a pivotal role in delivering effective services within the organisational setting. Its usefulness is largely attributed to the effective business operations and efficient customer service. New technological developments create various opportunities for the businesses, such as for instance the development of DVDs, electronic payments, and E-commerce (Strydom *et al.* 2007:41). New technologies have given rise to new forms of services while making transactions more effective and increasing the efficiency in various services firms. The use of technology has made life much easier for the consumers and it creates advancements in service delivery. The banks now use automated teller machines, swiping of debit cards in the cash tills, Electronic transfer payments and transfer of funds via the money market .This process minimises fraud and unrecorded transactions by the businesses. The opportunities created by the internet for banking, manufacturing, transport, and practically every industry, is immeasurable (Smit *et al.* 2011)

2.2.3.3 Physical environment

Physical environment involves issues that are closely related with the conservation of natural resources. It refers to the available infrastructure in forms of dams and roads

and how these resources are effectively managed (Bosch *et al.* 2006). There is a need for businesses to be environmentally aware by coming up with measures of limiting air pollution, and other alternatives to save the energy. It is imperative for the businesses to create and sell products that are not harmful to the environment. Customers are more complex and sophisticated and this sophistication is accompanied by the reluctance to purchase products that are not environmentally friendly.

2.2.3.4 Social environment

The social environment is governed by the demographics of the population and social and cultural variables which may have an impact on the business. It is important for the businesses to be aware of the population growth, market composition, changing role of women, the age distribution of the population, education levels of consumers, their location, households and their lifestyles (Strydom, 2007:39-41). This information will contribute effectively in enabling the business to properly plan the products that must be supplied in order to exceed consumer expectations. The cultural values are extremely important for the business to know for diverse needs of consumers. The changing role of women should be clearly understood by the businesses in developed and developing societies. Women are active avid shoppers with more buying power and they constitute an active role in household consumptions while also being economically active.

2.2.3.5 Political or institutional environment

Political environment involves the government intervention in statutory provisions, trade unions, associations and institutes, taxation, export incentives, price control for goods and services, budget, taxation and import control. These factors need to be taken into consideration by the businesses in their strategic planning process, since these factors may have adverse effects on the business operations and profit margins. The increase of tax is more likely to cause a decrease in disposable income and decreased demand for goods and services. The services firm cannot control such situations but the planning prior the occurrence of these uncontrollable variables, is of utmost importance for the business.

2.3 CHALLENGES OF THE FINANCIAL SERVICES INDUSTRY IN SOUTH AFRICA

2.3.1 Globalisation of financial services

Service innovation is the initial acceptance of service concept which is followed by the increasing demand for services. The complex need of consumers requires the businesses to expand a successful innovative service which is more pressurised by the market potential. The financial services firms are expected to create globalised services that are more complex and sophisticated in order to exceed the consumer expectations with various expansion strategies. The services repositioning is closely related to the customisation of services which requires more research and development funding in order to increase services that are globalised and universal within the financial services industry (Fitzsimmon & Fitzsimmon, 2006:554). The service repositioning requires the effective customer relationship management and effective technological resources to meet the sophisticated service expectations of the consumers.

2.3.2 Management of waiting lines

The ineffective management of waiting lines can result in renegeing by customers which may result in a situation where the firm may unnecessarily lose its customer base. Love and Wright (2002) define renegeing as a decision by the customer to leave a queue before reaching its end because the wait is longer or more burdensome than originally anticipated. The firms' business operations and its growth activities can be adversely affected by the poor service management of waiting lines. An understanding of the queuing phenomenon is necessary before creative approaches the management of service systems can be considered. An appreciation of the behavioural implications of keeping customers waiting, reveals that the perception of waiting often is more important than the actual delay. Waiting also has economic implications for both the service firm and its customers. It is imperative that financial services firms that operate in globalised industry should be able to take care of all the multi-dimensional needs of customer service expectations to avoid the unnecessary delays in the queuing procedures. An understanding of the features of the queuing

system, provides insights and identifies management options for improving customer service (Fitzsimmon & Fitzsimmon 2006:407).

2.3.3 Technology in financial services

The digital provision of services requires a great deal of innovation and effective management of technology which is accompanied by continuous training and development. The business activities and operations can be affected if the organisation does not continuously upskill or reskill its employees for the effective use of digital services such as online buying, ecommerce and performance of technological transactions. Knowledge of these types of services can lead to efficient and effective livery of services within the organisation. The services firms are increasingly expected to be techno-preneurs in order to perform effectively while sustaining profitability and this requires a greater deal of finances to comply with the changing technological trends of the services industry (Fitzsimmon & Fitzsimmon, 2006).

2.3.4 Service encounter

Service encounter is a period of time during which a customer interacts with services (Lovelock & Wright, 2002). In our contemporary world of services, the businesses are expected to be more flexible to provide a service encounter which is dominated by the customers. The successful customer dominated human service encounter can be achieved by employees with good interpersonal skills, agreeable environment, good support technology and transaction security and access to humans. The organisations need to plan in advance in order to achieve a successful human service encounter. On the other hand, the machine dominated service encounter can be successfully achieved by employing fast response, easy access, transaction verification as well as remote monitoring, tracking capability and automatic verification. This requires a great deal of effort from service providers in order to meet and exceed the customer services expectation (Fitzsimmon & Fitzsimmon, 2006:207).

2.3.5 Transformation of financial services industry

Transforming the financial sector is an important part of the government's aim to reduce societal imbalances. Transformation is directly linked to inequality and can be

a tool to reduce inequality. The financial sector provides tools which can deliver transformation but also itself requires transformation. The financial sector is the instrument to correct broader societal imbalances but may also contribute and, at times, exacerbate those very imbalances. Previously disadvantaged people within the financial sector are both victims of inequality while simultaneously participating in a sector that deepens and entrenches inequality. The financial services industry is at the heart of our economy. It is clear that any policy should allow for greater transformation within the financial sector, leading to a demographically representative sector with proportionate earnings and ownership (Nene, 2015).

2.3.6 Financial sector regulation

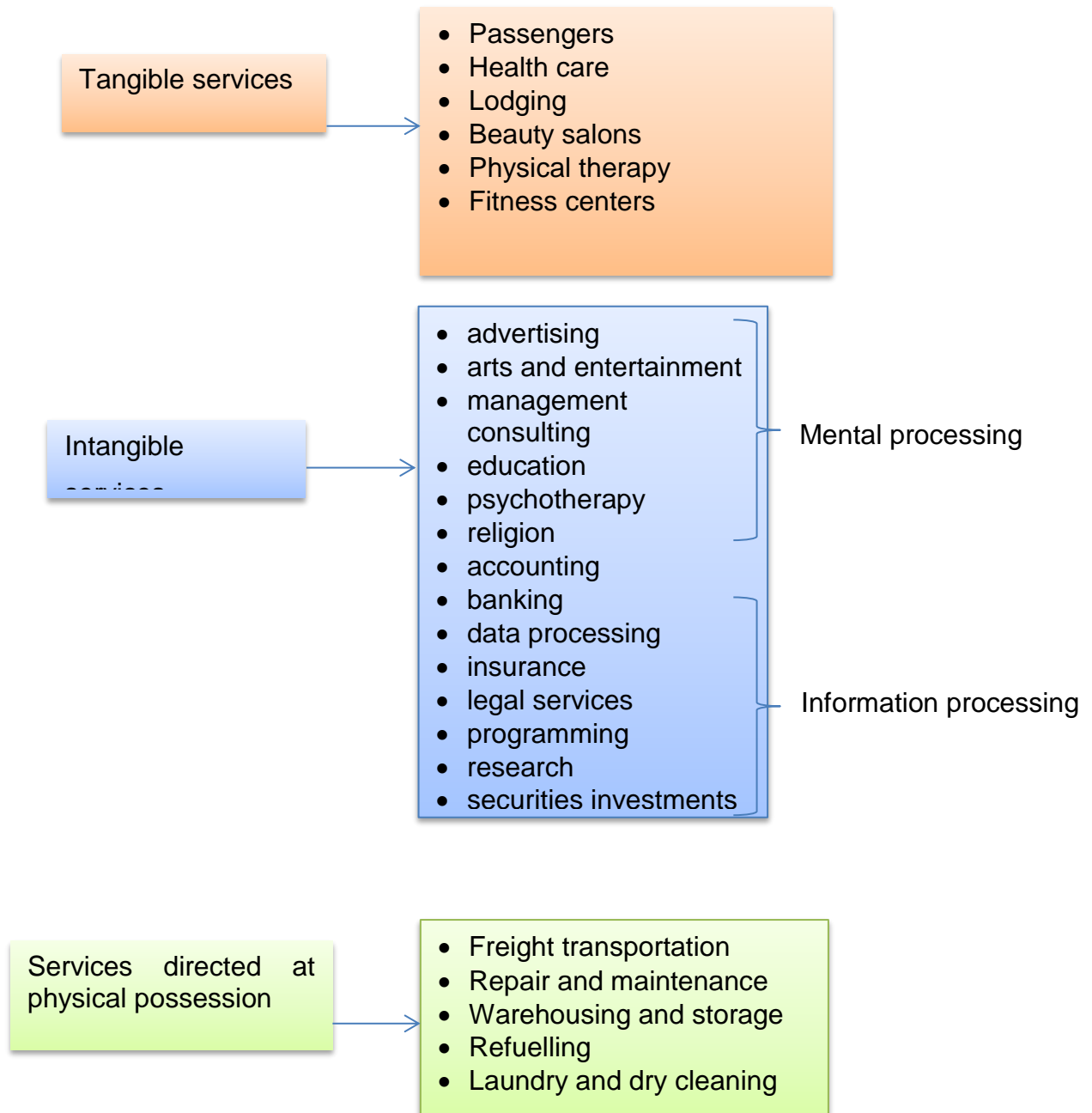
South Africa's financial sector regulatory landscape is in a period of transition. Two new revised pieces of legislation will contribute to a significant reshaping of the financial sector in the country, namely the Financial Sector Regulation Bill and the Financial Intelligence Centre Amendment Bill. These changes to the law will significantly impact financial institutions and consumers in South Africa. South Africa has one of the largest and most sophisticated financial sectors in Africa. South Africa's insurance sector accounts for about 80% of the insurance market in Africa. The Johannesburg Stock Exchange is the largest on the continent and the banking sector is similarly dominant in size. South Africa's financial institutions also have an increasing presence in other African countries. Particularly in Southern Africa, trade in financial services tends to be from South Africa into the broader region which will also have the potential to create new barriers and opportunities for trade and investment as well as having implications for financial inclusion (Hope, 2016).

2.4 CLASSIFICATION OF SERVICES

The classification of the services, play an instrumental role which is more effective for the strategic planning of the organisation and to better understand their own strategies, select an organisational mission, choose an ownership alternative, define the goods and services category and set objectives (Lovelock, 1983:9-20). Services firms are classified into four categories, namely people processing, possession processing, mental stimulus processing and information processing, as illustrated in Figure 2.2 below. The classification is not mutually exclusive as some sectors may be correctly

placed in more than one category (Lovelock 1983, Dabholkar & Bagozzi, 2002:184-201).

Figure 2.2: Classification of service firms



Source: Lovelock & Wright (2002:25)

Conversely, Silvestro, Fitzgerald, Johnston and Voss (1992:62-75) assert that services units can be classified into various formats based on the following criteria:

- Degree of tangibility or intangibility of services process – does the service do something physical or tangible like food services or dry cleaning or does the process involve a greater amount of intangibility like teaching or telephoning.
- Direct recipient of services process – some services like hair cutting or public transportation is directed at customers themselves. Customers sometimes seek services that are meant for improvement of an object that they possess but they remain uninvolved in the process of service delivery and often postpone the consumption of the perceived benefit.
- Place and time of service delivery – when service designing of delivery is made, it is imperative for service marketers and providers to ask themselves whether customers need to visit the service organisation at its own site or whether services should come to the customer.
- Customisation versus standardisation – an important decision needs to be made on whether customers should receive the same service or whether service features should be adapted to meet individual requirements.
- Nature of the relationship with customers – some services involve a formal relationship in which each customer is known to the organisation and all transactions are individually recorded and attributed. Other services like buses, hair salons, dry cleaners, and restaurants need to undertake proactive efforts to create an on-going relationship.
- The extent to which demand and supply are on and in balance – when the demand for service fluctuates widely over time, capacity must be adjusted to accommodate the level of demand or marketing strategies must be implemented to predict, manage, and smooth demand levels to bring them into balance with capacity
- Extent to which facilities, equipment and People are part of service –customer services experiences are shaped in part by the extent to which they are exposed to tangible elements in the services delivery system.

For the purpose of this study Lovelock`s (1983) classification of services institutions will be used.

2.4.1 Services firms characterised as people processing

Services firms are sometimes responsible and involve tangible actions to people's bodies. They are much more targeted while pleasing customers with the services rendered to their bodies and include passenger, transportation, haircutting and dental work. The customers are expected to be physically present throughout the service delivery process to receive its desired benefits.

2.4.2 Services firms characterised as possession processing

Services firms are expected to include tangible actions to goods and other physical possessions belonging to the customer. Examples of possession processing include airfreight, lawn mowing and cleaning services. In these instances, the object requiring processing must be present, but the customer need not be (Lovelock & Wright, 2002).

2.4.3 Services firms characterised as mental stimulus processing

The services firms are expected to perform intangible actions that are directed at people's minds. Services in this category include entertainment, spectator sports, theatre performances and education. In such instances, customers must be present mentally but can be located either in a specific service facility or in remote location connected by broadcast signals or telecommunication linkages (Lovelock and Wright, 2002).

2.4.4 Services firms characterised as information processing

The services firms describe intangible actions directed at customer assets. Examples of information processing services include insurance, banking, accounting firms as well as legal firms and consulting. In this category, little direct involvement with the customer may be needed once the request for service has been initiated (Lovelock & Wright, 2002).

2.5 CHARACTERISTICS OF SERVICES

Services sector makes up a bulk of today's economy where they account for a larger percentage of Gross Domestic Product respectively in industrial developed nations throughout the world. The services industry contributes to the economy of South Africa relative to manufacturing, government, agriculture, mining and construction (Lovelock

& Wright, 2002:7). Lovelock and Wright (2002:10) envisaged the following characteristics which are attributed to services.

- Customers do not obtain ownership of services.
- Services products are intangible performances.
- There is a greater involvement of customers in the production process.
- Other people may form part of the product.
- There is greater variability in operational inputs and outputs.
- Many more services are difficult for customers to evaluate.
- There is typically an absence of inventories.
- The time factor is relatively more important.
- Delivery systems may involve both electronic and physical channels.

2.6 ROLE OF THE FINANCIAL SERVICES INDUSTRY

Services play a key role in the economies, accounting for over 60 %of the total economic activity in most countries. Their growth has exceeded overall economic performance for decade, which has resulted in the share of services in total economic activity increasing over time. The services also play an important intermediary role that is not easily reflected. Well established financial, transportation and distribution systems for example are critical for the smooth functioning of all businesses. The services sector accounts for increasing rates of employment and the majority of the citizens of the developing countries like South Africa have more employees who are extensively working in the services industry who create and deliver services (Lovelock & Wright, 2002:7). Bosch *et al.* (2006:448) envisaged that the growth of services industry in advanced industrial societies can be largely attributed to more employment and more people who are working in the services sector than in other sectors of the economy. The public and private services are perceived as having more national output in the economy. The services sector plays an increasing pivotal role in the economy and had awakened the consciousness of marketing to the services providers, through the services repositioning strategies. Lovelock and Wright (2002:6) eloquently defined the economic role of services as beneficial for customers, which eventually creates various modifications that are more useful to the society at large and its positive externalities far outweigh its disadvantages.

2.6.1 Services industry contribution to GDP

According to the World Bank Report (2016), the financial services industry contributes about 68.9 in terms of GDP and the cause of the increase is due to the increase in technological usage of sophisticated services and mobile technology. The catalyst to this trend is the underlying economic growth, increasing real income, decreasing rates of unemployment, increasing urbanisation, and redistribution of income amongst marginalised societies.

Table 2.1: Contribution of services sector to GDP of the country

GDP at current price	Unit description	Latest data	Previous period	%change over some period of previous year
Agriculture, forestry and fishing	R Million	102358	93531	21,8
Mining and quarrying	R Million	284396	289664	-0,9
Manufacturing	R Million	482995	485701	4,9
Electricity and water	R Million	135277	134431	3,9
Construction	R Million	149007	147648	2,7
Wholesale and retail, catering and accommodation	R Million	568044	551149	7,9
Transport, storage and communication	R Million	377775	376763	4,3
Finance and insurance, real estate and business services	R Million	772535	751626	6,7
Personal services	R Million	219915	216588	5,7
Government services	R Million	645244	630760	10,3
Total value added at basic prices	R Million	3737546	3677861	6,4
GDP at market prices	R Million	4208501	4117742	7,4

Source: Adapted from SARB (2016)

The above figure shows industries that are the largest contributors to the GDP, the services industry being the largest contributor.

2.6.2 Services industry contribution to society



The increasing prevalence of services sector is frequently seen in one of two ways, either optimistically or pessimistically. Miles (1996) has argued that services are increasingly bound with activities in the economy. Table 2.2 shows employment per industry.

Table 2.2: Employment by industry

Industry	Dec 2015	March 2016	Q/Q Change	Q/Q change
Mining	459	455	-4	-0,9
Manufacturing	1149	1141	-8	-0,7
Electricity	60	60	0	0,0
Construction	533	536	3	0,6
Trade	1954	1918	-36	-1,8
Transport	461	456	-5	-1,1
Business services	2125	2116	-9	-0,4
Community services	2547	2591	44	1,7
Total	9288	9273	-15	-0,2

The above table shows that as a result of a decrease in the employment of different industries, this is more likely to negatively affect the development of the individuals within the workplace. Table 2.3 shows employment by gender in financial services.

Table 2.3: Financial services industry employment by gender

Sector			Banking	Insurance and Accounting firm
Financial sector	1 485 000	1 370 000	1 894 000	961 000

Source: Adapted from Statssa (2015)

Table 2.3 above shows that the financial sector employs 2 855 million people, thus comprising 24% of the country's total labour force. Males make up 52% of employment

in financial sector. There are 66% of people in the financial sector who are in formal employment, whilst 34% are in informal employment (Statssa, 2013). The insurance sector is made up of a number of different retail concepts such as life insurance, tuck-shops, hawkers, spaza shops and take-away stalls. According to White (2011), the informal sector consists of approximately 750 000 outlets, which produces sales figures in the region of R32 billion. This indicates that there is a growing trend of informalisation of the sector. Employees in the wholesale and retail industry are hired on various employment agreements (see Table 2.4).

Table 2.4: South African financial services employment by province

Provincial employment in the South African financial services 2013 (000')	
Province	Employment
Gauteng	934
Eastern Cape	275
Western Cape	368
North West	138
Kwazulu-Natal	498
Free State	136
Limpopo	252
Northern Cape	46
Mpumalanga	208
Total	2 855

Source: Adapted from StatsSA (2013)

Table 2.4 above shows that there is a high density of employees in Gauteng, Kwazulu-Natal and the Western Cape. Collectively, they comprise 63% of total employment in the financial services industry, followed by the Eastern Cape, which also has a relatively high number of people employed in the industry. This could be due to urbanisation, as potential employees leave their small towns to live in urban areas.

2.7 CHANGING SERVICES ENVIRONMENT

The financial services industry can be defined as a type of industry that is characterised by various changes and innovations. Various firms introduce creative

innovations to services and services operations and often transform the industry as they enter, develop and grow. To understand the services environment, it is important to understand the interrelationship between the relevant factors discussed below.

2.7.1 The services scape

Lovelock and Wright (2002:206) describes the service scape as the design of any physical location where customers come to place orders to obtain service delivery. The other academic scholars define the services scape as a man-made environment which is not associated with natural or social environment. Kim and Moon (2009:144-156) envisaged services scape as classified into three dimensions such as physical environment, ambient conditions, spatial layout and functionality and signs and symbols and artefacts. The ambient conditions are composed of background characteristics of the environment such as temperature, lighting, noise, music and scent for example in studies of services firms it has been illustrated that the music tempo affect the pace of ordering, length of stay and amount of money spent. The spatial layout refers to the way in which machinery, equipment and furnishings are arranged, the size and shape of those items and the spatial relationships amongst them. The functionality refers to the ability of the same items to facilitate performance and the accomplishment of goals. In a restaurant for example, layout refers to the ways in which seats, aisles hallways and walkway, food services lines, restrooms and entrants and exits are designed. The service scape determines the perceptions of consumer in evaluating the service quality which may increase the customer satisfaction and service expectation (Wakefield & Barnes, 1996). Ziethaml (1988) and others suggest that quality represents benefits derived from a service encounter.

2.7.2 Perceived waiting time

The sophisticated consumers are no longer willing to wait in the longer queues and are more willing to consume the services at arm`s length. The modern technology has created a situation where waiting time and physical environment are no longer perceived as the most important determinants of evaluating the service quality within the service environment (Lovelock & Wright, 2002:308-309).

2.8 FUTURE PROSPECTS FOR FINANCIAL SERVICES INDUSTRY IN SOUTH AFRICA

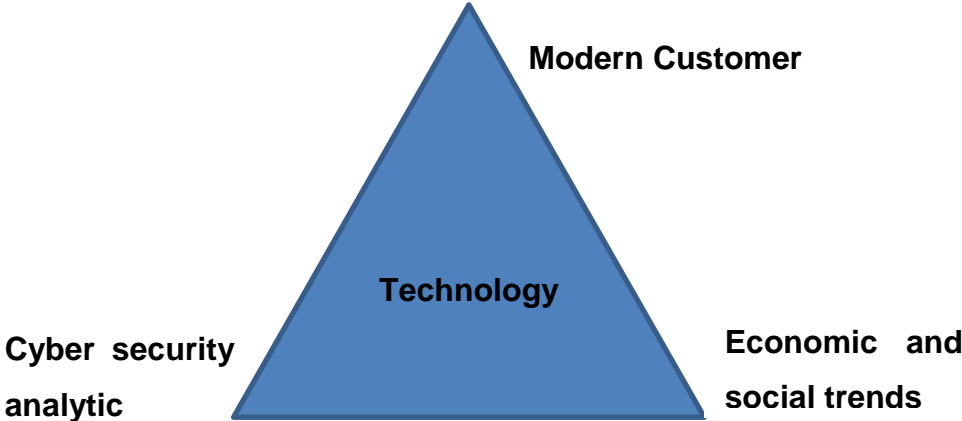
The industry is also full of possibilities (Nkomfe, 2012:35):

- Internationalisation of the financial sector businesses, whereby banks and insurances can expand their businesses beyond national borders;
- Online sales have increased, which indicates that South Africans are changing their attitudes regarding the use of credit cards online;
- With consumers demanding more financial information, cyber-security can take advantage by increasing the tightened security to prevent cybercrime and other fraudulent acts that emanate from the banking industry the amount of ready to eat food items in their delis, fresh food departments, home meal replacements and bakery departments;
- The value of the financial services industry is predicted to increase from an estimated R952.91bn in 2011 to R1038.59bn by 2015;
- Due to the high unemployment rate in the country (25.2%), wage rates are comparative.
- There is lots of room for growth in the financial services sector.
- There is a demand for online banking and insurance services and accounting and auditing services.
- Given the relatively developed infrastructure and institutions in South Africa, multinational companies view the country as a hub where they can establish and expand business to the rest of the Sub-Saharan African region.

2.9 COMPARISON OF SERVICES INDUSTRY IN S.A. WITH OTHER BRICS COUNTRIES

South Africa is one of the emerging economies in the world. In 2010 South Africa became a member nation of the BRIC group of countries (Brazil, Russia, India and China) and since then it became known as BRICS with “S” standing for South Africa. Thus, to get a clear and concise picture of the South African services industry, it is fitting to compare South Africa with other emerging markets.

Figure 2.3: Trends among BRICS countries



2.9.1 Economic and social trends

The Brazilian services industry remains attractive to large services firms as cities in the Northern–East and West regions present the biggest opportunities. The services sector accounted US656.8billion in 2013 with a GDP growth rate of 25.0%. The continuous increase resulted in expansion in the number of services firms. The services industry contributes 19.5% to the Russian gross domestic product and services amounted to \$450,7billion, which is an increase of 5.6% year-on-year. This is credited to the consumers’ boom, low cost housing and utility in Russia as the source of the country’s resource-driven economic prosperity. The services industry represents 30% of the total jobs in Russia.

The Indian services sector is amongst the largest contributors to the country’s GDP. Services accounts for about 35% of India`s GDP. The size of the services industry is more than US480 billion and employs over 40% of the workforce within the country which translates to over 50 million people (Mukherjee, 2012). The services industry in China contributes 30% to the country’s GDP (Euromonitor, 2014:87). According to data released from China`s National Bureau of Statistics, services sales totalled to US5,6 trillion and the services sales growth was at a rate of 56,6%. Moreover, future services growth figure indicate that China will account for 40% of global services sales out of the top global cities in the services sales growth.

2.9.2 Technology trends

The digital expansion and services growth has resulted in the increasing usage of internet in Brazil. Its impressive growth increased the broadband internet and falling prices of computers. The majority of females are the active users of online purchase and it is increasingly becoming the largest in Latin America (Navarro, 2016). Online services prove to be an opportunity for banks and other service firms in Russia although the services in the country can neither be confirmed to be the direct consumption of services or the arm`s length services.

Indian online services have increased to around 10% of the total e-commerce segment as it offers consumers conveniences of consuming services in a digital way or online. The increasing use of debit cards and credit cards, online banking and online insurance checking, has boosted the growth of the online financial services industry especially the new generation`s increasing online services. According to Euromonitor (2014), Chinese e-commerce and online service rendering, has grown in such a way that it represents as much as 10% of services revenues in certain categories. This growth has enhanced services firms in coming up with viable strategies to satisfy and exceed consumer expectations and needs of consumers.

2.9.3 Modern customers

The financial services sector is strongly bombarded by sophisticated consumers or customers that require the complex financial services that can effectively be rendered to them in order to keep them as loyal customers. The key attributes of modern sophisticated consumers require the use of online facilities, customer relationships and effective use of the digitisation of services within the financial sector. The user-friendly online services require financial services innovation in order to keep the customers happy and satisfied.

2.9.4 Cybersecurity and analytics

The banking industry is bombarded by various insecurities such as online fraud and cybercrime. This means that the commercial banks and the financial insurance firms are expected to provide more information and securitisation of its online services to protect the customers. The regulation authority of commercial bank requires stronger

investment in protecting the customer information for securitisation in order to build a courteous customer base through its effective customer relationship and client base.

2.10 THE FINANCIAL SERVICES INDUSTRY IN SOUTH AFRICA

The financial services industry in South Africa is classified under the tertiary sector within the finance, real estate and business services. According to the UCT Report (2014), South Africa is categorised as the provider of the most sophisticated and biggest financial services in Southern Africa. The effective provision of globalised services whereby financial services are provided beyond the borders of the country, is perceived as an opportunity for financial service growth in the country (UCT Report, 2014).

The financial services are critical to economic activity in the modern economy. It plays a crucial role in intermediating between borrowers and lenders by pricing and facilitating intermediation and in so doing, it incentivises savings. The financial services sector ranks amongst the largest in the world in terms of earnings with the larger companies having the necessary reputation, expertise and geographic reach to make a significant direct impact on the economies and markets in which they operate. In fact most institutions are formulating increasingly deliberate and focused strategies that focus on serving poor individuals and small to medium sized enterprises which should have a direct impact on economic opportunity and growth. Furthermore, the sector naturally supports initiatives to build human and institutional capacity while its overall influence in economies also has a direct impact in shaping and direct policy frameworks (UCT Report, 2014).

In 1960 the Finance, Real Estate and Business services sector contributed 10% to nominal South African Domestic Product (GDP), while in 2012, the same sector contributed 21,1% to total nominal GDP on quarterly basis from 1993 up until 2012. The contribution of this sector has grown steadily from 15.4% in Q1/93 to 18.9% in Q4/12, according to Stats South Africa (2013).The financial services sector encompasses a broad range of economic activities. Functionally, the financial services sector may be categorised into four primary subsectors which are:

- Banking and credit services (for example, Banks, Mutual banks, Credit Unions, Micro finance institutions.).
- Insurance (long-term and short term insurers covering a variety of perils).
- Investment and related Services (for example, Exchange, Security Broking companies, Asset Managers.).
- Financial accounting and auditing firms.

2.11 REGULATORY BODIES OF THE SOUTH AFRICAN FINANCIAL SERVICES

2.11.1 The Association of Savings and Investment South Africa (ASISA)

ASISA`s strategic purpose and mandate is to strengthen relationships and to remain a trusted partner with policy makers in the financial services industry as well as to proactively engage on policy, regulatory and other important issues of common concern. ASISA aims to promote a culture of savings and investments in South Africa by playing a significant role in the development of the social, economic and a regulatory framework in which industry members operate, thereby members to serve their customer base (ASISA, 2017).

2.11.2 Banking Association South Africa (BASA)

BASA is an industry body representing all registered Banks in South Africa. It is a mandated representative of the Banking sector and addresses issues through lobbying, influencing policy, guiding sector transformation, acting as a catalyst for constructive and sustainable change, research and development and engagement with critical stakeholders (BASA, 2017).

2.11.3 Banking Sector Education and Training Authority (BANKSETA)

The BANK SETA has a mandate to develop skills in the Banking sub-sector. It does so by encouraging employers in the subsector to develop an active learning environment in the workplace, providing employees with opportunities to acquire new skills and progress their careers, increasing levels of investment in the workplace education and training and promoting transformation guided by the National Skills Development strategy equity targets (UCT Report, 2014).

2.11.4 Insurance Sector Education and Training Authority (INSETA)

INSETA`s purpose is to increase the amount and quality of scarce and critical skills in the insurance sub sector thereby enhancing the sub sector and supporting the country`s transformation. INSETA aims to be an education and training thought leader and the enabler of growth in the insurance sub sector. One of its core functions is to increase the talent pool level where the skills shortage is no longer critical and to provide a comprehensive research base in international and best practises (UCT, 2014).

2.11.5 South African Insurance Association (SAIA)

SAIA`s vision is to promote and represent the interest of the short term insurance while leading and enhancing the efforts of the industry to become recognised and trusted as an important contributor to the South African economy and society. SAIA aims to encourage fair and ethical treatment of consumers of short term insurance products while promoting an understanding of short term insurance with all levels of stakeholder to ensure trust and confidence in the subsector (UCT Report 2014).

2.12 ORGANISATIONAL JUSTICE IN THE FINANCIAL SERVICES INDUSTRY

Financial services firm plays an important role because it provides employment, builds a strong economy and generates more sustainable opportunities and encourage entrepreneurial spirit. The financial services firms create a platform where the workers are afforded the opportunity to explore the boundaries of creativity and innovation in order to increase the growth of sales and industry. Human resources play a central role in the services sector and the fundamental reason for this is that services are perceived as inseparable from their provider (Abasi, Mohammadipour & Aidi, 2014).

Financial services firms need to motivate the gate keepers to engage in organisational justice practise by engaging its employees. The services managers and other retail employees are responsible for the effective utilisation of organisational policies to drive innovation which leads organisational profitability and ethical behaviour. To foster the organisational justice practise it is imperative for the organisation to create effective policies and channels that embrace the fairness in order to exhibit the OCB. The managers in services firms are responsible for aligning human resource policies with

the capabilities of all employees. In addition, employees play an important role in services differentiation by ensuring and enhancing the customers experience by exceeding the customer's service expectation through effective provision of information and the provision of assistance to the customers.

The financial services firms employ various retention strategies to keep the human talent and competent employees such as fair distribution of rewards and future distribution. The financial services firms need to motivate and foster organisational justice by including the employees in the decision-making process. When employees are included in the decision making process, they are more likely to believe that they will be consulted in future decision-making processes as well. Gilliland (1994:695) proposes that fair treatment is associated with favourable work attitudes and higher job performance (Cropanzano, Prehar & Chen, 2002:324).

An important moderator of anticipatory injustices in the financial services firms can be exercised through clarity of information (Shapiro, Sheppard & Kirkman (2012:370). Anticipatory injustices are more likely to occur when organisations are experiencing periods of transition and change and in these situations, management should acknowledge the concerns or fears that employees express as valid and recognise injustice perceptions. Where management is questioned, it should counter by providing clear and specific information about the expected transition and changes as it will increase employee's willingness to listen to what management may subsequently have to say.

Tripp, Bies and Acquino (2007:26) provides advice to managers which states that they should not only ensure that managerial practises are fair, but should go out of their way to make sure that they should perceive fair managerial practises by themselves. Managers in financial services firms are also expected to treat employees without discrimination. The findings by Sanchez and Brock (1996:709) confirm that employees who expect workplace discrimination are more likely to detect this discrimination than those who do not. If the employees are treated fairly, they perceive high quality relationship with the organisation. If the managers in the financial services firms invest in enhancing the fairness of their relationship with the employees, it will lead to beneficial behaviours that are instrumental for both the management and the organisation.

2.13 SUMMARY

The financial services sector plays a major role in boosting the economy and commerce worldwide. The services sector is a vital contributor of jobs in the labour market. It entails all businesses that are primarily involved in the provision of services to meet the needs of its client. In comparing the services industry in South Africa with other emerging economies (BRICS), all five nations experience a growth within the services sector and an increase in the employment by the services sector. This growth in the services sector has been caused by the increase in the use of technology and advanced devices to provide sophisticated consumer needs.

Chapter 3 will discuss the main theories underpinning organisational justice.

CHAPTER 3

THEORIES RELATED TO ORGANISATIONAL JUSTICE

3.1 INTRODUCTION

The previous chapter provided insights pertaining to the services industry and the financial services industry with regard to concepts on organisational justice and the instrumental role it plays. The importance of a service environment and the services industry in the South African economy was discussed.

The main focus of this chapter is to provide a theoretical discussion of the literature that investigates organisational justice and what previous studies say. The following theories will be discussed: leader-member exchange, social exchange theory equity theories, psychological contract theory, stakeholder management theory, action theories, stage theories of trust and expectancy theories and tax.

3.2 THEORIES OF ORGANISATIONAL JUSTICE

3.2.1 Leader-Member Exchange theory

This study is underpinned by leader-member exchange theory that explains the relationship between supervisor and subordinate. Graen and Uhl-Bien (1995) in Roch and Shanock (2006:305) present three dimensions of LMX theory, namely, respect, trust and obligation. A high LMX theory relationship should include mutual respect, reciprocal trust and obligations towards each other. This theory is one that explains the importance of contact between managers and lower level employees. In this theory, all people in the workplace such as lower level, top managers and middle managers are seen as being involved in some interaction.

In the LMX Theory, leaders and followers are seen as active participants. The leader`s behaviour plays a role in change-oriented behaviours, that is, behaviours aimed at advancing decisions of a strategic nature. Responses to changes that affect the organisation, should improve its future effectiveness. It is not only imperative that both managers and employees contribute to the relationship, but for the LMX theory to be effective, the players should recognise the contributions of others. The follower`s roles

in the exchange may change over time depending on the leader's effectiveness and fairness (Van Breuken, Schyn & LeBlanc, 2006:302). This is when fairness and equity comes into play and employees need to be valued, trusted and treated fairly by managers and the organisation in general.

Graen and Uhl-Bien's (1995:230) study proposes that procedural justice, interactional, interpersonal and informational justice are all related to the exchange relationship and that interactional and interpersonal justice are directly related to the supervisor. Roch and Shanock (2006:301) suggest that an organisation that wishes to improve a supervisor-subordinate relationship may wish to assess attitudes which are significantly related to LMX, including interactional justice. If interactional justice perceptions are low, management training programmes should be implemented, which focus on how managers can engage in better interpersonal treatment of employees. In a study which tested a social exchange model of OCB, which included perceived fairness and leader-member-exchange (LMX), Wat and Shaffer (2004:415) found strong support for the direct effects of trust in the supervisor in all dimensions of OCB.

LMX theory is the work relationship between the supervisor /manager and individual subordinates (Wech, 2002:353). Wech (2002:353) examined the effect of trust on the LMX theory. Trust is defined as the psychological condition where positive expectations and behaviours result in vulnerability of another person (Wech, 2002:354). It is an emotional attachment which represents genuine concern for the individuals involved. Wech's (2002:355) study found the supervisor to be principally involved in determining the roles and responsibilities of employees in an organisational setting. In organisations where the LMX theory is exhibited, it is usually evidenced by collaborative support and feedback and resources on work-related issues from the supervisors. Employees will reciprocate this exchange process by displaying organisational citizenship behaviours, which eventually benefits the organisation.

The quality of a leader-member exchange relationship has been found to be positively related to employee satisfaction, organisational commitment and objective performance and negatively related to turnover intentions. The overall results of the studies examined by the academic scholars such as Volmer, Spurk and Niessen, (2012:220) suggest that having a quality relationship with one's leader can positively

affect the work experience, which includes performance and effective outcomes. Cogliser and Schriesheim (2000) found that organisational climate and leader power were related to LMX theory.

Wat and Shaffer in Wang *et al.* (2010:154) contend that in the LMX theory, trust creates an environment that enables employees to engage in organisational citizenship behaviours. All dimensions of perceived fairness and LMX theory that were involved in mediation, usually involve trust in supervisors and all forms of OCB. Trust in the supervisor and feelings of being willing and able to carry out the work effectively, are necessary to facilitate employees' performance of OCB (Wat and Shaffer, (2005:418). Wat and Shaffer (2005:420) supports the hypothesis that the employee's perceptions of their leader's trust and fairness that exist within the organisational setting, creates trustworthiness that is positively related to employees in performing and displaying organisational citizenship behaviours. Lester and Brower (2003:25) in Wang *et al.* (2010) envisaged that employees are willing to work harder and beyond their call of duty when they perceive themselves as trusted within the organisational setting.

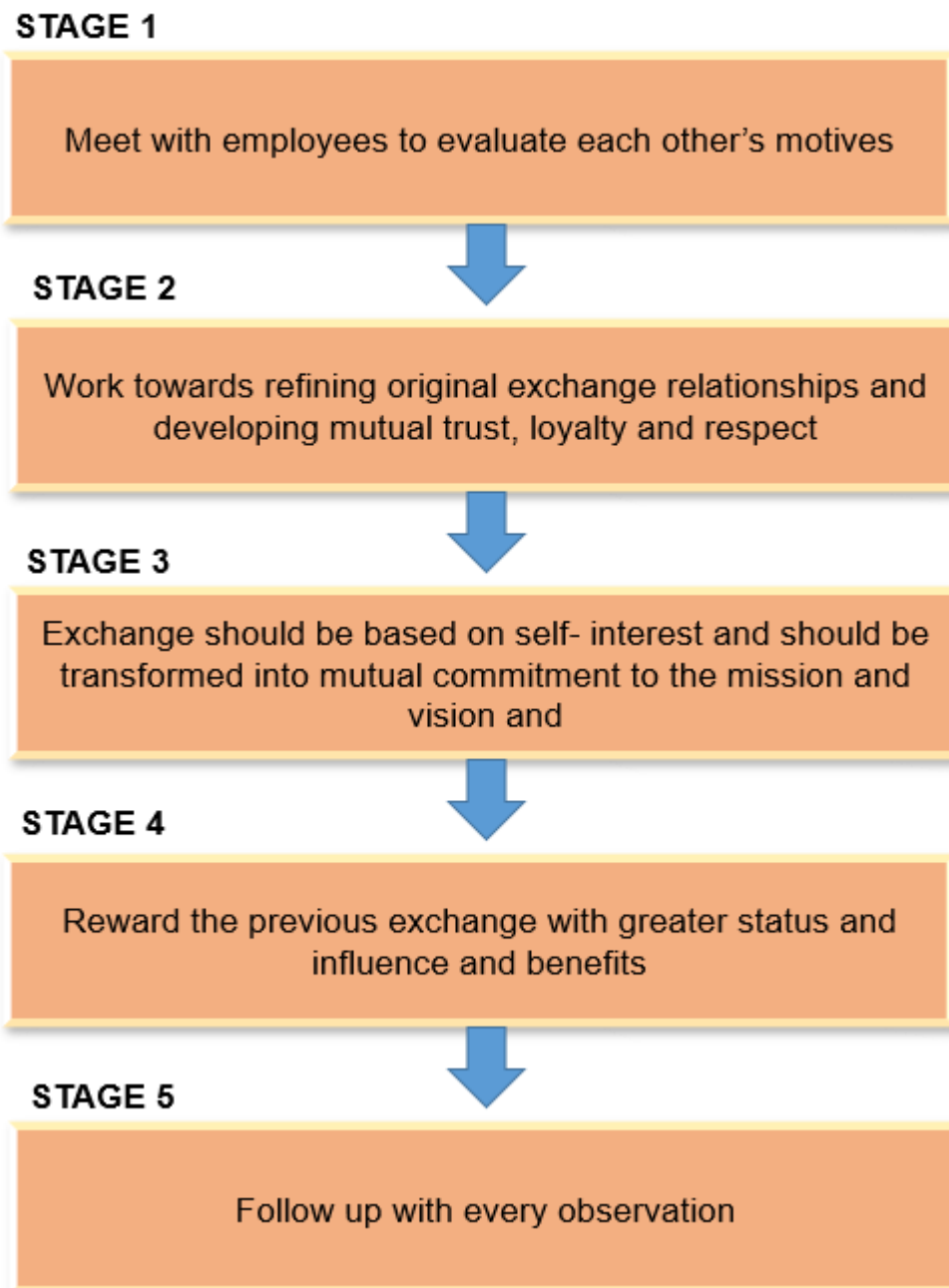
3.2.1.1 Managerial implications of LMX theory

An important implication of leader-member exchange theory is that the quality of the relationship between the leader and each group has important job consequences. The research supporting the leader-member exchange indicates that subordinates within a group have a tendency to display certain work behaviours. Organisational leaders are perceived as investing more resources in those they expect to perform well and usually treat them differently than those who are perceived as poor performers. Therefore from an organisational justice perspective and for quality exchange relations to occur, it is imperative that leaders develop high quality relationships with as many subordinates as possible. Managers should embrace the diversity of employees and treat each member of the organisation with fairness and without negative perceptions, which may inhibit their effective role as organisational leaders and prevent them from being perceived as trustworthy managers (George & Jones, 2008:160).

3.2.1.2 *How to build high-quality leader member exchange relationships*

The better the leader-member exchange relationships between leader and follower, the higher the productivity, job satisfaction, motivation and citizenship behaviour of the follower. The following are tips that may help build high-quality leader-member exchange relationships (Schemerhorn, Hunt & Osborn, 2011:120).

Figure 3.1: Building high quality leader member-exchange



Source: (Own construction)

The process of building high quality leader member exchange is multidimensional and involves mutual support, trust, and loyalty. Graen and Uhl-Bien (1995:221) proposed that LMX comprises three dimensions such as mutual respect of each other's capabilities, a deepening sense of reciprocal trust, and a sense of obligation to one another in working relationships. These dimensions are more focused on job relationships. Yet LMX is not based solely on job-related elements, but can also include socially-related currencies; for example, some individuals may value professional capability in a relationship whereas others value a dyadic partner they can regard as a friend.

High-quality relationships can be built through interpersonal trust and empowerment. The trust building process is a learning process of testing and developing trust in another. The trust is recognised as the most important component for team development and overall performance effectiveness. This is because interpersonal trust facilitates informal cooperation and reduces unnecessary monitoring costs. The empowerment is also a means of enhancing effectiveness in building high quality relationship exchange relationships. It is a direct attempt to solve various organisational problems in order to improve work performance. A core assumption of empowerment is that it releases motivation, initiative, implicit knowledge, flexibility, involvement and commitment required from employees to respond to increasingly competitive conditions (Schemerhon, Hunt & Osborn 2011:89)

Leaders need to build quality relationships by implementing higher levels of trust in an expanded in-group, which in turn increases the likelihood of cooperation, sharing of information and emotional support. These relational obligation behaviours in turn result in promoting superior levels of individual and organisational performance through enhanced levels of empowerment. The other variables such as the job satisfaction and organisational commitment, facilitates as mediators of building high-quality exchange relationships amongst the participants (Chen, Lam & Zhong 2007:208).

3.2.2 Trust as a quality of building exchange relationships

Trust is one of the critical elements to improve organisational relationships (Lewicki & Bunker, 1996). The development of high-quality exchange relationships is sometimes viewed as a trust-building process.

A high LMX relationship is characterised by mutual trust, loyalty and behaviours that extends outside the employment contract of the state of identification-based trust. This form of trust is based on empathy with the other party's desires and intentions. The trust exists because each party effectively understands, agrees with, emphasises, and takes on the other's value because of the emotional connection between them. The parties thus act for each other. In order to develop high-quality exchange the interpersonal trust is more effective in creating relationship Lunenburg (2010:4).

3.2.3 Empowerment as builder of high-quality exchange

Empowerment is an important construct in the LMX process because it offers the potential to positively influence outcomes that benefit both individual and organisations. Psychological empowerment is defined as the increased intrinsic tasks motivated and manifested in cognitions that reflect an individual's active orientation to work. Empowerment comprises individual cognitions and perceptions that constitute feelings of behavioural and psychological investment in work. Accordingly, the feeling of empowerment that both leaders and members experience, is influenced by their exchange quality based on interpersonal trust that influences their performance in the organisation (Huang, Yun, Liu & Gong, 2010:135).

Academic scholars have conceptualised the empowerment experience as a multifaceted set of four cognitive dimensions that reflect a proactive individual mindset towards their role as: impact (the degree to which behaviour is seen as making a difference in terms of accomplishing the purpose of the tasks); competence (the degree to which a person can perform task activities skilfully when he or she tries); meaningfulness (the individual's intrinsic caring about a given task); and choice (causal responsibility for a person's actions). In this regard, the empowerment facilitation is essential for LMX performance as well as associated organisational performance and calls for effective leadership interventions to strengthen the high-quality exchange relationships amongst participants (Mayer, Aquino, Greenbaum & Kuenzi, 2012:135).

The level of LMX quality is improved through the perceptions of empowerment of both leaders and members, and may also increase in the phase of role routinisation such as development of partnership. According to Kang and Stewart (2007:542),

empowerment is the process of enhancing feelings of self-efficacy among organisational members, and the effect of empowerment persists by empowered employees to accomplish task objectives. The empowered individuals not only view themselves as more effective in their work but also evaluate each other as more effective; both leaders and followers in this psychological state seek cooperation to achieve common goals and recognise how to use their abilities for the benefit of themselves, the LMX group and the organisation. The aspect of leadership behaviours fostering the formation of high-quality relationships through instillation of a sense of a common fate with their followers would be more critical than followers' behaviours (Wang, Law, Hackett, Wang & Chew, 2005:428). The empowerment process needs to be reinforced by the leader's behaviours, which can increase the likelihood of improved organisational performance through LMX performance. This process is therefore effective in shaping the LMX performance through application of effective leadership.

3.2.4 Further developments of high quality exchange relationships

In order to establish a high-quality relationship, it is not only important that both parties contribute to the relationship but also that they acknowledge and value the other party's contribution. Tekleab and Taylor (2003:602) argued that managers and employees need to know about their respective obligations in order to be able to meet these obligations. Whereas this might seem obvious, it is easy to imagine that in practice, there is often disagreement or incongruence between two parties in the perception of mutual obligations (Coyle-Shapiro & Kessler, 2000:23). The amount of mutual communication between managers and employees, and the associated LMX quality, may be crucial factors in determining the perceived agreement or disagreement to mutual obligations. The resulting agreement or disagreement may play an important role in the exchange process, as one party may believe that he/she contributes adequately and meet his /her obligations, whereas the other party has different ideas about them and, does not value the contribution of his/her partner in the exchange relationship. Rousseau (1998:672) suggested the possibility that a high-quality relationship may develop even when only a few well-specified and important resources are exchanged such as hard work for high pay.

Furthermore, the complication of the value of exchange process and the value of exchange commodities is that people have a tendency of valuing their contributions higher than those of others (Takleab & Taylor, 2003:605). In this process, further complications and problems emanating from this difficulty are more likely to occur in virtually all LMX relationships.

Furthermore, individuals engaged in high-quality relationships are generally less inclined to overrate their contributions, because mutual communication and information sharing is more intensive. On the other hand, subordinates with low-quality exchange relationship with their supervisor are only expected to perform their jobs in accordance with their employment contract (Van Vlist, (1991:88). Work-related expectations are described rather precisely, while reciprocity is characterised by immediacy and equivalence. In high-quality relationships, the subordinate is expected to work harder, and to go beyond formal role requirements and show extra-role behaviours. Additional obligations, which may be unexpected and pervasive, are assigned to the in-group of trusted individuals. This implies that the leader's expectations with respect to their in-group members tend to be particularly broadly and vaguely defined.

The exchange between leader and followers does not stand alone. One of the leader's primary tasks is to achieve group goals and to fulfil the followers' expectations. An important set of expectations is related to the issue of equity, fairness and justice. When a leader's actions do not result in favourable outcomes for individual follower's contributions, the exchange may change over time, depending on the leader's effectiveness and fairness.

3.2.5 Equity theory

Adams' equity theory (1965) emanates from the exchange, dissonance and social comparison theory in creating predictions about how individuals manage the relationships with others. This equity theory captures the following propositions:

- Individuals evaluate their relationships with others by assessing the ratio of their outcomes from and inputs ratio to the relationship against the outcomes /input ratio of a comparison other.

- If the outcome/input ratios of the individual and comparison other are perceived to be unequal, then inequity exists.
- The greater the inequity the individual perceives (in the form of either reward or under reward), the more distress the individual feels.
- The greater distress an individual feel, the harder he/she will work to restore equity and thus, reduce the distress. Equity restorations techniques alter or cognitively distort inputs or outcomes, acting on or changing the comparison other or terminating relationships.

The equity theory was developed in the early 1960s by behavioural the psychologist, Adams and is concerned with defining and measuring the relational satisfaction of employees. In this theory of equity, Adams (1965) suggested that employees wish to maintain a balance between what they give to an organisation against what they receive and base satisfaction with their own balance on perceptions of the same balance in colleagues. The equity theory is based on a principle that people's actions and motivations are guided by fairness and that discrepancies in this fairness in the workplace will spur them to try and redress it. According to Kuar, Aggarwal and Khaitan, (2014:231) the equity theory is based on the belief that employees are more likely to be de-motivated if they feel as though their inputs are greater than their outputs, which symbolise a sign of unfairness from the organisation itself. The equity theory focuses on people's perceptions of the fairness or lack of fairness of their work outcomes in proportion to their work inputs.

This equity theory has received more attention lately from human resource professionals, especially regarding the fairness of outcomes. According to (Bell and Martin (2012:106), equity or more precisely, inequity, plays a major role in industry, labour and government. The fairness of exchange between employees and the employer is not usually perceived by the employees as simply an economic matter, but an element of relative justice is involved. The equity theory is more applicable to any form of social situation in which an exchange takes place. It is more helpful to management in perceiving what motivates employees (Berkowitz, 1965). In equity theory, motivation is affected by individual perceptions of being treated fairly in comparison to unfair treatment.

3.2.5.1 Antecedents of inequity

According to Adams (1965), the focus is based on the exchange relationships where individuals give something and expect something in return. Equity theory proposes that when employees perceive a state of inequity, the individual would experience a state of distress (Walster, Berschied & Walter, 1973:154). This distress will motivate individuals to advocate for the restoration of equity (Kuar, Aggarwal & Khaitan, 2014:230). In interpersonal justice, a person will try to exert a greater effort in achieving the organisational goals which results in the organisational effectiveness if employees perceive equitable distribution where outcomes equate with rewards. Employees are more likely to maximise the equitable behaviour among members when they develop a system where resources are distributed equitably among members of the organisation. A group will reciprocate rewards to members who behave equitably and punish those who do not conform to equity (Walster, Berscheid & Walster, 1973:158).

Table 3.1: Inputs and outcomes of Equity theory

Inputs	Outcomes
Education, intelligence, experience, training	Pay, Intrinsic rewards, satisfying supervision,
Skill, seniority, age, sex, ethnic background	Seniority benefits, fringe benefits, job status
Social status, job effort, personal appearance, health, spouse`s characteristics.	Status symbols, job perquisites, poor working condition, monotony, fate and uncertainty.

Source: Walster, Berscheid & Walster (1973:160)

Table 3.1 has shown what inputs and outcomes are expected; for example, if an individual perceives any of them as an input then it is an input hence he or she expects a just return for it. The problem arises if only the employee perceives a particular input and not the employer. According to Adams (1965), felt injustice is experienced; for example, an employer may base his promotion on seniority rather than promotion, and the employee feels that injustice has been done (Adams, 1965).

Whether a social exchange is considered equitable or inequitable depends upon the individual's perceptions of the relationships between their input and outcomes (Adams, 1965; Adams & Freedman, 1976; Walster, Berscheid & Walster, 1973). A state of

perceived equity occurs when an individual perceives his or her inputs balanced with his or her outcomes and when he or she perceives others' inputs are balanced with others' outcomes (Pritchard, 1969:179). Furthermore, equity theory assumes that even if an individual's inputs and outcomes do not balance, he or she still feels equitable only when the other is perceived as not having his or her inputs and outcomes in balance. (Hatfield, Salmon & Rapson, 2011: 101-121).

Equity theory proposed that when a state of inequity is perceived, the individual is more likely to experience a state of distress (Hatfield, Salmon & Rapson, 2011:104). This distressing state will move individuals to take action to restore equity (Tudor, (2011). The greater the inequity, the more distress individuals feel, and the harder they will try to restore equity (Coldwell, Dal & Perumal, 2007:189). The restoration of equity is either actual or psychological. The actual restoration of equity refers to the behaviour of the individuals who feel injustice to work less (decreased inputs) to demand a raise from the organisation or destroy organisational equipment. The psychological restoration of equity refers to convincing oneself that this inequitable relationship is somewhat equitable by distorting reality (Banks, Patel & Moola, 2012:89).

Arvantis and Hantzi (2016) also proposed that often the recipient who is paid more than he deserves, performs at a substantially higher level, either in terms of quality or quantity of his performance. The writers also made assumptions that inequity results in people not only when are relatively underpaid but also when they are overpaid. A person, for example, will feel that inequity exists not only when his or her effort is high or his or her pay is low while another's effort and pay is high, but also when his or her effort is low and his pay is high while another's effort and pay are low.

In interpersonal relationships, a person will try to maximise his or her outcomes (where outcome = reward-cost). Groups can maximise the probability of equitable behaviour among members when they develop a system where resources are distributed equitably among members. A group also will reward members who behave equitably towards others and punish those who do not (Brosnan, Schiff & De Waal, 2005:255).

3.2.5.2 Consequences of inequity

The motivational aspects of Adams' theory is derived from the hypothesised consequences of perceived inequity. The major postulates of the theory are envisaged as:

- the perceived inequity creates tension in the individual;
- the amount of tension is proportional to the magnitude of the inequity;
- the tension created in the individual will motivate him /her to reduce it; and
- the strength of the motivation to reduce inequity is proportional to the perceived inequity.

In other words, the presence of inequity motivates the individual to change the situation through behavioural or cognitive means to return to a condition of equity. Adams (1965) described methods through which individuals reduce inequity and referred to them as methods of inequity resolution. Adams describes the six alternative methods of restoring equity such as: altering inputs, altering outcomes, cognitively distorting inputs or outcomes, leaving the field, taking actions designed to change the inputs of outcomes of the comparison of the other and changing the comparison of the other.

The choice of a particular method of restoring equity is heavily dependent upon the characteristics of the inequitable situation. Adams suggests, however, that the person will attempt to positively maximise the prevalent outcomes and increasingly minimise the efforts of inputs to restore equity. In addition, the person can resist changing the object of comparison and distort inputs considered central to the self-concept. In general, it is considered easier to distort the other's input and outcomes than the person's own inputs or outcomes. The process of leaving the organisation as a method of reducing inequity is considered in extreme cases of inequity.

According to Adams (1965), when employees perceive any form of injustice, they are more likely to retaliate, which can lead to dissatisfaction, anger and guilt. The employees will be angry when they are getting less of what they expect in comparison to what they input and people will feel guilty when they receive more than the expected outcome. The anger is usually directed towards other people and institutions that have

caused inequity and sometimes it becomes self-directed when there is no target for punishment and retaliation. The inequity can result in the underperformance of employees since they perceive it as a form of distributional injustice.

Organisational effectiveness and motivation can be negatively affected since organisational justice is more likely to motivate employees to exert higher levels of performance within the organisational setting.

3.2.5.3 *Theoretical implication of Equity theory on organisational justice*

In as much as organisations are create a workforce which fosters team work that is self-managing and autonomous, a sense of justice becomes even more essential as the glue that holds the organisation together and maintain teamwork (Cropanzano & Kacmar, 1995:110). The essential idea behind the equity theory is that when individuals work for an organisation, they present certain inputs (e.g. abilities and job performance). Based on what their input is, people expect to get high pay (Cropanzano, Byrne, Bobocel & Rupp, 2001:180). Adams (1965:80) expressed that this is perceived as the ratio of outcomes per input. The complex situation for workers is to determine when a given ratio is fair. Adams argued further that individuals determine fairness by comparing their ratio to the ratio compared to others, which allows someone to see if a reasonable amount has been received.

Equity theory predicts that low rewards produce dissatisfaction, which in turn motivates people to take action and reduce the discrepancy between the ratio and the ratio in comparison to others. According to Adams (1965:80), when a person is over-rewarded, he/she might experience guilt, shame or remorse instead of anger or resentment. These emotions are negative and therefore should motivate individuals to move towards reducing the imbalance. Because individuals do not usually forgo positive outcomes, people are more likely to respond by increasing their inputs, and they begin to work harder.

In terms of pay, it is increasingly becoming clear that people heavily depend on pay to sustain themselves and for survival purposes. The equity theory deals with this issue as a source of motivation (Darely & Pittman, 2003:328). Employees realise that pay will lead to some security in living, recognition by peers, and status in his/her

professional group. In other words, pay is more important to the extent that it is seen as a way to realise more motives; even those employees who are dissatisfied with other factors in their jobs such as working conditions, are more likely to accept more pay to compensate for that lack of satisfaction. According to Aumour, Hatfield and Frey (2006:120), pay will represent the following:

- Salient motive: pay is often seen as the vehicle that leads to the satisfaction of a specific motive or goal. Pay is expected to provide more security, more status, less anxiety and more recognition.
- Relative position: pay may refer to the degree of progress in the employer's task performance relative to task goals. Pay thus informs us about the effectiveness of performance behaviour; it also provides more opportunity to correct one's course of action. Pay reflects how well someone's performance has been relative to others.
- Control: pay may convey to an employee how effective he or she has been in affecting the behaviour of others.

Academic research emphasises that underpayment inequity is associated with negative attitudes and dissatisfaction. Therefore, management needs to be concerned mainly with pay equity since it is one of the most important outcomes for employees (Huseman & Hatfield 1990:131).

The equity theory suggests that individuals are more likely to choose from one or more different referents in determining the equitableness of their pay. Employees may choose family members to measure how their pay meets their needs and compare it with the employee's own pay history. The selection of referent is a function of both the availability of information concerning certain referents and their attractiveness or relevance for the comparison. The choosing of a referent is related to its instrumentality in satisfying needs (Martin & Peterson, 1987:302). Furthermore, individuals compare themselves with many reference groups throughout the organisation and in the external market and in certain instances employees are more likely to feel unfairly compensated if one group is more highly paid than they are, which will eventually cause them to be demotivated and adjust their inputs (Levine, 1993:478).

According to equity theory, people can readdress the state of inequity cognitively; for instance, the altering of their beliefs about the outcome they received from their jobs. Equity theory asserts that workers who are underpaid financially may be able to re-establish overall levels of equity by convincing themselves that they are well compensated with respect to other outcomes. This means that workers are likely to enhance the perceived importance of other outcomes such as work environment, or it may happen that they may exaggerate the perceived level of the outcomes to establish equity. This behaviour is perceived as a cognitive distortion where there is no reduction in the level of job satisfaction when the pay cut occurred. Furthermore, the cognitive re-evaluation of a pay cut or perceived inequity will minimise the distressing effect of inequity (Greenberg, 1989:180).

3.2.5.4 Critique of Equity theory

The Equity theory is one of organisational behaviour, which has one major proposition, i.e. the comparison of one's input and outcomes to others' inputs and as a result one might experience equity or inequity. This proposition is very clear and parsimonious, unlike many theories in social science.

Furthermore, everyone can understand the equity theory since it deals with feelings towards equity and justice, which are very important to humans and creates a valid reason why people seek to understand the equity theory more clearly (Rice, 1993:120).

Academic scholars of equity emphasised that theories should not be too broad or too narrow and in essence the equity theory has achieved this limitation (Leventhall, 1976). Thus, it focused on what motivates employees and describes their input and expectations. It emphasises the two situations of inequity, which is the case of over-reward and under-reward, and how individuals tend to react in either situations (Cropanzano & Kacmar, 1995:50).

Other academic scholars have condemned the equity theory as a form that focuses on the distribution of rewards and how individual contributions should be rewarded. According to the theory, human beings are of the notion that rewards should be distributed in accordance with recipient's contributions and from this perspective the

equity theory has several distinct lines of research. Yet for several reasons, the equity theory has outgrown its usefulness and should be replaced by a more comprehensive formulation (Cropanzano, 2001:424).

Another problem and condemnation levelled upon the equity theory is that the theory itself is perceived as unidimensional rather than a multidimensional concept of fairness. It is envisaged that it conceptualises perceived justice solely in terms of a merit principle. The other problem is that it considers only the final distribution of reward and the procedures in which the distribution generated is not clearly examined. The theory is moreover encroached, and focuses on fair distribution, while problems of fair procedures are ignored (Arvantis & Hantzi, 2016).

The other problem is that the equity theory tends to exaggerate the importance of fairness in social relationships. The concern for justice is the only motivational force in this theory among many that influences the social perception and behaviour, and it may often be a weaker force than others. Other approaches to the study of fairness in social exchange, share some of these problems with equity theory and various approaches are needed to solve its problems.

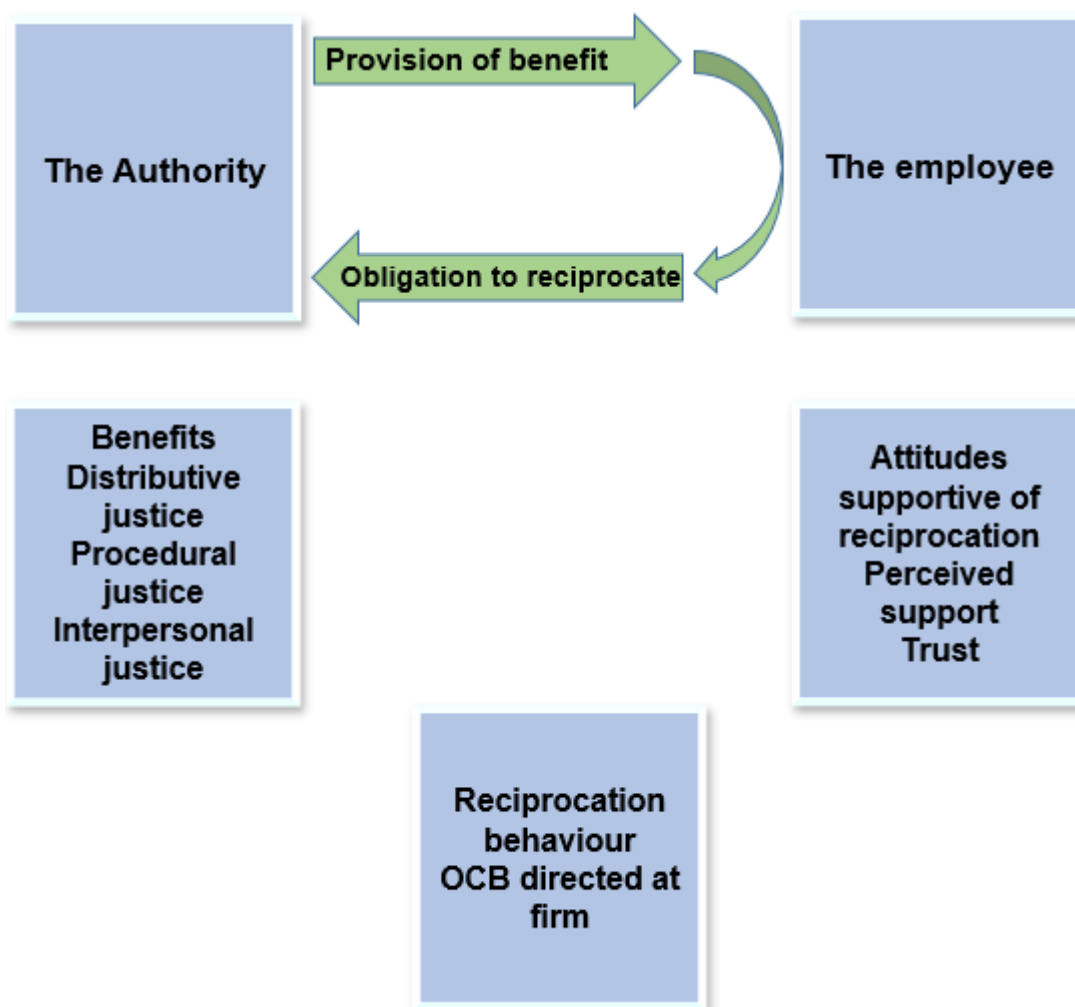
The equity theory has focused on what motivates employees and describes that they put more effort in the expectation of receiving the returns for exerting such efforts. The equity theory is, nevertheless, considered to be one of the most valid frameworks to understand human attitudes and motivation (Coldwell, Dal & Perumal, 2007:199).

3.2.6 Social exchange theory

Social exchange theory is perceived by various academic scholars as the influential conceptual paradigm for understanding workplace behaviour. Its roots can be traced back to the 1920's, Malinowski (1922:68) and Mauss (1925:64) Although various views of social exchange have emerged, theorists agree that social exchange involves a series of interactions that generates obligations (Alge, Wiethoff & Klein, 2003:32). The social exchange theory also emphasises that independent transactions that involve SET have the potential to generate high-quality relationships. SET's explanatory value has been felt in diverse areas such as organisational justice (Konovsky (2000:498). One of the basic tenets of SET is that relationships evolve over time into trust, loyal

and mutual commitments to facilitate an effective social exchange process, when the parties must abide by certain rules and principles. The rules of exchange form a normative definition of the situation that forms among or is adopted by the participants in an exchange relationship (Cropanzano & Mitchell, 2005:879). In this way, rules and norms of exchange are the guidelines of the exchange process. Thus, the use of SET on models of organisational behaviour is framed on the basis of an exchange rule or principles the researcher relies on. Various management researches focus on the expectations of reciprocity.

Figure 3.2: A social exchange explanation for organisational justice effects



Source: Barling & Cooper (2008:80)

Figure 3.1 depicts a social exchange relationship between an authority – either a formal organisation or a particular supervisor and an employee. The provision of benefits in the form of organisational justice is presumed to trigger an obligation to

reciprocate on the part of an employee. This social exchange focus has prompted scholars to focus on a specific set of job attitudes and those that are somehow supportive of reciprocation. In cases where justice benefits flow from formal organisations, attitudes examined are referenced to a supervisor.

Specific attitudes have received the most attention in the literature, namely: perceived support trust; commitment; and exchange quality. Perceived support reflects the degree to which the authority values the employee's contribution and cares about his or her well-being (Eisenberger, Arneili, Rexwinkel, Lych & Rhoades, 2001:43). Perceived support literature is based on social exchange literature foundation, making it a construct to include in justice studies, which includes procedural justice of perceived organisational support.

Figure 3.1, shows that the social exchange for justice effects implies that the support, trust, commitment and exchange quality fostered by fairness will have behavioural ramifications. The behaviours consist of reciprocation efforts aimed at repaying the original fairness benefits. The attitudes that those behaviours may be directed to, are either those of the overall organisation or of a particular supervisor. The behaviours such as task performance lack an obvious referent, although some have speculated that task performance is more supervisor-directed given that supervisors ultimately rate the criterion (Masterson, Lewis, Goldman & Taylor, 2000:74; Rupp & Cropanzano, 2001:930). Other behaviours, such as OCB, do possess an obvious referent. Helping co-workers or orienting new employees clearly benefits the individual (William & Anderson, 1991:609). Attending optional company functions or keeping up with organisational announcements are also clearly organisation-benefitting, and sometimes dubbed OCBO (William & Anderson, 1991:609), as is helping one's supervisor with optional work tasks or assisting the supervisor with heavy workloads, sometimes dubbed OCBS (Malatesta, (1995:170). It becomes clear from a social exchange process that an organisation and supervisor that originate forms of justice should predict OCBO and OCBS, with effects on OCBI with social exchange attitudes used as mediators (Aryee *et al.*, 2002; Konovsky & Pugh, 1994; Masterson *et al.*, 2000; Moorman, Blakely & Niehoff (1998:354); Rupp & Cropanzano, 2002; Wayne, Shore, Bommer & Tetrick(2002:593).

Counterproductive behaviours, which reflect intentional efforts to harm the firm or its employees, (Sackett & Devore, 2001:158:) also possesses an obvious referent. The cursing of co-workers and publicly embarrassing them are clearly individual-directed, sometimes referred to as interpersonal deviance (Bennett & Robinson, 2000:350). Theft, sabotage and intentionally breaking organisational rules are clearly organisational-directed, sometimes referred to as organisational deviance. Nonetheless, social exchange arguments would suggest that organisation and supervisor that are originating forms of justice, would be most directly linked to organisation and supervisor-directed counterproductive behaviours, with effects on individual-directed actions less explainable. Although scholars have applied such arguments to the study of counterproductive work behaviours (Greenberg & Scott, 1996), studies integrating justice, social exchange mediators and counterproductive behaviours remain rare (Lim, 2002; Kickul *et al.*, 2002:91).

3.2.6.1 The reciprocity rules

The reciprocity or repayment in kind is probably the best-known exchange rule. Goulder (1960:170) provided an interdisciplinary review of what was then known as SET. Goulder (1960)'s review makes clear that there is some ambiguity in the way in which reciprocity can be defined. The primary contributions of this review outlined the nature of reciprocity within exchange and distinguish three types of reciprocity: reciprocity as a transactional pattern of interdependent exchanges; reciprocity as a folk belief; and reciprocity as a moral norm.

a) Reciprocity as interdependent exchanges

The reciprocal interdependence emphasises the contingent interpersonal transactions, whereby an action by one party leads to a response by another. If a person supplies a benefit, the receiving party should respond in kind. Gergen (1969) Kelley and Thibaut (1959) explored patterns of exchange sequences. A reciprocal exchange is understood as one that does not include explicit bargaining (Molm, 2000, 2003), but rather one party's actions are contingent on the other's behaviour. This interdependence reduces risk and encourages cooperation. The process starts when one party decides to take an action and if the other reciprocates, new rounds of exchange will begin. Once the process is in motion, each consequence can create a

self-reinforcing cycle. The sequence is likely to be continuous, making various exchange processes.

b) Reciprocity as folk belief

The reciprocity as a folk belief involves the embedded cultural expectations that people get what they deserve. Gouldner (1960:164) and Malinowski (1932:89) described this type of reciprocity in the description of trade relationships between farming and fishing communities. A well-known example of this expectation is provided by Lerner (1980) in his research on the perception of the just world. Just world beliefs act as a perceptual bias in that individuals maintain a belief in a universal justice, even when evidence to that effect is lacking. Some organisational research is suggestive of positive benefits to folk beliefs.

c) Reciprocity as norm and individual orientation

Reciprocity has also been considered as a cultural mandate in which those who do not comply are punished (Malinowski, 1932:54; Mauss, 1967:68). The norm as standard describes how one should behave, and those who follow these norms are obligated to behave reciprocally. This logic led Goulter (1960:163) to speculate that a norm of reciprocity is a universal principle through which view is shared by others (Tsui & Wang, 2002; Tsui, Zang & Ma, 2003:189). In as much as reciprocity is perceived as a human universal, some individuals do not value reciprocity to the same degree. Some social psychologists have advanced the notion that individuals differ in the degree they endorse reciprocity (Clark & Mills, 1979:18; Murstein, Cerreto & MacDonald, 1977:544).

Individuals who are high in an exchange orientation carefully track obligations. Individuals who are low in exchange orientation are perceived as being less concerned about obligations and less likely to see if exchanges are not reciprocated. An organisational researcher's findings suggest that individuals with a strong orientation are more likely to return a good deed than those low in exchange orientation. Eisenberger, Huntington, Hutchinson and Sowa (1986:54) explored this exchange ideology. In their investigations of perceived support and absenteeism they discovered that the relationship is stronger for individuals with high exchange ideology than those

with a low exchange ideology. Later explorations also suggest that exchange ideology strengthen the relationships of perceived support with felt obligation (Eisenberger, Armeli, Rexwinkel, Lynch & Rhoades, 2001:48).

Social exchange is referred to as a type of transaction conceptualised as a type of relationship by organisational behaviour theorists. Organisations function partially through mutually desirable relationships in which parties give and receive a variety of benefits including socio-emotional benefits. When people perceive that they are treated fairly, the norm of reciprocity subsides.

Konovsky and Pugh (1994:658) contributed to the understanding of how social exchange works by their findings: feelings of trust mediate the relationship between procedural justices, but not between distributive justice and OCB. They explained that perceptions of procedural fairness promote trust for reciprocation in future interactions required for social exchange to occur. Distributive justice, on the other hand, is more likely indicative of economic exchange, where explicit agreements reduce ambiguities and the need to rely on judgements trust. This finding indicates that procedural fairness provides security over concerns about future treatment, which allows employees to engage in social exchange.

To declare a social exchange, parties must believe that the resources being exchanged are discretionary, and also desirable or beneficial. Cropanzano and Mitchell (2005:876) propose that the key is to match perceptions of the exchanges from two sides. In order for social exchange to take place successfully, both parties must believe that the exchange is a social one and feel that they are somehow benefitting from a personal relationship, although some employees or employers might prefer reciprocity in the form of economic exchange or agreed transactions.

Social exchange is based on the premise that perceptions of fairness or justice strengthen relationships and trust over time and the norm of reciprocity is present when people feel obligated to return any good deeds.

3.2.6.2 *Justice as an indicator of social exchange*

Researchers of organisational behaviour have often relied on justice, especially procedural justice as a proxy for social exchange. Despite some inconsistencies in

effect and sizes and covariance, perceptions of justice have emerged as predictors of employee OCB. The perceptions of fairness in interactions and procedures reassure employees that they trust they will be taken care of in future, allowing them to contribute as they see fit without needing to see immediate rewards.

According to Bolino, Turnely and Niehoff (2004:232), closer examination of social exchange is revealed when employees ultimately act in order to receive some form of benefit in return. When justice is key to this perspective, it will ensure that benefits will be reciprocated. The organisational justice view of the social exchange process is likely to reciprocate good deeds. Perceptions of justice affirm that employees' exerted efforts cannot be wasted as a result of reciprocation, which means that employers are more likely to exhibit respectful treatment and fair procedures, which may eventually symbolise the employer's desire to systematically make sound judgments in all areas. The organisational justice practice, from the employers' perspective and the employee's perceptions, is more likely to create a cooperative effort from both parties to contribute to an organisation to utilise its resources effectively.

In both views, justice serves to reduce uncertainty around outcomes (Lind & Van Den Bos, 2002:192), the difference being in one case that outcomes hold their importance in ensuring that personal needs will be met (the social exchange view), whereas in another case employees are more likely to be engaged on their work to ensure organisational outcomes. In the latter, an employee's perception of expected reciprocity or expected personal benefits, appears to be overshadowed by the direct benefit associated with perceived influence (Grant, 2007:402; Snape & Redman, 2010:220).

3.2.6.3 Social exchange relationships

The social exchange theory has gained a lot of attention in contemporary management sciences as a notion of workplace relationships. SET stipulates that certain workplace antecedents eventually lead to interpersonal connections referred to as social exchange relationships (Cropanzano, Byrne, Bobocel & Rupp, 2001:182). Social exchange relationships evolve when employers take care of employees which thereby engender beneficial consequences. In other words, the social exchange relationship is an intervening variable which facilitates the relationship between the employer and

employees. It is perceived as an advantage between strong relationships and fair transactions, which produce effective work behaviour and positive employee attitude. This line of reasoning has attracted Blau's (1964:60) framework to describe social exchange relationships.

Blau, (1964:62) postulated that the social exchange theory is facilitated by unspecified obligations, which involves favours that seek to diffuse future obligations when the nature of the return cannot be bargained. Blau (1964:65) envisaged that that social exchange tends to engender feelings of personal obligations, gratitude and trust as well as purely economic exchange. Furthermore, the benefits involved in the social exchange theory cannot be price-tagged in terms of quantitative medium of exchange. It is suggested that the social exchange therefore creates enduring social patterns. Blau (1964:97) outlined his theory as a form of exchange relationships directed to both parties and that successful exchange can cause one individual to become committed to another party, which may sometimes affect a relationship.

Academic scholars such as Mills and Clark 1982:128) are the proponents of a social exchange relationship with a different view from Blau (1964:99). They argued that exchange relationships are more appropriate than economic and communal relationships. They maintained that exchange relationships demand repayment within a particular time period, involve exchanges of economic goods, and are motivated by personal interests. Communal relationships are open-ended and less time-specific, involve the exchange of socio emotional benefits, and place greater emphasis on the needs of the other party. In line with the work of Mill and Clark (1982:130), recent conceptual thinking has placed greater emphasis on forming a relationship compared to earlier research. These ideas are repeated in the work of Organ, (1988, 1990) and Organ and Konovsky 1989:159) who maintained that exchange relationships are there to bind an individual to a collective body, and from Organ's (1990) perspective, SET is more than a set of rules for transacting benefits. These academics rearticulated concepts focus on the interpersonal attachment between individuals.

3.2.6.4 Social exchange relationships in the workplace

Social relationships in the workplace are referred to as an association between two interacting partners. Management researchers have clearly focused on various

interpersonal exchanges. Social exchange theorists create differences in parties involved in relationships. The presumption is that workers can form distinguishable social exchange relationships with their immediate supervisors (Lind, 1997); Cox, 1999; Deckop, Cirka & Anderson, 2003:108; Ensher, Thomas & Murphy, 2001:427) and employ organisations and suppliers.

3.2.6.5 Types of relationships in social exchange theory

a) Perceived organisational support

Perceived organisational support has been conceptualised in SET (Eisenberger, Fasolo & Davis-Lamastro, 1990:53); Eisenberger, Stinglhambe, Vandenberg, Sucharki & Rhoades, 2002:570). The benefits of perceived organisational support are defined as an employee who sees the employer as supportive and is more likely to gain the same results from the employer. When perceived organisational support is high, workers are more likely to engage in organisational citizenship, (Lych, Cummings, Eisenberger, Armeli & Lynch 1997; Moorman *et al.*, 1999), higher job performance (Eisenberger *et al.*, 2001; Randall, Cropanzano, Boorman & Birjulin, 1999:154), and reduced absenteeism. In this way, the researchers have conceptualised perceived organisational support as the quality of the social exchange that takes place between an employee and the employer as a whole.

b) Support to commitment

Organisational commitment is a widely researched topic (Meyer, 1997:189; Meyer & Allen, 1997:97). The research has shown that commitment predicts a wide range of workplace outcomes (Mathieu & Zajac, 1990:182). Social exchange theorists have proposed that employees are prone to exchange their commitment for an employer's support. Deckop, Mangel and Cirka (1999:418) examined the exchange properties of commitment and found that characteristics of a pay-for-performance plan affected commitment that in turn, affected OCB. The study findings of Rhoades, Eisenberger and Arneli (2001:828) investigated the interrelationship of work experience and affective commitment. Their findings are consistent with relational models of SET, demonstrating that perceived support generates greater commitment from employees, which then positively influences performance. In sum, the results provide convergent

evidence that POS plays an important role in building commitment, which ultimately influences important organisational outcomes.

c) Team support to organisational support

Scholars such as Bishop, Scott and Burroughs (2000:1128) set out to integrate the literatures of social support and organisational commitment within a team setting. In relation to this, Eisenberger, Arneli, Rexwinkel, Lynch and Rhoades (2001:50) maintained that POS would engender organisational commitment, which would in turn predict turnover intentions and OCB. The perceived team support is expected to predict team commitment, which would in turn result in OCB and commitment.

A similar model of team and organisational commitment was proposed and tested by Howes, Cropanzano, Grandey and Mohler (2000:215). These scholars maintained that organisational support for the individual, team support for the individual and organisational support was the predictor of organisational commitment and intentions to leave the team and its team cohesion. The concept of these findings is consistent with Bishop *et al.* (2000:1128). Furthermore, Howes *et al.* (2000:219) found that organisational support for the team was the best predictor of team performance.

d) Supervisory support

The notion that support leads to commitment, raises interest in a supervisory focus manifested in the exchange process. Eisenberger *et al.* (2002:570), on the other hand, suggested that a simplified multifocal model does not easily address the relationship of organisational and supervisor support. They presented evidence to suggest that supervisory support is one cause of organisational support. Therefore, the effects of supervisory support might be mediated by organisational support. It may be that, relative to organisational support, supervisory support is the better predictor of leader-relevant constructs such as commitment to the supervisor, OCB beneficial to the supervisor and so on (Masterson *et al.*, (2000:740); Rupp & Cropanzano, 2002:930).

e) Trust

Holmes (1981:130) identified trust as an identifying outcome of favourable social exchanges. Trust is therefore an important construct in understanding exchange.

Konovsky and Pugh (1994:) found that trust in one`s supervisor mediated between procedural and OCB. Arjee, Budhwar and Chen (2002:273) examined the effects of both trust in supervisors and trust in organisations and found that organisational trust mediated the relationship of justice such as distributive, procedural and interactional on job satisfaction, turnover intentions and organisational commitment. It is also clear that, at the same time, trust in the supervisor mediated the relationship between only justice and performance and two forms of OCB (supervisor and organisational-directed). A slightly different approach of trust was envisaged by Pillai, Scandura, and Williams (1999:772), who maintained that transformational leadership causes procedural justice, whereas transactional leadership causes distributive justice. These types of justice increase employee trust. Trust as a critical social exchange mediator, was posited to cause job satisfaction, commitment and OCB.

3.2.7 Psychological contracts theory

The psychological contract theory emanated from the theories of social exchange. Argyris (1960:54) viewed psychological contract as an implicit understanding between a group of employees and their managers or foremen and argued that the relationship develops in such a way that employees could exchange higher productivity and lower grievances in return for acceptable wages and job security (Taylor & Takleab, 2004:256). Argyris (1960:120) believes that employees are more likely to exert higher levels of performance in their tasks if there is minimal interference from the employees` group norms, and, in essence, employers will reciprocate the respect of the organisation and its right to evolve. The defining characteristic of the psychological contract can be traced as an exchange of tangible, specific and primarily economic resources agreed by two parties, which allow the fulfilment of each party.

Subsequently, Levinson, Price, Munden, Mandl & Solley (1962:120) discovered an elaborate conceptualisation of psychological contract that was immensely influenced by Menninger (1958:45). Menninger (1958:45) suggested, in addition to tangible resources, contractual relationships, also involves the exchange of intangible resources. The exchange that takes place between two parties involves mutual satisfaction to enable the relationship to continue. Roiling, (1996), Levinson *et al.* (1962:120) defined the psychological contract as comprising mutual expectations between an employee and the employer. These are agitated by unconscious motives

and thus each party may not be aware of their own expectations and the expectations of the other party. In Levinson's (1962:119) study, the role of reciprocity is more crucial in the anticipated satisfaction of expectations, and thus the desire to satisfy needs creates a relationship in which employees seek to maximise their efforts in order to meet them, and exceeds organisational needs if the organisation fulfils the employees' needs as well. This means from a theoretical view, therefore, that the employees and organisation hold strong expectations of each other, and it is this anticipation of meeting such expectations that motivates both parties to have strong relations with each other.

Although Schein's (1965:58) definition shares certain similarities with Levinson *et al.* (1962:120), it emphasised the process of matching employee and employer's expectations. This means that the matching of employee's expectations and organisations is crucial for the attainment of positive outcomes such as job satisfaction, commitment and performance. Schein (1965:189) emphasised the importance of understanding the employee and employer's perspective.

Rosseau (2001:513) proposed that the psychological contracts are grounded in an individual's perceptions of the employment relationship. It develops early when individuals are socialised about the value of hard work and reciprocity and are strongly influenced by family values, school, peer group and interactions with working individuals (Morrison & Robinson, 2004:166). Socialisation plays an important role in reinforcing values and is particularly important in shaping the individual's psychological contracts. Once the individual is fully shaped, it becomes difficult to disassociate him/her from the already-formed value. Individuals are more resistant to change during an early socialisation period; newcomers are more inclined to continue searching for more information in order to complete their psychological contract, thereby reducing uncertainty.

Takleab (2003:150) maintained that higher levels of socialisation have a tendency of reducing employee perceptions during the first three months of employment. DeVos, Buyens and Schalk (2003:545) found that newcomers changed their perceptions of employer obligations based on the inducement they had received and also their perception of what they had promised, based on what they had contributed. Dulac, Coyle-Shapiro and Delobe (2006:28) showed that newcomer proactivity and

socialisation tactics are important in influencing newcomer evaluations of their psychological contract during the first year of employment.

Additional organisational influences include human and structural contract makers (Rosseau, 1995:89) such as recruiters, managers and mentors that play important roles in communicating reciprocal obligations to employees and in particular the line manager (Guest & Conway, 2002:31). Structural contract makers such as human resources management practices have been positively linked to the numbers of promises made to employees as perceived by the manager. Notwithstanding organisational influences, individual factors still shape how individuals construe their psychological contracts and how they enact contractual behaviour. Raja, Johnson & Ntalianis (2004:352) found that personality predicted psychological contract type while Coyle-Shapiro and Neuman (2004:153) found that the exchange related disposition influenced employee reciprocation. Robinson, Kraatz and Rousseau (1994:139) argued that self-serving biases cause individuals to overestimate their contributions and underestimate the costs of inducements to organisations.

Pre-employment experiences individuals' disposition and organisational influences play an important role in shaping the psychological contract in its formation stage. In contrast, there is little empirical research that examines how psychological contracts are changed. Once formed, psychological contracts are quite stable and resistant to change (Coyle-Shapiro & Kessler, 2000:230; Rosseau, 2001:525) and little is known about the conditions under which they are able to change.

In light of the subjective nature of the psychological contracts, academic scholars have attempted to categorise, psychological contract items such as job security, interesting work, career prospects, pay, training and developmental opportunities and autonomy of the job in terms of two underlying dimensions: transactional and relational. The distinction between the two draws upon the legal work of Macneil (1974:695; 1980:85) and parallels Blau's (1964:125) distinction between economic and social exchange. Transactional and relational constructs can differ, based on their focus, time frame, stability, scope and tangibility. Transactional contracts contain highly tangible exchanges that are economic in focus, with the terms and conditions remaining static over the time of the relationship, when the scope of the contract is narrow. In contrast, relational contracts contain tangible and intangible exchanges and are open-ended,

the terms of the contract are dynamic, and the scope may be broad in that there is a spill-over between individuals' work and their personal life.

The conceptual distinction between transactional and relational contracts is clear. Rousseau (1990:394) argues that they represent anchors on a continuum such that a psychological contract can become more relational and less of a transactional-relational distinction. In interpreting the empirical findings, one should bear in mind that researchers have operationalised the psychological in terms of specific obligations and a features-based measurement approach may lend itself more easily to capturing the relational-transactional distinction. The key issue is the cross-over of items (Taylor & Takleab, 2004:259.) In certain instances, training may be transactional or relational (Arnold, 1996). One study supports training as an independent dimension (Coyle-Shapiro & Kessler, 2000:54). The process of attempting to classify psychological contract items into relational-transactional factors has not yielded consistent results. The other alternative approach that captures the features of psychological contract is envisaged in O'Leary-Kelly and Schenk's (2000) operationalised, relational and transactional contracts in terms of the four dimensions: focus, time frame, inclusion and stability using a 15-item measure. Sels, Janssen and Van den Brande (2004:472) extended the number of dimensions to six to include:

- Tangibility - the degree to which the terms of the psychological contract are explicitly specified.
- Scope - the extent to which boundary between work and personal life is permeable.
- Stability - the extent to which the psychological contract is subject to change without negotiation.
- Time frame - the perceived duration of the relationship.
- Exchange summary - the extent to which the relationship is unequal
- Contract level - the extent to which the contract is regulated at the individual or collective level.

These two studies provide empirical support linking the features of the psychological contract to outcomes. O'Leary-Kelly and Schenk (2000:30) found that relational contracts were negatively associated with the intentions to leave the organisation. Sels

et al. (2004:470) did not classify the dimensions into relational and transactional contracts but nonetheless found that the dimensions of a long-term time frame an unequal employment relationship, and a collective contract level was positively associated with affective commitment.

In light of the empirical evidence, the question needs to be raised whether the transactional-relational distinctions matter. Rousseau (1990:390) found that relational employer obligations were associated with employer relational obligations. For example, job security in return for loyalty and transactional employer obligations are associated with transactional employee obligations such as high pay for high performance. These findings are in support of Gouldner's (1960:164) homeomorphic reciprocity in that the resources exchanged are similar. Empirical evidence of the features-based approach conclude that the type of psychological contract defines potential resources to be exchanged and the nature of those resources.

3.2.7.1 Consequences of contract breach and violation

A dominant emphasis of current research has focused on the consequences of a contract breach on employee's perceived feelings, attitudes and behaviour. This topic has, not surprisingly, attracted considerable research attention and is consistent with Rousseau's (1989:125) definition, which has been investigated from an employee perspective, such as when employees perceive that the organisation has failed to fulfil its obligations. Employees experience contract breach quite frequently (Conway & Briner, 2002:289; Lester *et al.*, 2002; Robinson & Rousseau, 1994:251).

The researcher used psychological contract breach and violation interchangeably until Morrison and Robinson (1997:238) distinguished between the two concepts in terms of cognition and emotion. The contract breach captures cognitive awareness that one or more obligations have not been fulfilled, while contract violation captures the emotional experience that arises from the recognition that a breach has occurred (Morrison & Robinson, 1997:240). Contract violation includes emotional distress, feelings of betrayal, anger and wrongful harm that results from an individual's perception that although the promises have been kept to another party, the other party has broken its promises to him or her. It can be recognised, therefore, that a breach has occurred at the same time and not during the experience of feelings of violation.

Empirical evidence suggests that contract breach leads to reduced psychological well-being (Conway & Briner, 2002:29), increased intentions: to leave the organisation (Tekleab & Taylor, 2003; Turnely & Feldman, 1999:905); reduced job satisfaction (Takleab & Tylor, 2003:16); trust in the organisation (Robinson, 1996:579); organisational commitment (Coyle-Shapiro & Kessler, 2000; Lester, Turnely, Bloodgood & Bolin , (2002:); and have lower employee obligations to the organisation and more cynical attitudes towards it (Johnson & O`Leary-Kelly, 2003). In terms of behaviour, contract breach negatively affects in-role performance and extra-role behaviours (Lester *et al.*, 2002; Robinson & Morrison, 1995:285). There have been few studies that examined moderators in the breach outcomes relationships. Conway and Briner (2002:290) found that the greater the importance of the promise, the stronger the negative reaction to breach, while Kickul, Lester and Finkl (2002:474) found that procedural and interactional justice moderated employee responses to breach. A few studies have examined the relationship between the breach and violation. A study by Dulac, Coyle-Shapiro and Delobe (2006:4) showed that violation fully mediated the effects of breach on employee's affective commitment and trust; and Raja *et al.* (2004:364) found that equity sensitivity and external locus of control enhanced the relationship between breach and violation. The relationship between perception of breach and feelings of violation merits additional research. In addition, the relative effects of cognition and emotion on outcomes is another avenue for investigation.

The weight of empirical evidence thus strongly supports the negative consequences of contract breach. Furthermore, although the negative ramifications are clear, potential explanations for this effect warrant empirical examination (Robinson & Brown, 2004:309). The overwhelming emphasis of empirical studies has been on employee perceptions of employer contract breach, with the consequences of employees' contract breach comparatively neglected.

3.2.7.2 Key debates and challenges in the domain of psychological contract theory

The reconceptualisation of the psychological contract theory remains prominent even though there are some debates as to what psychological contract entails and what it constitutes. The use of varying terms such as expectations, obligations and promises

had created various controversies. Conway and Briner (2005:125) argued that the differences between expectations, obligations and promises are important but are not widely discussed, thereby reflecting a limited concern with definitional clarity. The promises involve the expectation, but the expectations may not necessarily involve promissory element. They may arise based on past experiences, probabilistic beliefs about the future whereas promises are based on communication or behaviour of another party that leads an individual to believe that a promise has been made. Conway and Briner (2005:84) argued that the key difference is that expectations represent a general, stable belief of whether something will or should happen in the future whereas a promise is a specific belief that something will happen based on communication or behaviour of an intention to do so. It is only the obligations arising from explicit or implicit promises that are part of psychological contract (Morrison & Robinson, 1997:249).

The obligations that arise from past employment relationships or moral values are therefore not included in the psychological contracts unless they are conveyed in a promissory manner to the employees. Furthermore, given that researchers utilise all three terms to understand the essence of theoretical underpinnings of psychological contract, suggests that a broken promise is given the same significance as an unmet expectation. Therefore, if the psychological contract encompasses beliefs about promises, expectations and obligations, then it becomes a loosely defined construct with weakened analysis (Conway & Briner, 2005:130).

The psychological contract extends further to exchange and reciprocity as central concepts evidenced in the use of reciprocal obligations and reciprocal exchange agreements. Yet what remains unclear is whether this exchange occurs at a general level or whether it is a specific inducement offered in return for a specific contribution. In social exchange theory terms, the emphasis is based on exchange at a general level. In other words, the organisation offers inducements such as pay, promotion, training and interesting work in exchange for various employee contributions such as performance, effort and flexibility. Researchers have argued that the resources are exchanged in an underspecified manner. Foa and Foa (1975:120) argued that resources that share similar attributes in terms of particularism and concreteness are more likely to be exchanged with one another's homeomorphic reciprocity. The idea

of contingent exchanges between employee and employer needs to address the contingent base directed to employer or employees rather than generalising contingency in everything. The specification of specified resources will eventually unravel the extent of contingency that underlie exchange relationships.

3.2.7.3 *Employer perspectives on psychological contract*

Employer perspectives represent one of the ambiguities in the psychological contract literature where employer representatives are subjected to various debates. The employer perspective on the contract has remained largely underdeveloped in the psychological contract theory, although there is an emerging consensus developing that the employer`s perspectives to the exchange with employees should be included in the psychological contract research (Guest, 1998:655; Taylor & Takleab, 2004).

Furthermore, the key issue of examining the employer perspective is that the employer`s side is most often represented by multiple agents (Shore, Porter & Zahra, 2004 in Coyle-Shapiro *et al.* (2004:145). Organisations are mandated to recruit, select, socialise and provide different inducements without specifying the responsible party in these activities (Liden, Bauer & Erdogan (2004:228).

Various academic scholars such as Lewis and Taylor (2001:70) and Takleab and Taylor (2003) examined the exchange relationship at a dyadic level between employees and their immediate managers. Lewis and Taylor (2001:80) argued that immediate managers play three important roles in forming, maintaining and mentoring employee`s psychological contracts. Employees are expected to have most contact with their immediate managers who often take the role of representing the organisation`s expectations to the employee and directly evaluate and respond to the employee`s behaviour at work. According to Guest and Conway (2000:73), the immediate managers should be considered as organisational representatives, and need to perceive themselves as representing the organisation in order to be considered as legitimate organisational representatives. Guest and Conway (2000:78) also point out that managers are more often not considered as organisational representatives unless they occupy a high position of authority in the organisational hierarchy.

The second position views the relationship at a global level between senior and middle level managers and employees (Coyle-Shapiro & Kessler, 2002; Porter *et al.*, 1998). The argument presented is that decisions that affect the employment relationship are usually made by those in higher strategic positions of the organisational hierarchy. For instance, Porter *et al.* (1998:702) examined the psychological contract perceptions of high-level executives and eloquently argued that they are in the best positions to know employer inducements offered to employees. A similar argument was made by Guest and Conway (2002:33), who examined the role of organisational communication in influencing perceptions of psychological contract breach.

The roles of immediate and senior managers are complementary in managing the employee-organisation relationship. Coyle-Shapiro and Shore (2007:172) argued that a way of uniting these opposing views is to recognise the multiple relationship, which may be developed by employees in their employment relationships such as distal relationships with senior managers and the proximal relationship with immediate line managers. Therefore, senior managers as key decision makers who define the broader parameters of the exchange such as a reward system, promotion and job security should be respected. Furthermore, lower level managers may develop a psychological contract with employees over specific issues such as autonomy and flexibility. For example, irrespective of the managerial level, managers in that capacity have a role to play in managing the psychological contract with employees whether they feel they are representing the organisation or not.

Although debates on who acts as employer representatives continues, there is evidence to suggest that managers as employer representatives, view the exchange with employees as the ones that adhere to the norms of reciprocity (Coyle-Shapiro & Kessler, 2002; Takleab & Taylor. 2003:598). Two studies have also captured the employer's perspective as a way of assessing mutuality in the relationship (Coyle-Shapiro & Kessler 2000:110). The employer perspective is very much in its infancy but represents a rich avenue for additional work, which allows a focus on the interaction between the employee and the employer.

3.2.8 Stage Models of Trust Theory

Figure 3.3 shows the development of trust for employment relationships.

Figure 3.3: Development-based trust for employment relationship

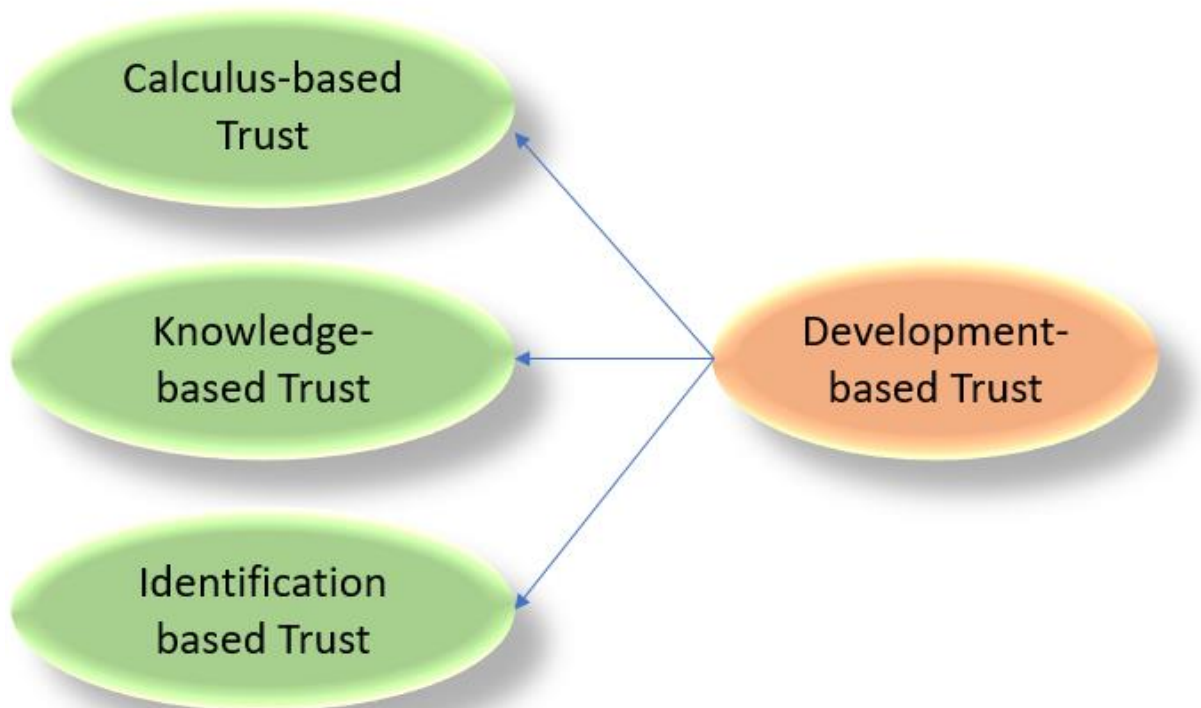
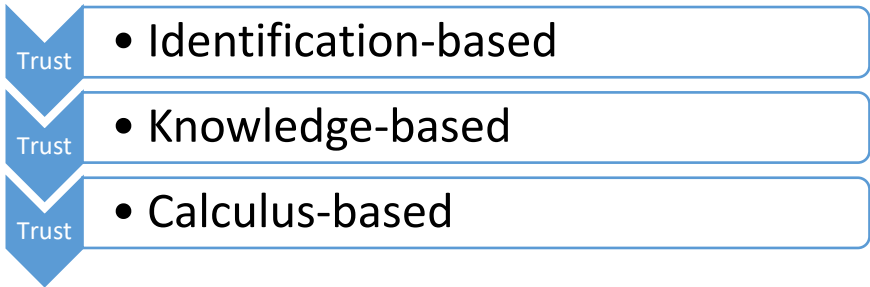


Figure 3.3 illustrates the stage models of trust theory which envisaged that calculus based trust, knowledge based trust and identification based trust are the direct causalities of development based trust, which eventually leads to the combination of trust in the organisation.

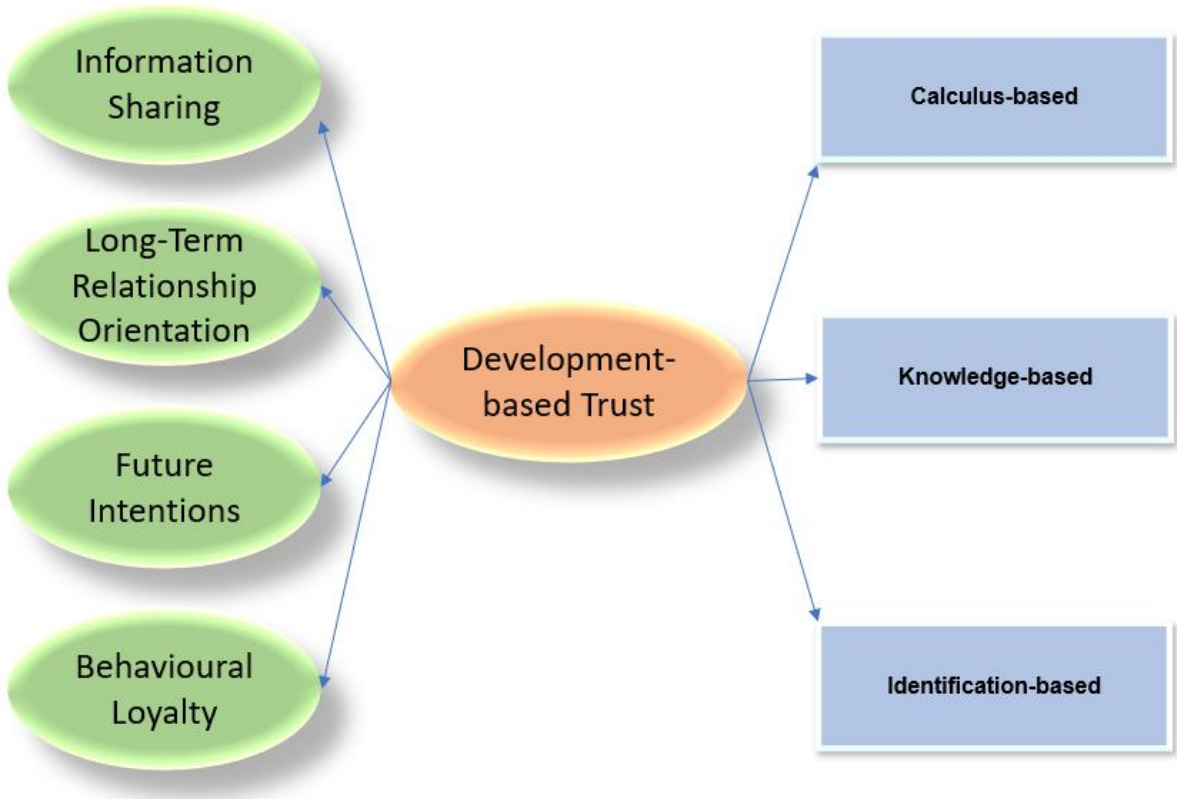
The development based trust creates a situation where information is equally shared and creates the development of team spirit where cohesiveness is formed and results in long term relationships and future orientations and loyalty amongst the participants. The different forms of trusts are a direct causality of development based trust and there is more interrelatedness amongst the different forms of trust. The stage models of trust theory envisaged that calculus based trust, knowledge based trust and identification based trust are the direct causalities of development based trust, which eventually leads to the combination of trust in the organisation.

Figure 3.4: Development-based trust



The development based trust creates a situation where information is equally shared and creates the development of team spirit where cohesiveness is formed and results in long term relationships and future orientations and loyalty amongst the participants. The different forms of trusts are a direct causality of development based trust and there is more interrelatedness amongst the different forms of trust.

Figure 3.5: Graphic representation of the development-based model in the workplace



Furthermore, the stage models of trust focus on how trust evolves between parties over the life of the relationship models differ from other approaches to trust in that they depict trust as qualitatively different during stages. These types of the relationships

that is the basis of trust. Shapiro *et al.* (1992) initially developed a three-stage model of trust consisting of deterrence-based trust, knowledge-based trust and identification-based trust. Lewicki and Bunker (1996) adapted this model, referring to deterrence-based trust as calculus-based trust and delved more deeply into the transition of stages. Subsequently, Rousseau *et al.* (1998) presented a two-stage model consisting of calculus-based trust and relational trust. The deterrence trust is an impersonal form of trust based on the structure in place to enforce cooperation. This form is similar to institutional or rule base trust (Kramer, 1999; Macknight, *et al.*, 1998), and thus relates to the factors contributing to presumptive trust, which is derived as well as an economic perspective on trust. (Williamson, 1993).

Knowledge based trust is derived from direct experience and interaction with the other party and it thus relates to exchange-based and behavioural views of trust. Identification-based trust is based on the internalisation of shared beliefs and values. This level of trust is similar to affect-based trust (Atkinson & Butcher, 2003) in that it is believed to develop through a strong interpersonal bond between the stage models of trust. Stage models presume that different factors influence trust at each stage. Knowledge-based trust is stimulated through regular interaction and communication, but at least in the short term this becomes difficult for the formation of identification-based trust. Identification based trust alone requires a shared identity and intensive, frequent interactions. Stage models also give more attention to how relationships progress through these stages. Lewicki *et al.* (2006:) argued that progression from calculus-based trust to knowledge-based trust requires sufficient opportunity to exhibit voluntary trustworthiness. Further, interactions need to be frequent and complex enough to provide reliable and representative information about the trustee's intentions. The transition to identification requires more intensive interaction and transformation of motivational orientation from individualised perspective to a collective perspective.

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trust. Luwick and Bunker (1996) adapted this model, referring to deterrence-based trust as calculus-based trust and delved more deeply into the transition of stages. Subsequently, Rosseau *et al.* (1998) presented a two-stage model consisting of calculus-based trust and relational trust. The deterrence trust is an impersonal form of trust based on the structure in place to enforce cooperation. This form is similar to institutional or rule base trust (Kramer, 1999; Macknight, *et al.*, 1998), and thus relates to the factors contributing to presumptive trust, which is derived as well as an economic perspective on trust. (Williamson, 1993:475).

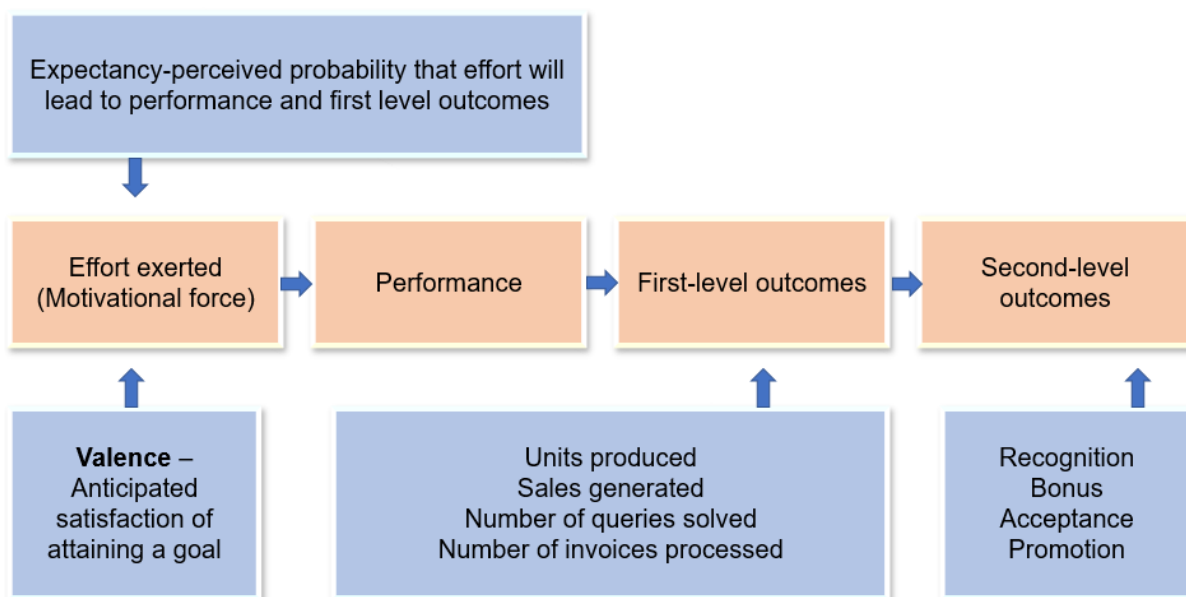
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3.2.9 Expectancy theories

The two expectancy theories are discussed such as Vroom's expectancy theory and Porter and Lawler's expectancy theory. In this discussion both theories hold that people are motivated to act in a specific way only if they believe that a desired outcome will be attained. The expectancy theories view behaviour and motivation as a function of beliefs, expectations, perceptions, values and other mental processes (Robbins & Decenzo, 2004).

The first expectancy theory can be traced back from the work of Vroom's (1964) work and motivation. Vroom's theory represents an individual's belief that a particular degree of effort will be followed by a particular level of performance. According to Vroom (1964), motivation is the multiplicative function of valence (Nel *et al.*, 2011:299). Vroom maintained that motivation provides the decision of how much effort an individual need to exert in a specific task or situation. From Vroom's perspective, expectancy theory means that motivation is also influenced by the employee's perceived chances of receiving various outcomes as a result of accomplishing his or her performance goal. This means that individuals are motivated to the extent that they value the outcomes received (Kinicki & Kreitner, 2008). Nel *et al.* (2011:296) maintained that if an employee desires promotion and believes that through meeting certain organisational criteria she or he will get it, the person will put in a greater effort. The opposite is also perceived as true. If a person believes that no amount of work will lead to promotion she or he will put in less effort.

Figure 3.6: Vrooms expectancy theory



Source: Nel *et al.* (2011:299)

Figure 3.6 illustrates the key concepts of Vroom's (1964) expectancy model. The three key concepts in this theory are valence, instrumentality and expectancy. Valence refers to how attractive a specific outcome is to an individual. It is the anticipated satisfaction from attaining a particular goal or objective. It is perceived as different from

value in the sense that a person might desire a specific outcome, and when it is obtained the person derives less satisfaction from it. Valence is the anticipated satisfaction and value of the actual satisfaction. A person might desire a promotion (valence) and when it happens, realise that it is quite stressful to have more responsibility. Valence can be assessed on a scale ranging from very desirable to very undesirable.

Expectancy refers to an individual's belief that a certain level of effort will lead to a certain level of performance. This represents the effort-performance expectation. If an individual has zero expectancy that effort will lead to performance, and the person will not put in a remarkable effort (Robbins & Judge, 2009).

According to Kinicki and Kreitner (2001:247), the following factors influence a person's expectancy perceptions:

- Self-esteem.
- Self-efficacy.
- Previous success at the tasks or similar task.
- Support from others (supervisor, subordinate, colleagues).
- Access to relevant information.
- Sufficient material and equipment.

Managers who need to influence the motivational levels of their employees should therefore support and give them access to information as well as provide them with the necessary resources to perform effectively.

The expectancy theory provides a sort of mechanism for finding out motivation through a certain type of calculation. The way in which expectancy theory work is as follows:

Employees have personal goals which they achieve and for this reason they work in organisations. These personal goals can be fulfilled by organisational rewards or work outcomes. Therefore, the relationship between organisational rewards or work outcomes and personal goal is important. This relationship can also be expressed as the value the employee gives to the work outcomes. The organisational rewards or work outcomes are dependent on the individual performance of the employee. The

level of belief that the individual employee has, will result in his/her performance achieve organisational rewards and work outcomes. Further, the perception of the chances by the individual employee that personal effort on his /her will lead to high performance is important.

a) Nature and characteristics of the expectancy theory

The expectancy theory of motivation as developed by Victor Vroom (1964) is a process theory of motivation, which has an important place in the literature of motivational theories. This theory looks at motivation in a more comprehensive and realistic way than some of the other theories. Although the expectancy theory is a more complex theory of motivation, it is based on common sense psychology of employees and suggests that employees will be motivated to act when there is an expectancy that their behaviour can result in achievement of desired outcomes (Ferris, 1977:6).

The theoretical underpinning of expectancy theory is the perception and anticipation of likely consequences of behaviour. Individuals will aim to predict what consequences of their action may be. In other words, the expectancy theory can predict if an employee will work extra hours for career advancement, maintain superior interpersonal relations, project a more ethical image and do similar other things (Parijat & Bogga, 2014:6).

The theory emphasises some very important aspects of management variables, which are efforts, performance, rewards, and personal goals. It establishes the relationship between effort-performance-rewards and personal goals and tries to synthesise all these into one theory of motivation. It provides a sort of quantitative formula to find out the motivation of employees. It lays emphasis on the value of individual perceptions of what the reality is in the process of motivation. The theory focuses on utilitarianism, as the goal of the employee is to maximise advantage or self-interest /pleasure and avoid negative consequences. The expectancy theory implies that job satisfaction results from superior performance and not the other way around. It is based on a contingency model, which categorises that all employees are not motivated by the same thing in the same way (Chiang & Jang, 2008).

b) Merits of the expectancy theory

The academic scholar in organisational behaviour holds the view that the expectancy theory is one of the most acceptable theories of motivation, and there is substantial evidence to support the theory. Numerous studies have been done to test the accuracy of the expectancy theory in predicting employee behaviour and direct tests have been generally supportive (Robbins & Decenzo, 2004:299).

Managers can benefit from the expectancy theory as it helps them understand the psychological processes that cause motivation. The thinking, perceptions, beliefs, estimates of chances and probabilities and other such factors of employees strongly influence their motivation, performance and behaviour. It makes process of understanding the organisational behaviour easier. (Nel *et al.* 2011:301).

The expectancy theory seems to be intuitively appealing and is based on common sense. It explains the process of motivation by breaking it down into separate, recognisable stages. It links effort and performance, rewards and personal goals. Managers, therefore, can create a work environment, climate and culture that will increase motivation levels by understanding the factors that motivate and demotivate individual employees (Wigfield & Eccles, 2000:72).

The expectancy theory is more scientific than some other theories on motivation. It explains many phenomena related to employees' efforts, work performance, employee motivation etc. that are observed in organisations. If organisations actually rewarded individuals for performance rather than seniority, effort, skill level and job difficulty, the expectancy theory would have been more valid. Yet rather than invalidating it, the criticism levelled upon it can clearly explain the reason why the significant segment of the workforce exerts low effort on the job (Fudge & Schleiter, 1999:296).

According to Koontza and Weinrich, the expectancy theory recognises the importance of various individual needs and motivations. It thus avoids some of the simplistic features of Maslow and Herzberg's approaches. It is more realistic and helps to harmonise an individual goal with organisational objectives and is more consistent with the system of managing objectives.

Another important aspect of this theory is that it understands the subjective differences that cause differences in motivation and different individuals. The expectancy theory does not exactly specify the rewards that will motivate a particular group of workers. In this sense it allows for the fact that the rewards and their link with performance are likely to be seen as quite different in different cultures (Parijat & Bagga, 2014:7).

According to Cole and Kelly, the expectancy theory has led to improvements in work designs where emphasis has been laid on intrinsic job factors such as variety of autonomy, task identity and feedback. It is a theory that is of value in understanding organisational behaviour and can clarify the relationships between individual and organisational goals. It therefore allows for certain dynamic features of people's makeup and implies that managers should pay attention simultaneously to a number of factors in dealing with employees. According to some experts, this theory works better in the case of higher level employees and in the case of major and more complex job-related decisions.

c) Limitations of the expectancy theory

The expectancy theory, which is a complete and a comprehensive one, also has a point of view and angle. It is better on many accounts and is a more realistic than many other theories of motivation. Managers may not rely on expectancy theory alone and should therefore use other theories. As a social science theory, it is limited. It must also be understood that human nature, behaviour, attitudes and, of course motivation, are more subjective than objective and can never be completely objectified or theorised. Therefore, all theories of motivation suffer from its limitation (Robbins & Judge, 2004:188).

The expectancy theory is more complicated and involves many variables and the practical applicability of it raises a lot of suspicions. Furthermore, various academic scholars believe that the complexity of this theory creates various difficulties in testing and implementing it (Robbins & Decenzo, 2004:280).

It is envisaged that employees may not have time, willingness, favourable situations, resources or even the adequate ability to calculate motivation in the way that the theory

assumes, and managers may also be lacking the parameters to take a decision of what motivates an employee.

Quantitative measures of the expectancy, instrumentality and valence that are suggested in the expectancy theory may not at times be possible or may be difficult to calculate, and also whether the formula suggested for motivation can in realistic terms be applied to motivation, which is a subject of controversy.

Sharmon and Hunt (2014:152) are of the notion that although the theory has received substantial support the specific details such as the operation of the multiplier affect remains subject to various questions. The critics of the expectancy theory suggest that it has only limited use and is more valid where individuals clearly perceive effort-performance-reward linkage and because of the few individuals that perceive effort-performance-reward linkage the theory therefore tends to be idealistic. It does not provide a specific solution to motivational problems and assumes that people are rational and logically calculating, which is too idealistic.

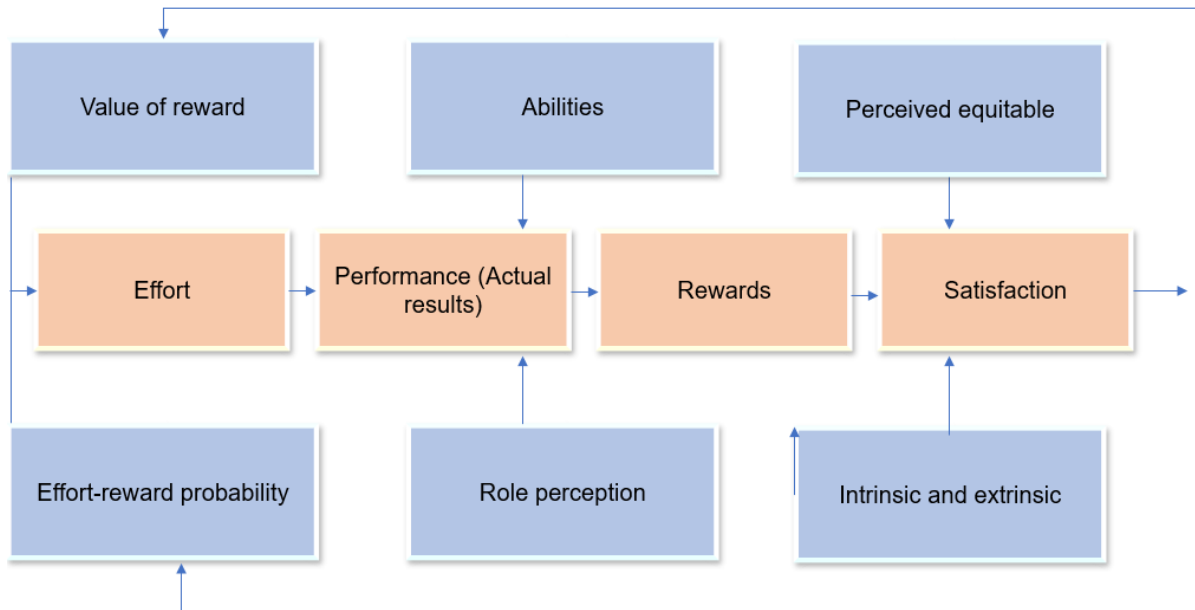
Furthermore, the expectancy theory attempts to only mirror the complex motivational process and does not examine how motivational processes are actually made. In certain postulates of the theory, it is envisaged that all motivational decisions that individuals take are not as exact or as conscious as the theory wishes the audience to believe.

Other academic scholars envisaged that the theory seems to be lacking when it comes to grips with the fact that some employees may be more interested in intrinsic rewards and not extrinsic ones. Another potential weakness of it is that the theory assumes all necessities are in place, which is not always the case. Employees to have the ability, the resources and the opportunity to perform their job well and an example of this would be the role genetics can play as a biological limiting factor performance (Walker, 2003).

According to some experts, the expectancy theory is not fruitful in predicting the motivations of employees in simpler, typical, routinized and lower-level jobs in organisations. Other experts believe that the expectancy theory might work better in some cultures than in others.

Research has suggested that the expectancy theory is more likely to explain motivation in westernised countries than in other countries in that the latter tend to be goal-oriented and influence their own success. Different behavioural patterns exist in different countries and hedonistic assumptions underlying the expectancy theory with its validity and applicability raises a lot of questions about the expectancy theory.

Figure 3.7: Expectancy theory of Porter and Lawler



Source: Nel *et al.* (2011)

The expectancy theory of Porter and Lawler (1963) is an extension of Vroom's theory into the expectancy model of motivation. This model as envisaged in Porter and Lawler (1963) is created and attempted to:

- identify the origin of people's valences and expectancies;
- link effort with performance and job satisfaction;
- identify factors other than effort that influences performance; and
- emphasise the importance of equitable rewards.

According to the expectancy theory, the value of the reward is similar to valence in Vroom's theory. People desire a combination of outcomes or rewards for what they put into their jobs. The perceived effort – reward probability is an extent to which a person believes that his or her effort will lead to reward (Nel *et al.* 2011:300).

This is similar to the concept of expectancy in Vroom's theory. Both the desirability of the reward, and the perceived probability that the effort will lead to the reward impact on the effort the person will put into her or his job. The effort does not lead directly to performance but is moderated by abilities and traits and role perceptions (Robbins & Judge, 2009:156).

Satisfaction is influenced by both intrinsic and extrinsic rewards. Intrinsic rewards are self-granted and consist of intangibles such as a sense of accomplishment and achievement. Extrinsic rewards include bonuses, public recognition, awards and acceptance. Job satisfaction is influenced by an employee's perception about the equity of rewards given. Employees expect rewards that are not only equitable to their own inputs, but also equitable to the rewards that other employees with similar inputs receive. If employees experience inequity, they direct their behaviour towards creating equity (Robbins & Decenzo, 2004:290).

Organisations give greater attention to extrinsic rewards and as a result they do need systems that clearly and closely ties rewards towards performance. Nel *et al* (2011:299) is suggestive of Lawler (1996:57) that line of insight indicates the extent to which employees see that extrinsic rewards they receive are a consequence of their performance. In contemporary organisations, less emphasis is given to individual pay for performance and more gain-sharing and stock ownership schemes are linked to it. The intrinsic rewards have more potent influence on performance and employees' behaviour. Although individuals give themselves intrinsic rewards, organisations can influence the likelihood of those tied to performance by addressing job design. The complexity of the task, how challenging it is, and the kind of feedback people receive about their work, have a huge impact on intrinsic rewards.

Managers can enhance the effort-performance expectancies by helping employees accomplish their performance goals. Specifically, managers can:

- Communicate with individuals or groups to determine what personal goals or rewards they value.
- Clearly link rewards to performance goals.
- Train and guide employees to required performance levels.
- Make the individual and group responsible for goal attainment.

- Foster a positive environment for intrinsic rewards through careful job design (Nel *et al.* 2011:290).

3.2.10 Affective events theory

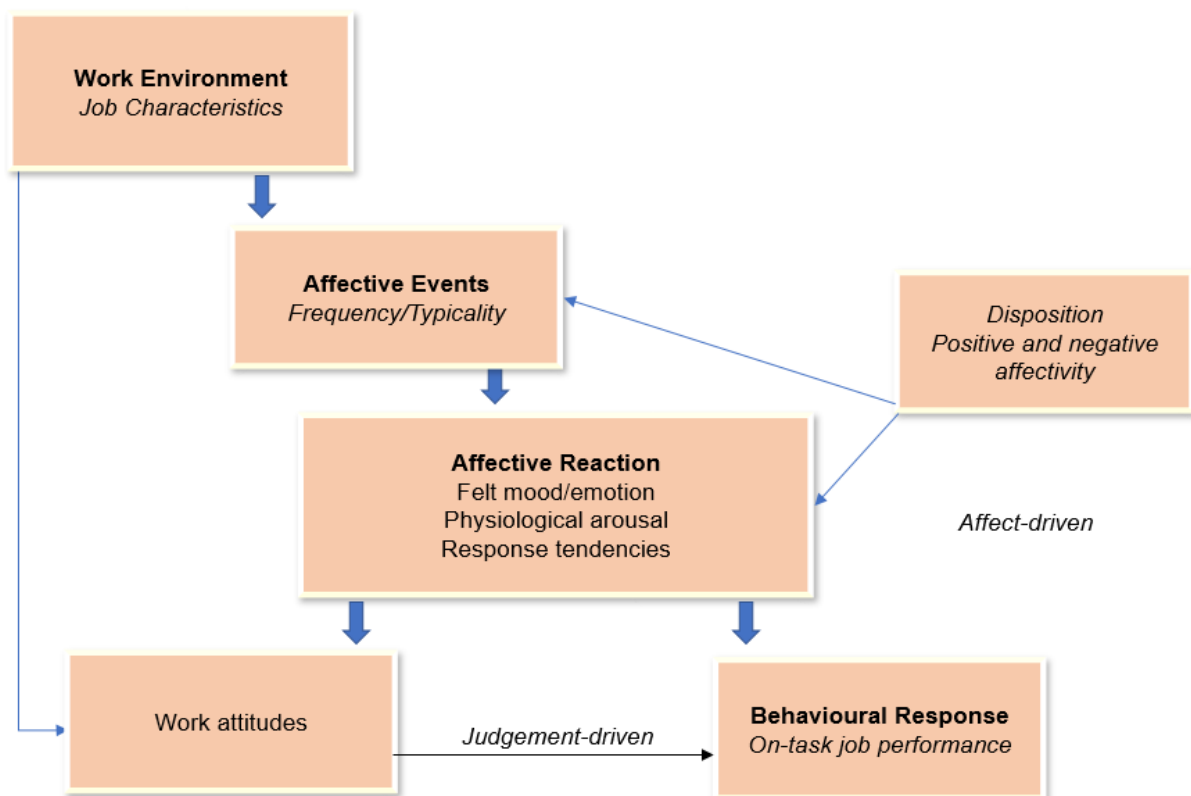
Affective events theory (AET) was developed by Weiss and Cropanzano (1996:60) and states that environmental events affect a person emotionally, and that emotional consequences influence an employee's job performance. This influence is relatively immediate. As a framework, Ilies and Judge (2005:460) show that goal regulation explains the links among emotion, a person's action tendencies and intentional behaviour. For instance, the performance feedback given to an employee is typically experienced as an affective event, because it involves a value appraisal of the employee's actions and achievements. This influences the emotions of the person's experience, and through the goals this person subsequently sets job performance.

The importance of the environment on an employee's behaviour has long been recognised. A person who is motivated in one setting may be demotivated in one another. The importance of the environment is espoused in the philosophy of behaviourism (Watson, 1913:169; Skinner, 1953). The underlying notion is that the environment alone shapes behaviour. This is said to occur and creates operant conditioning, that is an employee's response, operating on the job environment is rewarded, ignored or punished.

The frequency of desired responses of an employee can be increased by management changing the schedule on which an external incentive is administered. For this reason, the behaviourists argue that an employee's behaviour is solely a function of its consequences. Employees learn contingent relationships between what they do and the concomitant results. Behaviour that is followed by valued incentive reinforces or strengthens the behaviour, hence the likelihood that it will be repeated. Behaviour extinguishes to bad behaviour, aggressiveness and emotional outburst if there are no consequences which are followed by punishment. The causes of behaviour are said to reside in structural features of one's environment rather than in needs, traits, values or goals. The attributes of a person are considered irrelevant.

Kauffman, Barron and Kopp (1966:245) showed that when people are reinforced or rewarded on the same schedule, yet are led to believe that they are being rewarded on a fixed interval schedule, they behave consistent with their belief. In short, environmental events affect behaviour as a function of a person`s belief rather than the actual schedule with which an incentive and reinforcement is administered. The philosophy of behaviourism has been discredited by Locke (1977, 1978) but this does not negate the effectiveness of its techniques. The process of administering value of rewards on a continuous basis typically improves the performance of new employees. Changing the schedule from continuous to variable ratio typically increases the performance of their experienced colleagues (Latman & Dossett, 1978; Komaki, 2003; Saari & Latham, 1982:507).

Figure 3.8: Conceptual model of affective events theory



Source: Weiss and Cropanzano (1996)

3.2.11 Emotions and work motivation

a) Job characteristics approaches

The effective events theory proposed that certain job characteristics increased the likelihood of affective and reactions. Brief and Weiss (2002:292) proposed five main categories of work characteristics that create affective reactions such as stressful/aversive events, leaders, interpersonal/group characteristics, physical setting and organisational rewards and punishment.

Research has provided some evidence in each category such as Avolio, Howell and Sosik (1999:222); Humphrey (1985:245); Oldham, Cummings, Mischel, Schmidtke and Zhou (1995:568); and Spector and Jex (1991:48). According to Hackman and Oldham (1976:269), some tasks in job characteristics theory improved enthusiasm at work such as task significance, task feedback and autonomy, and that the others impacted the likelihood of nervousness. The tasks with a strong desire for growth had a stronger emotional reaction to these characteristics than those with weaker growth need strength. It is clear from this research that future research is needed to compare how job design influences employee motivation; such as how characteristics exacerbate each other over time and impact specific emotions with approach action tendencies.

b) Goals

Research attention in this area is more focused on the two-dimensional approach to affect predictors of goal choice as distal motivation and reactions to goals progress and achievement such as proximal motivation. A positive mood elevates beliefs about self- efficacy and the value of outcomes, increasing subsequent goal difficulty, goal quantity and commitment; for instance, feeling positive affects response to feedback resulting in upward goal adjustment while negative affects lead to adjusting the goal downwards (Illies & Judge, 2005:459). This may depend on whether the negative effect is interpreted as motivational information. Negative emotion in response to feedback is less likely to result in goal reduction for employees with a strong orientation to improve skills than those with a weaker learning goal orientation (Cron, Slocum, Vandewalle & Fu, 2005:60).

Negative emotions are more likely to increase the goals and thus workers who experience envy from observing a colleague, receive a promotion for increasing their performance compared to those with weaker envy response (Schaubroeck & Lam, 2004:33-47). Goal progress influences emotions. According to control theory and in support of mood as an input, positive discrepancies lead to positive affect and decrease in effort expended, whereas negative discrepancies result in negative affect and increase in effort to minimise the discrepancy (Carver & Scheier, 1990:56). Discrete emotions may be predicted from the velocity of discrepancy reduction depending on the type of goal (Brockner & Higgins, 2001:45). The process of moving towards a goal quickly with enthusiasm should occur and if it is too slow then depression, anxiety is expected; if moving towards an avoidance goal quickly, while having goal contentment is the result if moving away from an avoidance goal.

c) Emotions and job performance

A happy, productive workers' proposition suggests that there is link between emotions and performance, presumably because the happy worker will be more on task and energised. Yet it is difficult to separate the direction of causality performing better is also likely to make people feel better. The influence of emotion regulation beyond the felt emotion is a current direction in the area of emotions and performance. The reformulation of AET by Weiss *et al.* (2000) is a recent model which proposed that emotions and emotion regulations with performance episode impact on going on and off -task performance due to resources allocation, depletion and recovery process (Beal, Weiss, Barros & MacDermid, 2005:1053-1065; Weiss & Beal, 2005:1-21).

The recent experimental evidence showed that increasing the emotions regulation requirements decreased on-task performance (Goldberg & Grandey, 2007:66). In relation to the new theoretical view of affective events theory, the ambiguity and complexity of two specific types of performance, creativity and decision-making makes it likely that affect infuses certain processes (Forgas, 1995:54). A positive mood increases flexible thinking but a negative mood increases effort expended in ambiguous tasks, which leads to better creativity and decision-making outcomes.

George (1995:780) demonstrated that more creative manufacturing designs occurred with negative moods than positive moods when employees had explicit rewards for

creativity and were aware of their own feelings. The experience of both strong positive and negative emotions may provide the best performance (Fong, 2006:1026). Yet a comparison of these perspectives envisaged that positive mood and not negative or ambivalent mood is positively related to other daily creative thoughts (Amabile, Barsade, Mueller & Staw, 2005:369), leading to cyclical and integrative model of affect and creativity.

In the decision-making process, managerial employees who had moderate or high positive affectivity had more accurate decisions than those with low positive affectivity (Staw & Barsade, 1993:304-331).

In essence, a positive mood does not always equal to good decision-making due to unrealistic optimism and over-reliance on heuristics (Forgas, 1999:931). In fact, a negative mood increases the escalation of commitment to a poor decision when one is personally accountable (Wong, Yik & Kwong, 2006:286).

Furthermore, emotions that imply certainty such as anger, disgust or joy result in more automatic processing whereas feelings and emotions which imply uncertainty such as hope, fear or surprise result in more systematic processing and less risky decisions (Desteno Petty, Wegener & Rucker, 2000:405; Lerner & Keltner, 2000:483; Lerner & Kletner, 2001:149; Tiedens & Linton, 2001:984). Thus moving beyond the two dimensional approach to affect is useful to understand effective decision-making in future research.

3.2.12 Emotions and voluntary work behaviours

a) Extra-role /helping behaviours

In social psychology research, both positive and negative moods have been associated with spontaneous helping behaviour as a form of mood maintenance or repair (Carlson, 1988:211-229; Carlson & Miller, 1987:98; George & Brief, 1992:315).

Academic research indicates that the employees with higher positive moods at work are more likely to help superiors, co-workers and customers and the effect of mood is stronger than dispositional affectivity or fairness cognitions (George, 1991:299-307; Podsakoff, Mackenzie, Paine & Bachrach, 2000:520).

The effect of positive mood on helping is short lived and thus moods and behaviours have shown mixed results. Positive moods predict citizenship behaviour (Illies, Scott & Judge, 2006:570), negative moods predict an increase in helping (Glomb, Bhave, Miner & Wall, 2006:180), and in certain instances the relationship does not exist. (Miner, Glomb & Hullin, 2005:180) Employee disposition such as agreeableness, voluntary helping and motives provides a better explanation of mood-helping relationships. Emotions that motivate affiliation tendencies such as joy and compassion are more likely to move people to engage in interpersonal helping, while emotions that are self-focused such as pride may not (Fredrickson, 1998:308).

b) Counterproductive behaviours

In affective events theory, a negative mood has been shown to explain why certain events such as conflicts, injustice and negative feedback predict counterproductive work behaviours (Fox, Spector & Miles, 2001:280). Anger more specifically has an actions tendency and acts compared with other negative emotions such as sadness (Harmon-Jones & Allen, 1998:1310-1316), and is often used to understand aggression within CWB research (Fitness, 2000:156; Glomb, 2002:27). Yet the assumption that anger leads to counter-productive work behaviour is closely examined by Spector, Fox, Penney, Bruursema, Goh and Kessler (2006:446); and Turnstall, Penney, Hunter and Weinberger (2006:15), who suggest that employees who engage in counter-productive work behaviour felt angry, which emotions are related to interpersonal abuse and sabotage of equipment but not theft and withdrawal. Anger can also lead to corrective actions and in response to injustices it is associated with action to rectify wrongs (Gills & Matheson, 2006:150; Goldman, 2003:710) and employees acknowledged that the expression of anger leads to improved relationships.

The approach-avoid association with emotions suggest that an association of affect withdrawal. Limited research has examined the link between affect and actual absences or turnover although the existing research is contradictory. A survey research in one study found that positive moods are negatively related to absences and are positively related to withdrawing from job tasks (Miner *et al.*, 2005:180), which suggests that there is no relationship between positive moods and absences (Glomb,

Bhave, Miner & Wall, 2006:122). Furthermore, negative moods sometimes have positive results and sometimes negative associations have absences.

The link between felt moods and withdrawal depends on general job attitudes; those who are dissatisfied with the job are more likely to let their moods drive their withdrawal behaviours (Iverson & Deery, 2001:862; Pelled & Xin, 1999:880). The relationship may also depend on specific negative emotion such as hopelessness and anger or its target such as tasks, supervisor and customers and its duration; for example, being the target of aggression predicts fear at work (Barling, Rogers & Kelloway, 2001:260). When managers used intimidation tactics such as threats and yelling or degradation such as shaming publicly and gossip over time, such experiences result in pervasive fear and complete emotional breakdowns and an irrational inability to leave the organisation (Harlos & Pinder, 2000:258).

3.2.13 Emotions and organisational justice

Emotions play an important role in the understanding of organisational justice research. The early theories of fairness proposed that inequitable outcomes in the form of over-rewards or under-rewards created guilt and anger respectively (Homans, 1961:120) and more research shows that procedural fairness such as cheating by a team member with outcome favourability, the winning team interacts to predict anger and guilt (Weiss, Nicholas & Daus, 1999:18). Justice scholars envisaged that the justice paradigm can be understood as a special instance of the more general appraisal model of emotion, and the typical justice situation is seen as an affective event (Weiss *et al.*, 1999:21). Fair procedures do not necessarily lead to positive emotions, and if the outcomes are unfavourable they are then attributed to oneself (Van den Bos, Bruins, Wilke & Donkert, 1999:325). In a field study, unfairness perceptions are more likely to predict anger and retaliation, especially when there are more unfair procedures. Fair procedures are more likely to create self-conscious negative emotions such as shame and guilt (Barclay, Skarlicki & Pugh, 2005:630).

Interpersonal injustice such as violation of norms of courtesy and respect for others results in moral outrage (Bies, 1987:320) and retaliation (Anderson & Pearson, 1999:452-471; Skarlicki & Folger, 2005:89) although overt retaliation is less likely towards those in high authority such as supervisors and customers (Grandey, Fisk, &

Steiner, 2005:40; Rafaeli, Grandey, Ravid, Wirtz & Steiner, 2006:180; Rupp & Spencer, 2006:974). According to Rupp and Spencer (2006), the observation of injustice towards others evokes guilt and anger in the sense that justice emotion links are not derived from self-interest. Sometimes it depends on the relationship with the unfairly treated person so that a stronger emotional response is likely when the other is closely connected to the victim (Decremer & Van Hiel, 2006:237). Furthermore, the deontic motives of fairness suggest that humans are driven by an underlying fairness motive, which creates an emotional response to observe unfairness that goes beyond self-interest. (Cropanzano, Goldman & Folger, 2003:1021; Skarlicki & Folger, 2005:98).

Even though the research is based on how injustice creates emotions, it should be recognised that emotions influence the formation of justice and can be a target of justice perceptions. Manipulated moods influence subsequent distributive justice perceptions of reward allocation when social comparison information is unknown and does not influence perceptions when distribution is clearly inequitable or equitable (Van den Bos, 2003:482-498). Furthermore, employees hold fairness perceptions about emotional display as a job requirement (Grandey & Fisk, 2005:50) although more work is needed to see if this construct is useful to the fairness and emotions' literature.

3.2.14 Action theory

Action theory, developed in Germany by Frese (2005:102) is consistent with goal setting and social cognitive theories. This theory asserts that an employee's wish can be derived from an organisational task. The action that differentiates a momentary wish from a true goal is whether a person has formulated a plan for attaining it. The core premise of this theory is that a goal is motivating to an extent that an individual can visualise its attainment. The importance of goal and opportunity to take an action and knowledge of ways to effectively pursue the goal are moderator variables that affect goal attainment. Goal commitment is perceived as a role player in the performance exerted in attaining that goal. The ways of gaining goal commitment were reviewed by Locke, Latham and Erez (1988:27) and subsequently by Locke and Latham (1990:54). They include external influences such as leadership, peer

influence; internal influences such as participation; and internal factors such as self-efficacy, self-regulation and goal importance.

When supervisors and managers assign a goal, they are implicitly communicating their belief that an employee is capable of attaining it (Salancik, 1977:46). The extent that a leader is supportive sets high goals to the extent that a leader is trusted, and the extent to which employees work hard increases (Earley, 1986:460; Oldman, 1976:561).

The effect of peer influences on performance is a well-known phenomenon (Kozlowski & Ligen, 2006:120). Peers serve as models for one another. If employees commit to a goal, the likelihood increases that an individual new to a group will do likewise. The monetary incentives for attaining goals may increase goal commitment as compared to hourly pay plus goals. It is clear that much depends, however, on whether goals are viewed by an individual as attainable. Monetary incentives may reduce commitment, which may be reflected in lower self-set goals and self-efficacy compared to hourly pay with goals when the goals with bonuses are viewed as impossible to attain (Lee, Locke & Phan, 1997:550). Communicating the goals to subordinates in a clear and compelling way is a hallmark of an effective leader who is able to gain the commitment of subordinates (Locke, 2000:412).

The benefits of participative decision-making are primarily cognitive rather than motivational. The participative decision-making on tasks that are complex for people is more effective to an extent that it promotes the sharing of knowledge (Latham, 2007). Participation in decision-making can sometimes lead to the setting of higher goals than those that are assigned (Latham, Mitchell & Dossett, 1978:169). The higher the goal, the higher the performance will be.

With regard to internal factors, a person's self-efficacy leads to the setting of, as well as effort for, attaining a high goal (Bandura & Cervone, 1983:1019). Studies of self-management involving unionised state government employees revealed that self-set goals accompanied by self-generated feedback and self-administered rewards brought about an increase in self-efficacy and goal commitment as well as increased job attendance (Frayne & Latham, 1987:389).

3.2.15 Stakeholder Management theory

Stakeholder management theories are formed with the assumption that the purpose of the firm is to create and distribute value to the majority of the stakeholders and that the achievement of this purpose depends on the cooperation and support of the stakeholders themselves. The value creation for stakeholders is the key driver of the firm's long-term survival and its key responsibility. Stakeholder theory is a managerial theory seen as a guide to a manager's actions. Foundational scholars of stakeholder theory respectively shared an integrative view of morality and strategic decision-making (Elms *et al.* 2010:139) therefore several stakeholder and corporate social responsibility scholars have advocated for the integration of corporate social responsibility into ethics and strategic management.

In the stakeholder view, the ultimate purpose of the firm is the combined production of economic and social welfare. Clarkson (1995:115) asserts that the survival of the corporation depends upon its ability to create and distribute wealth or value sufficient to ensure that each primary stakeholder group continues as part of the corporation's stakeholder system. According to Freeman, Harrison and Wicks (2007:31), a value creation process has a social nature and any value has a social phenomenon. The stakeholder's well-being depends on the wealth created and distributed by a firm, are also those who supply critical resources to the firm itself, therefore they contribute to a firm's wealth creating capacity and activities and its long-term survival and success. Furthermore, if the demand and needs of stakeholders are not adequately met, they can withdraw their support from the firm, thereby impairing its capacity to generate and distribute wealth.

The stakeholder theory promotes a practical efficient, effective, and ethical way to manage organisations in a highly complex and turbulent environment (Freeman, 1984:54 Freeman, Harrison & Wicks, 2007:40). It is a practical theory because all firms have to manage stakeholders. It is efficient because the stakeholders that are treated well tend to reciprocate with positive attitudes and behaviours towards organisations such as sharing valuable information, buying more products and providing incentives and better financial terms. It is effective because it harnesses the energy of stakeholders towards the fulfilment of the organisation's goals. It is useful in a complex and turbulent environment because firms that manage for

stakeholders have better have better information upon which their decisions are based.

Various academic scholars have defended the stakeholder management theory using a wide variety of theoretical perspectives, including an integrated social contacts theory (Donaldson & Dunfee, 1999:46); Kantianism, Evan & Freeman, 1993:199), the doctrine of fair contracts (Freeman, 1994:411), the principles of fairness (Philipps 2003:51), the principles of common good (Argadona, 1998:1072), feminists' ethics (Wicks, Glibert Freeman, 1994:482) and pragmatism (Wicks & Freeman: 1998:131; Freeman, Harrison, Wicks, Parmar & deColle, 2010). Stakeholders typically are defined as individuals and organisations that have an interest in the process and outcomes of the firm and upon whom the firm depends for the achievement of its goals (Freeman, 1984; Freeman, Harrison & Wicks, 2007:84). Some individuals, groups and organisations are easily defined as stakeholders because of their involvement in the value producing processes of the firm. They include employees and managers, shareholders financiers, customers and suppliers. These stakeholders may be referred to as primary stakeholders or legitimate stakeholders (Philipps, 2003). The stakeholder theory suggests that managing the stakeholders involves attending to the interests and well-being of these stakeholders at minimum (Harrison, Bosse & Philipps, 2010:62).

An interesting and important aspect of this theory is that it is comprehensive in its approach. Stakeholder theory advocates for treating all stakeholders with fairness, honesty and even generosity. Harrison *et al.* (2010:67) are suggestive of the notion that a firm that puts its stakeholders in the forefront will eventually reap a fruitful participation in the productive activities of firm. In other words, how a firm treats its customers influences the attitudes and behaviours of the its employees and how a firm behaves towards the communities in which it operates influences the attitudes and behaviour of its suppliers and customers (Cording, Harrison & Jonsen, 2014:46); Duluque, Washburn, Waldman & House, 2008:634). This concept is known as generalised exchanges, and it is a core differentiating aspect of the theory (Ekeh, 1974:29, Harrison *et al.* 2010). Stakeholder theory is not the same as social responsibility theory (Hilman & Keim, 2001:133). From its inception it was not developed to promote policies or organisational behaviour associated with social goals

such as taking care of the environment. It is a management theory based on moral treatment of stakeholders, which points out the confusion that may occur when studying stakeholder theory. Donaldson and Preston (1995:69) divide the literature into three approaches: descriptive, instrumental, and normative.

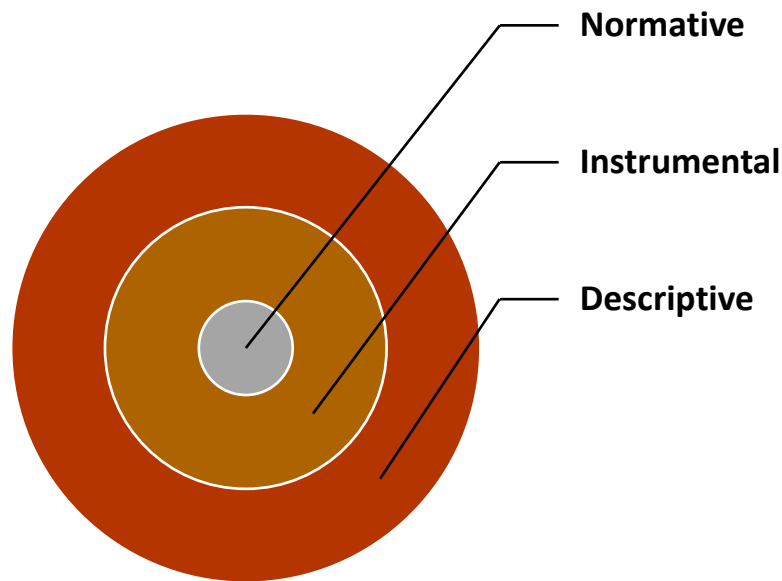
The descriptive concept of stakeholder theory focuses on describing how an organisation is a constellation of competing and cooperating stakeholders. It can be used to investigate issues if the stakeholders perceive the company as such a constellation or simply to determine which type of management strategy a certain company adopts.

The instrumental concept of the theory links profitability to the adoption of a stakeholder focused management style. Hence, it compares the stakeholders' focused firms with shareholder value, which maximises firms based on measures such as profitability and growth.

The normative approach to stakeholders is in line with the discussion of ethics and business. The basic idea is thus that a corporation has an obligation to treat its stakeholders well, not only because such actions might increase shareholders' wealth (Donaldson & Preston, 1995:73).

Donaldson and & Preston (1995:75) visualise different aspects and uses of stakeholder theory as layers in a model. This figure also highlights the importance of the normative aspects, pictured as the centre or core of the whole theory. Arguably, the instrumental thesis is of more importance to many companies, especially their owners, as this is the aspect that may help point to the superiority of stakeholders' theory over other models from a financial point of view.

Figure 3.9: Uses of stakeholder theory



Source: Donald & Preston (1995:75)

The purpose of the Donaldson and Preston's (1995:82) view is two-fold. Firstly, they strive to set up framework for dividing the different contributions of stakeholder theory. Secondly, they want to determine if some or all, of the three aspects are empirically justifiable. They have not tested the different approaches themselves, but instead they analyse and evaluate various contributions of other researchers.

a) **Descriptive justification**

Descriptive justification mainly comes down to researchers pointing to a trend of management tendencies to adopt a stakeholder approach or not. As a consequence, problems which determine if a company is socially responsible, Clarkson (1995) turned to a more stakeholder-based research style. As the term stakeholder is more accessible and easily defined than social performance Donaldson and Preston (1995:80) acknowledge that a significant number of companies researched by Clarkson were stakeholder oriented.

Yet Donaldson and Preston (1995:84), dismisses the descriptive perceptions of stakeholder theory because it is not acknowledged as empirically justifiable. It is argued that both management surveys and legal developments are merely simple

facts that do not provide stakeholder theory with proper support to justify it as a successful management strategy. It is also pointed that although there may currently be a significant number of stakeholder focused companies this does not prove that stakeholder theory is superior but only proves that it is more popular. It does, nevertheless, seem as if Donaldson and Preston (1995:81) might dismiss the descriptive thesis rather easily; because the trend leans towards stakeholder theory it does not necessarily imply that this approach is better, but it seems as if they fail to acknowledge that it may be true. One reason for the increased focus on stakeholder theory could be its superiority. Nevertheless, the fact that it remains a purely descriptive approach to stakeholder theory does not prove anything else than the degree of support it enjoys, and only points to current trends in management and legislation. This may also be likely why authors such as Freeman and Phillips (1999:119) have left out the discussion of descriptive justification and focused on the normative and instrumental view.

b) Instrumental justification

The instrumental approach strives to connect stakeholder theory with superior financial performance. The process of trying to justify the instrumental view is thus connected with two issues. First, it is essential to separate stakeholder oriented companies from non-stakeholder ones. Second, these two groups must be compared to prove or disprove the view that companies adopt stakeholder principles and practices in a better way than those neglecting to do so.

Clarkson (1995) as well as Donaldson and Preston (1995:89) state that there is very little research available regarding the instrumental view of stakeholders. In their study they point out corporate social and financial performance are not necessarily applicable to stakeholder theory. The terms stakeholder theory and social responsibility are not substitutable. Clarkson (1995) focused more on how to find a measure for corporate social performance based stakeholder theory than on linking stakeholder theory with performance.

Donaldson and Preston (1995) also argue that the instrumental view is not analytically valid either. Their reason for dismissing it from the analytical point of view is that it is rarely justified based on instrumental judgements. Charraeux and Desbrieres

(2001:122) argue that managing relationships efficiently will result in improved performance. This corresponds to the analytical argument approach to stakeholder theory. In as much similar fashion efficiency is at the centre of interest when discussing the idea of a company consisting of a number of contracts with various stakeholder groups (Evan & Freeman, 1988, 1990). These contracts must be managed efficiently for the company to perform optimally. This implies that the relationship with the stakeholders must be actively managed in order to maximise the wealth of all parties implicated.

Those attempting to defend the instrumental view of stakeholder theory continuously turn to non-instrumental arguments (Donaldson & Preston, 1995:84). They claim that the shift from shareholder focused management to stakeholder focused will fundamentally have to be used on something else other than instrumental arguments. Academic scholars who mostly contribute to this field to a greater or lesser extent pointed to terms such as morally right, fair and social responsibility. They are perceived as failing to acknowledge that companies nowadays may shift focus based on other reasons. It seems fair to assume that as stakeholder theory slowly gained popularity, the companies that started adopting this style of management could not have been aware of economic consequences.

Berman, Wicks, Kotha and Jones (1999) have made an attempt to empirically test stakeholder theory. They primarily focused on the instrumental view as this is regarded as one that is neglected of empirical analysis. They envisaged that if the instrumental view is valid, then conflicts between shareholder capitalism and stakeholder theory no longer ought to be an issue. There would then be harmony between the opposing theory in which case Friedman's (1962) notion that the only responsibility of a company is to maximise profits. Stakeholder focused management is thus seen as a part of corporate strategy, but not as the driving force of it. This leads Berman, Wicks, Kotha and Jones' (1999) definition of what they call the strategic stakeholder management model, which states that managers will attend to the stakeholders' interest as long as they affect the company's financial performance.

c) Normative justification

Donaldson and Preston (1995:87) based their dismissal of the instrumental view on the fact that ultimately normative reasons are used to justify the theory. Their main argument for stakeholder theory being fundamentally normative is that the alternative, shareholder capitalism is morally acceptable. The arguments for normative justification are based on ethics, morality, utilitarianism, corporate social responsibility. Another point is that property rights not being exclusive for owners of the company. This is the main point emphasised by Donaldson and Preston (1995:88), while Freeman and Philipps (1999) also point to the facts that property rights for all stakeholder groups result in management being obligated to paying attention to stakeholders from a normative point of view. It is thus what management ought to do and should do in order to respect the individual stakeholders. This leads to the conclusion that the stakeholder theory is fundamentally normative.

3.2.15.1 A stakeholder based perspective on value

The stakeholder-based perspective on firm performance is derived from the value a firm creates through its activities. It is primarily embedded in the core ideas of engagement with the legitimate stakeholders and the utility created, for one stakeholder is heavily dependent of the firm's other stakeholders. Furthermore, stakeholders determine their own utility functions. The amount of utility they receive from the firm influences whether they choose to engage with the firm and how they act when engaged in transactions with it.

The perspective of stakeholder-based value focuses on four factors that emerge from a focus on stakeholders and the value they seek from relations with a firm. These are envisaged to incorporate not only the tangible value stakeholders seek, but also consider the process and distribution of value (Harrison, *et al*, 2010). The four factors are defined in terms of the perceived utility stakeholders receive from the firm, consistent with the idea that perceptions influence utility (Barney, 2011:84). These factors are selected among the many that could have been included specifically because they have been identified in previous research to be important to stakeholders (Ashforth & Mael 1989:33; Bosse, Philipps & Harrison 2009:451; Spiller, 2011; Susniene & Vanagas, 2006:88) and they are broad enough to incorporate in the

value creating activities of the firm. This means each category is important at the individual level, yet it simultaneously relates to the value that is sought by the group of stakeholders associated with the firm and therefore helps establish how and why they cooperate successfully over time. For example, they seek these particular goods and services, they value the sense of fairness and shared norms the firms provide; they believe they get the best deal from association.

The factors that influence stakeholder value are discussed below.

3.2.15.2 Stakeholder utility associated with actual goods and services

The most obvious source of utility for stakeholders is found in the physical goods and services provided by the firm, where physical goods also include financial remuneration in a variety of forms. Economists have studied the exchange of goods and services for centuries. The field of marketing has also developed elaborate theories regarding how customers determine the amount of value they are willing to part with in exchange for something they want. Some of the value given up includes time and effort, as well as uncertainty regarding the extent to which whatever is purchased will really provide the expected level of utility. A reasonable goal for the firm with regard to its customers is to create goods and services that are perceived as providing a highly positive ratio between utility received and the value given up (Barney, 2011:87).

Furthermore, a similar thinking is applicable to a firm's entire legitimate stakeholders (Freeman, 1984:90). Suppliers often give up goods and services as well as time and other resources and are subject also to transaction uncertainties in exchange for financial and other forms of payment. Financiers provide capital and face uncertainty as they hope for returns from the firms in which they invest. Employees give of their time, efforts and other resources in exchange for wages and other firm-specific tangible benefits. Communities provide locations and infrastructure and frequently also provide a large part of the work force in exchange for tangible benefits such as employment of its citizen, tax revenue, and economic growth through local purchases. Other stakeholders may also be included in this list depending on the situation of the firm. As with customers, the goal for a firm is to create the best value possible as

perceived by stakeholders so that the utility they receive is sufficient to warrant continued, cooperative engagement with the firm.

3.2.15.3 Stakeholder utility associated with organisational justice

The researchers from various disciplines have demonstrated that most people operate within the norms of fairness and reciprocity (Cropanzano & Mitchell, 2005:840). The organisational justice literature examines several types of fairness. Distributive justice means that actors believe that material outcomes received as a result of transaction with another party are perceived as fair in comparison with the material outcomes received by other parties (Adams 1965; Rabi, 1993). Procedural justice pertains to the fairness of the rules and procedures used to assist in making decisions that have an impact on another party (Colquitt, Conlon, Wesson & Porter, 2001:430). Interactional justice describes the ways people treat each other in regular interactions (Cropanzano, Bowen & Gilliland, 2007:41). A firm that treats stakeholders respectfully would be considered interactionally just.

Organisational justice is important to the value creation because people reciprocate and value being treated fairly (Blau, 1964; Simon, 1966). For instance, a worker who is paid more than his or her opportunity cost of staying with a particular employer is likely to reciprocate by providing more than the minimal effort at work (Akerklof, 1982:548). From an economic perspective, a firm that pays more than an employee's opportunity cost is wasting resources. This is clearly acknowledged but it can be argued that a reciprocity argument does not apply only to financial remuneration. Distributive justice most closely associated with economic factors is supplemented by perceptions of procedural and interactional justice as stakeholders assess how much utility they are receiving from a firm. For example, a firm might provide a wage and benefits that satisfy, but do not exceed employee expectations based on distributive justice. Yet employees might still receive utility from the firm that is worthy of positive reciprocity due to the way they are treated from the perspective of both procedural and interactional justice. Similar logic applies to all of a firm's stakeholders. The key is to determine what matters to stakeholders and to provide them with an amount of utility that they perceive as favourable (Harrison, Bosse & Phillipps, 2010:70). The negative reciprocity can likewise have a negative impact on human behaviour (Bewely, 1998:462). The dyadic relationship between a firm and each of its individual

stakeholders and resulting reciprocity shows how stakeholder theory also provides a way for understanding that the way a firm treats one stakeholder can influence relationships with other stakeholders. In other words, the influence of the whole group of stakeholder relationships on value created is greater than the sum of the influence of each relationship taken separately. This form of interdependence is associated with a phenomenon called generalised exchange.

The generalised exchange involves multiple actors who are part of an integrated set of transactions in which reciprocations are indirect in the sense that there is not a one-to-one correspondence between what actors take from and give to another actor (Bearman, 1997:45). The events that are significant to the actors make it possible for much time to elapse because people have memories (Wade-Benzoni, 2002:1018). The actors put events in the context of other events that have happened over time. The generalised exchange explains why stakeholders are sometimes willing to sacrifice some of the value they receive if they believe it is in the best interest of other stakeholders of the firm over time. Employees may be willing, for instance, to take a pay cut, or suppliers may be willing to re-write a contract if they believe it will be good for the firm's entire network of stakeholders (Harrison *et al*, 2010). Other examples of generalised exchange are found in the kinship structures of primitive people and sharing of software on internet (Molm, Collett & Shaefer, 2007). Bosse *et al*. 2009:449) explain that third party observers of an exchange will systematically reward or punish those they perceive as fair or unfair respectively. The generalised exchange then provides a partial answer to the question of why the whole of stakeholder's relationships can be greater than the sum of its parts. The way a firm treats one stakeholder influences the relationships with the other ones.

Trust, understood as a willingness of one party to be vulnerable to another with the expectations of non-opportunistic behaviour, is important to both reciprocity and generalised exchange and is fostered by the presence of fairness in relationships among parties (Mayer, Davis & Schoorman, 1995:721). The bounded rationality is assumed by Cyert and March (1963) when a stakeholder that is probably unlikely to exhibit behaviours such as incremental effort, generosity and loyalty unless there is some expectation that the firm can be trusted to reciprocate by distributing some of the additional value created back to the stakeholder. This additional value might come

in the remuneration (distributional), greater consideration of the needs of the stakeholder in organisational decision processes (procedural), or simply better treatment during transaction (interactional). Trust is also important to the transfer of sensitive yet valuable information between stakeholders and the firm (Harrison *et al.*, 2010:65), which is essential to the rapid and efficient development of new technology that is a hallmark of value creation in the contemporary world of economy

3.2.15.4 Stakeholder utility associated with organisational affiliation

Stakeholders also receive utility from affiliating with organisations that exhibit behaviours consistent with things they value and identify with a firm. The social identity theory explains that people tend to classify themselves into social categories associated with organisations and other types of groups in an effort to understand themselves. When the firm embodies the characteristics considered valuable by, for example, its employees, organisational affiliation can provide feelings of connectedness, esteem and empowerment (Ashforth & Mael; 1989:18, Hogg & Turner, 1985:67). As employees invest energy, effort, time and attention in the firm they develop feelings of ownership, which provides a sense of responsibility, shared interest, and motivation to work at high levels (Pierce, Rubenfield & Morgan, 1991:133 Vandewalle, Van Dyne & Kostova, 1995:216).

The utility through affiliation occurs through the ability of actors to obtain benefits from their membership in social networks (Lee, Lee & Pennings, 2001:625; Nahappiet & Ghoshal, 1998:254); Portes, 1998). From a stakeholder perspective, group affiliation can motivate stakeholders to care about one another's interest and the success of the firm (Hartman, 2011:154; Putnam, 2000:121). In fact, Hartman (2011:196) suggests a similar notion about affiliation in that it can support collective action that benefits the stakeholders involved and serves the larger good they seek through their cooperation. The stakeholder's desire for affiliation encourages them to contribute to creating more value and discourages them from behaviour that destroys it.

The utility through affiliation may also provide esteem and satisfaction. Esteem means that people feel as though they are supporting an organisation whose behaviour they see as virtuous or desirable. The satisfaction in this context refers to actual feelings of happiness as stakeholders interact with an organisation that exceeds what they might

feel when interacting with some other firm in the same way. For example, a customer may feel happier about buying a product from a firm simply because their own value system is in some ways consistent with the expressed and actualised values of that firm.

The esteem and satisfaction can work both in positive and negative directions. A stakeholder can feel bad about identifying with a firm that has engaged in activities consistent with their own values, such as damaging the environment or contracting with suppliers who use child labour in third world countries. This does not mean that stakeholders will necessarily cease to conduct business with the offending firm. The perspective suggests that the utility stakeholders gain from affiliation with a firm is only one part of the package, which is then combined with other factors such as tangible characteristics, justice and fairness, and opportunity costs. For example, a stakeholder may continue to do business with a firm if the purely economic value of doing so outweighs the negative effects of affiliation; but it does mean that there is less motivation to do so than there would be if the firm was perceived by the stakeholder as a virtuous organisation.

3.2.15.5 *Stakeholder utility associated with opportunity costs*

The embedded discussion with each of the above factors is the notion of opportunity cost (Kerins, Smith & Smith, 2004:319 Spiller, 2011:604). The discussion that emerges from utility with opportunity is a picture of a firm at the centre of a network of stakeholders whose behaviour is influenced in part by the treatment the firm gives to other stakeholders (Susniene & Vanagas, 2006:85). It is a value creation cycle that influences other parts of the system directly and that eventually the influence returns to the initial part of the system to reinforce the original occurrence. Employees, according to the principle of reciprocity, are likely to give effort and loyalty above that which would otherwise be the case (Vandewalle, Van Dyne & Kostova, 1995). This behaviour can result in better products or products that are produced more cheaply, which allows the firm to increase its value proposition to the customer. As the value to the customer increases, so does demand. The demand leads to growth in sales and profits, which provides more value to investors and surplus profits that managers can reinvest, with part of that reinvestment going back to employees as value in the form of higher compensation. An assumption that is important to this cycle is that the firm

will continue to incorporate distributional justice such that a portion of the incremental value will be distributed back to employees to reinforce their behaviour (Freeman *et al.* 2010:120).

The value creation cycle also supports negative reciprocity. For example, it can be assumed that managers, in an effort to spike short term profits to enhance their own welfare with respect to compensation, reduce the value proposition to customers either through unjustified price increases or reduction in the quality of the product. In essence, they are then transferring value from customers to the firm, and ultimately to themselves. The customers recognise the reduced value and demand drops. Without continuing the rest of the cycle, it is easy to understand how eventually the total value created in the system will be reduced. If managers persist in their behaviour they might reduce the value proposition to customers again, resulting in a loss of customer demand for products, which in turn erodes future prospects for the firm (Harrison *et al.* 2010:69).

Table 3.2: Summary of theories of organisational justice

THEORY	CONTRIBUTORS
1. Leader-member exchange theory	Graen & Uhl-Bien (1995); Wech (2002)
2. Equity theory	Adams (1965); Adam & Walster (1973); Leventhal (1977)
3. Social exchange theory	Malinowski (1922); Mauss (1925)
4. Psychological contract theory	Argyris (1960); Menninger (1958); Levinson (1962);
5. Stage model theory of trust	Shapiro (1992); Luwick & Bunker (1996)
6. Expectancy theories	Vroom (1964); Lawler (1969)
7. Affective events theory	Weiss & Cropanzano (1996);
8. Action theory	Frese (2005)
9. Stakeholder management theory	Freeman (1984)

3.3 SUMMARY

Organisational justice is the fundamental action that modern managers are expected to practise for the effective functioning of the organisations and is concerned with providing equal employment opportunities, fair labour practice and fair day's work.

There is clear evidence that organisational justice theories such as leader member exchange, equity theory, social exchange theory, psychological contracts theory, stage models of trust theory, expectancy theory, affective events theory, action theory and stakeholder management theory play an important role in redefining the instrumental role that justice seeks to understand and conceptualise as an important construct in organisational settings.

The theories of organisational justice are closely related to all forms of organisational justice such as procedural, interactional and distributive justice. The multidimensionality of fairness is evident in the theories discussed about various disagreements that involve fairness.

The different answers pertaining to fairness contained in the above theories create insightful thoughts in terms of determining what fairness is all about. The complexity of fairness is clearly discussed and sometimes made difficult by what constitute interactional justice with other motives in social situations such as self-esteem, interpersonal attraction and so forth.

Chapter 4 provides an overview of organisational justice.

CHAPTER 4

OVERVIEW OF ORGANISATIONAL JUSTICE

4.1 INTRODUCTION

There is a dire need for various strategies and solutions in all the problems that involve human interaction in our contemporary world of work. The competence of employees plays a pivotal role in the success of the organisation and in terms of profitability, but such competence is not the sole need for organisational effectiveness. Human resources managers are confronted with various predicaments which involve problem solving of all employees who are their subordinates. Managers nowadays have realised the importance and the effective role of employees in organisations, which has shifted to emphasise the importance of human interaction as a fundamental conduit for effective functioning of an organisation. Employees are social beings and organisations are expected to take that into consideration and enable them to interact at a social level. Human interaction is propelled by fairness or justice. Employees' perceptions of fairness or organisational justice play an effective role in the organisations. The concept of justice emerges in various organisational contexts such as pay plans, selection and placement, evaluation policies and so forth (Greenberg, 1990:402). 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 behaviour and commitment. Thus, the presence of organisational justice is advantageous for both individual and the organisation (Cropanzano & Greenberg, 1997:116). Research on organisational justice is imperative.

In view of the widespread recognition of the importance of fairness as an issue in organisations it is therefore imperative to apply the theories of social and interpersonal justice to effectively understand all sorts of behaviours in organisations. The earliest theories of organisational justice were derived to test social interaction only but not in an organisational setting. In recent years, various human talent and human resource interventions had been primarily reviewed and re-examined in light of organisational justice such as performance evaluation, pay satisfaction, and selection and placement. Researching the fairness of human resource intervention does not indicate the way

organisations are influenced, hence the need to consider how the varieties of justice relate to various organisational variables such as trustworthiness of management, employee engagement, reward system, organisational transparency, two-way communication and organisational climate. South Africa is perceived as a country with low productivity and various injustices such as derogatory judgements, deception, invasion of privacy and disrespect, therefore it will be worthwhile to examine the extent of perceived fairness in the South African financial services industry.

This chapter provides an overview of the meaning, scope and nature of organisational justice. The components of organisational justice are discussed in order to explain how employees judge the fairness in the South African financial services industry's decisions, policies and procedures.

4.2 CONCEPTUALISATION OF ORGANISATIONAL JUSTICE

Organisational justice is of central interest to contemporary managers and clearly describes the extent to which they are concerned about providing equal employment opportunities, fair labour practices and pay for fair work. The study of organisational justice creates various complexities in creating a precise definition that clearly describes fairness or organisational justice within the workplace. The differing perspectives, interests and goals of managers and subordinates are the principal propellant that creates these complexities in the sense that the multidimensionality of organisational justice is evident when one considers disagreements amongst scholars pertaining to the precise definition of organisational justice, whether its focus should be based on outcomes, procedures and motives.

Organisational justice can be viewed as the perceptions that individuals are treated justly and ethically (Fernandes & Awamleh, 2006); Greenberg, 1993). Fairness originated from Adams' (1965) equity theory referring to the perceived fairness of employee treatment by an organisational system and its agents (Greenberg, 1990:409; Linna Vaananen, Elovainio, Kivimaki, Penttii & Vahtera, 2011; Moormam, 1991:854). Organisational justice entails a personal evaluation of the ethical and moral standing of managerial conduct. Organisational justice practice requires management to take the perspective of an employee.

Furthermore, another complicating element is the possible interaction of concern for justice with other motives in a different social setting and situation. In order to describe and explain the role of fairness in the workplace, it is imperative to describe what organisational justice is all about and what its definitions entail. The decisions are created in the workplace are the determinants of organisational justice if such decisions are made in a fair way.

In an attempt to define the field of organisational justice research, Byrne and Cropanzano (2001) stated that organisational justice is an area of psychological inquiry that focuses its attention on perceptions of fairness in social psychology. Folger and Greenberg (1995:147) maintained that the study of organisational justice can be demarcated in different settings such as in organisations.

The organisational justice term was coined by Greenberg (1988) to create a construct of studying justice within the workplace setting. Organisational justice stems from various sources such as employer and organisation in general, supervisor and co-workers.

Organisational justice is a critical factor in an organisational system and is described as employees' perceptions about the extent to which they are treated fairly in organisations and how their perceptions influence the outcomes.

Organisational justice is defined by Greenberg (1990:422) as a concept that refers to people's perceptions of fairness in organisations consisting of how decisions are created in the distribution of outcomes and perceived fairness of those outcomes. Organisational justice concerns employee's perceptions of fair treatment by an organisation and its agents (Shalhoop, 2003). The equity theory (Adams, 1965), which is one of the major approaches to organisational justice, proposes that individuals are motivated to maintain fair or equitable relationships among themselves and to avoid those relationships that are unfair or inequitable. Organisational justice entails distributive, interpersonal and procedural justice; therefore in an attempt to understand fairness it is imperative to define justice as a global assessment of fairness within the workplace.

In contrast to different facets of organisational justice, overall justice pertains to different sources such as organisations or supervisor, overall justice and other different sources. Cropanzano and Greenberg (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; the employee's perception of the fairness of decision-making and decision-making processes and the influence 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 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 processes followed as well as in decisions being made. Organisational justice could be divided into three distinct dimensions, namely, distributive, procedural, and interactional justice, which is further divided into interpersonal and informational justice (Greenberg & Baron, 2008:45).

4.2.1 Distributive justice

Distributive justice is primarily concerned with how outcomes of the organisation are in terms of fairness (Maiese, 2013:140). It thus relates to the degree to which decisions by managers are fair in terms of distribution and allocation of 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, 2010:340). Distributive justice focuses on people's belief that they have received a fair amount of pay and recognition, which could have great impact on employees' work satisfaction and motivational levels. Employees thus exert their efforts on their jobs and thus expect to be fairly compensated in return. They compare their input to output-ratio and if there are any imbalances they perceive distributional injustice.

4.2.2 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 (Solum,

2004:29). Procedural justice thus refers to the degree of fairness during the process of making decisions or creating procedures and relates to the perceptions that affect employees and the degree of fair methods and guidelines that are used when allocation decisions are made (Niehoff & Moorman, 2010:354). Procedural justice and employees' perceptions of fairness of the procedures can be improved if employees are afforded an opportunity to voice their views in the decision-making process. The rules that are used should be applied consistently and equally amongst the employees and should be based on accurate information.

4.2.3 Interactional justice

Muzumdar (2012:38) states that interactional justice refers to how one person treats another. A person is interactional just if he or she appropriately shares information and avoids rude or cruel remarks. According to Colquitt, Conlon, Porter, Ng and Wesson (2001:433), there are two aspects of interactional justice. The first is called informational justice and refers 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 which one treats others.

4.3 EVOLUTION AND HISTORY OF ORGANISATIONAL JUSTICE

The study of fairness has been discussed at length by academic scholars, philosophers and social commentators even before management scientists began writing about what organisational justice entails.

The organisational justice concept is regarded as an old one that emanated in the earlier studies and its meaning is perceived as being complex as it varies from place to place and time to time. The concept has been in existence since human civilisation and has been a subject matter concerning human kind. It is concerned with the responsiveness of what is right or wrong or fair and unfair at both individual and consciousness of the entire society.

According to Lather and Kuar (2015:8), the organisational justice concept can be traced back to the work of Aristotle who emphasised the inclusion of justice in equity allocation of resources amongst the people. Scholars such as Locke and Hobbes also supported the notion of justice as envisaged in Aristotle even though these scholars

dwelled galaxies apart from the initial idea envisaged. Furthermore, the idea of justice has alienated workplace dimensions in terms of studying fairness.

Organisational justice is the fundamental action that modern managers are expected to practise for the effective functioning of organisations and is concerned with providing equal employment opportunities, fair labour practices and a fair day`s work. Just as adjudicators should ensure that all participants have a fair chance to compete, contemporary managers are responsible for fair treatment of employees. Mixed perspectives, interests and goals of managers and subordinates, yet makes it difficult to determine what exactly employees regard as fair treatment. The multidimensionality of fairness is evident when one considers various disagreements about fairness. The different answers pertaining to fairness creates a degree of difficulty in effectively determining what fairness is all about. The complexity of fairness is sometimes made difficult by what constitutes interactional justice with other motives in social situations such as self-esteem, interpersonal attraction and so forth.

Cropanzano and Greenberg (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; employees` perceptions of fairness of decision-making, decision-making processes, the interpersonal treatment employees receive and the influence of these perceptions on workplace behaviour (Moorman, 1991:845).

The research on organisational justice can be traced back to the early 1960s and was originally conducted to empirically test distribution and rewards systems in the work environment. It became clear that since then research on organisational justice was parallel and directed to various contexts within the domains of organisational behaviour and human relations such as conflict resolution, personnel selection, labour disputes and wage negotiations, job performance and performance appraisals.

Other academic scholars such as Sjarhruddin, Sudiro and Normijati (2013:138) maintained that organisational justice was derived from a similarity theory developed by Adams in 1965. They perceive the organisational justice theory as one based on a social exchange theory where individuals have expectations of what remuneration and business exchange they will receive.

This resulted in various approaches to organisational justice. In order to clarify the conceptual interrelationship, trace trends in organisational research and identify needed areas of research and conceptual development, Greenberg (2001:212) categorised various conceptualisations of organisational justice in a neat taxonomy. This was derived combining two conceptually independent dimensions: relative-proactive dimension and a process-content dimension.

Related to the concepts of balance and correctness, theorists have distinguished between conceptualisations of justice that focus on content – the fairness of the outcome or decision (distributive justice) and those that focus on process – the fairness of the methods and procedures used to determine the decision or outcome (procedural justice). As research expanded, a third type of justice which focused on the quality of interpersonal treatment people receive (Interactional justice) was identified. Since distributive, procedural and interactional justice play a role in an individual's perception of fairness of treatment, they all form part of organisational justice. Figure 4 illustrates the various types of justice and their treatment and interrelatedness. Each type of justice will be discussed in order to link fairness principles to the South African financial services industry (Colquitt, & Rodeu 2011:90).

Furthermore, the insights pertaining to the evolution of organisational justice and its entire history is divided into three movements such as distributive justice, procedural justice, and interactional justice.

4.3.1 Distributive justice movements

The distributive justice movement emanated and can be traced back to the 1950s and lasted until the 1970s, and is primarily concerned with equity in allocation of resources. The matter of distributive justice, which concerns itself with the allocation of resources, has been a major concern for social scientists for almost three decades. This period is known as the distributive justice movement (Lather & Kaur, 2015:7-25).

The relative deprivation phase led by Stoufer, Suchman, De Vinney, Star and Williams (1949:23) maintained that people's responses are seen as primarily dependent upon the comparison with the outcomes of others against whom people judge themselves and less on the absolute levels of their own outcomes. This finding is in accordance

with Festinger (1954:120), which brought created attention to social comparison. The notion of relative deprivation continued to be used and further developed soon thereafter and expanded some three decades later, with its primary significance in the history of organisational justice perceived as that of establishing the importance of social comparison processes in judging satisfaction with outcomes.

The social exchange process emanated from Homans (1961), which is defined as the process by which one person acts in accordance with the reaction of another, for instance, a person may help another in exchange for social approval. Furthermore, Homan (1961) envisaged that people create exchange histories that generate the normative expectations for future exchanges. It is envisaged that individuals involved in the social exchange processes and relationships have perceptions regarding the possibility that one party may be getting more benefit from the exchange compared to the other one.

Homan argued that in social exchange the individuals expect a reward, which is related to expense such as the larger the rewards, the larger the cost. Distributive injustice arises when the returns are less than the investment, which results in resentment, anger and bitterness. Homans (1964) alienated the behavioural consequences of distributive injustice whereas in Homans' earlier work (1961) the exchange processes clearly consider the reaction of the parties involved in the distribution of injustice subjected to the nature of perceptual processes.

The equity theory of Adams played an important role in contributing to the organisational justice concept. Adams envisaged more on specific reactions to injustice in social exchange. In the equity theory, Adams suggested the perceived ratio of outcomes to perceived ration of input. In this phase, Adam basically included pay, rewards, status and other benefits, efforts, status and cultural background, which he clearly incorporated to Homan's (1961) idea of comparison, which may result in people perceiving themselves as being inequitably overpaid relative to another, resulting in feelings of guilt, or inequitably underpaid relative to another, and resulting in feelings of anger.

Adams envisaged that people relate their outcomes to the corresponding ratios of other people.

This equity theory was concerned with a wide range of equity in social exchange processes and primarily concerned itself with equity beyond the organisational setting. Walster *et al.*'s equity theory extended more on what Adams envisaged in his theory and furthermore differentiated between forms of inequity restoration not included in Adams' theory. Walster's equity theory emphasised more on the importance of fairness in distribution of non-financial outcomes in an organisational setting

In the late 1960s and 1970s, Leventhal proactively shifted the perspective from the behavioural reactions of receiver of rewards to the behaviour of reward allocators. The research questioned the equity principles followed by the allocators in the execution of distributing the rewards. Leventhal envisaged that rewards should be divided fairly. Leventhal (1976) envisaged further that individual rewards should not be subjected as an allocation norm towards the fulfilment of group goals, and that fairness and allocation norms are the social rules which specify the criteria that define certain distribution of rewards and resources as fair and just.

Furthermore, Leventhal (1976) argued that the equity norm is the only allocation standard that needs to be followed and considered in distribution of rewards even though it may not always be the case. Other academic scholars argued that the process of following the equity norm requires the differentiation of the contributions by the recipients and is more likely to undermine the cooperation and cohesiveness and threatens socio-emotional relations amongst group members.

In advocating the uses of alternative allocation norms, Leventhal (1976) and Deutch (1975) significantly broadened the scope and definition of distributive justice. This means that fair outcomes are determined and result in allocation norms, which benefits the achievement of key goals. It is therefore clearly described that the acknowledgements of allocation decisions should be described more accurately amongst the multiple allocation norms. Therefore, the traditions of Leventhal (1976) and Deutch (1975) expanded the conceptualisation of justice from one norm to three. Other scholars expanded the list to four. While Lerner (1977) maintained that equity remains the dominant conceptualisation of distributive justice in the workplace, it is widely acknowledged that most allocation situations are governed by various multiple allocation goals served by various multiple allocation norms.

4.3.2 Procedural justice movement

Ideas of fairness in the 1960s and 1970s are ruled by distributive justice. Academic scholars later paid more attention to the study of procedural justice. Blau (1964) envisaged that acceptable codes of conduct are imperative between the exchange partners. Leventhal (1976) elaborated further that people are sometimes not only inclined to the process of distributive fairness but also to procedural fairness. Deautch (1975) envisaged that procedural fairness is an important source of fairness in social relationship. Yet Leventhal (1980) critically questioned the importance of the equity, which eventually led to the exploration of procedural justice with various critiques claiming the lack of a valid explanation of equity theory related to procedural fairness.

Thibaut and Walker (1975) suggested that fairness perceptions can be categorised into an adversary system and inquisitorial system. The adversary system is one where a judge controls the decisions but not the representative of evidence, while with the inquisitorial system the judge controls both the outcomes and the procedures. The study of Thibaut and Walker (1975) was primarily embedded with the comparison of both systems to objectively create fair decisions.

Furthermore, the perceived fairness of adversarial and inquisitorial procedures is dependent on the assessment of satisfaction with the procedure and the verdict.

Greenberg and Folger (1983) introduced the concept of procedural justice to organisational justice scholars where it is argued that procedural rules are more instrumental in performance evaluations, which is fairer when it is given in the appraisal process and therefore affords employees to complete the self-appraisal and leads to improved record keeping procedures.

Additional work by Lind and Tyler (1988) discussed the instrumentality of procedural fairness in organisational settings, including legal and political arenas. The discussion envisaged that procedural justice and effects of fairness on job satisfaction comply with organisational rules, job performance and other key outcomes.

4.3.3 Interactional justice movement

In the mid-1980s procedural justice researchers focused primarily on the structural characteristics of formal decision-making procedures and little attention was paid to its interpersonal nature. Yet research by Bies and Moag's (1986) analysis of interpersonal communication created more opportunities for the study of interpersonal justice. This resulted in an interpersonal justice movement, which surfaced throughout from the late 1980s and 1990s as scholars debated the conceptual status of this form of justice.

The interactional justice rules are derived in a recruitment context and are more relevant to the decision-making setting. These four rules are clearly distinct from the procedural justice criteria identified in Thibaut and Walker (1975) and Leventhal (1980). It can be clearly predicted that a formal procedure which provides a voice that is consistent, unbiased and accurate but can be implemented by a supervisor who treats employees in a rude and dishonest manner. Justice scholars such as Bies and Moag (1986), Folger and Bies (1989), Tyler and Bies (1990), and Greenberg, Bies and Eskew (1991), stressed the importance of considering the way procedures are implemented beyond simply the manner in which they are structured. These analyses provided an extensive explanation based on four rules outlined by Bies and Moag (1986) by identifying additional criteria for judging the implementation of procedures. Folger and Bies (1989) identified the seven key managerial responsibilities such as truthfulness, justification, respect, feedback, consideration of employee views, consistency and bias suppression. According to Greenberg *et al.* (1991), the six managerial considerations in promoting these impressions should be perceived by managers as fair. The inclusion of three structural considerations: of employee viewpoints, the appearance of neutrality, and consistent application of rules, together with the three interpersonally oriented ones: timely to use feedback, the use of adequate explanations, and treatment with dignity and respect, should be considered significant in organisational justice studies. Furthermore, Folger and Bies (1989), Tyler and Bies (1990), and Greenberg *et al.* (1991) reiterated Bies and Moag (1986), and included truthfulness, justification and respect. Yet other rules overlapped with Thibaut and Walker's (1975) procedural criteria such as consideration of employee's viewpoints and Leventhal's (1980) rules such as consistency and neutrality and bias suppression. Bies had failed to utilise the term of interactional justice in any his

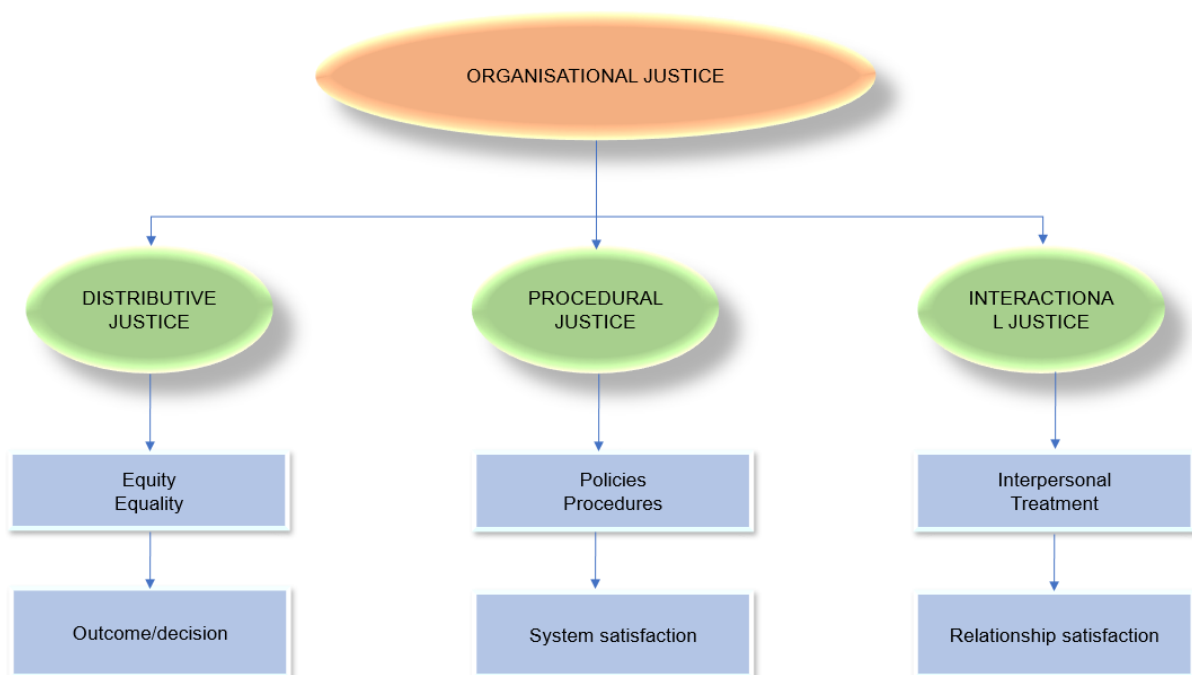
findings. Folger and Bies (1989) used the enactment of procedures, while Tyler and Bies (1990) discussed the interpersonal context of procedural justice and the human side of procedural justice. Greenberg *et al.* (1991) failed to identify the construct by not using any terminology.

The enactment of procedures plays an important role in the consideration of judging fairness even though it remains unclear whether it constitutes an entirely different justice dimension or another facet of procedural justice. This confusion has led to some inconsistencies in the testing of interactional justice in the years that followed. Some researchers such as Brockner, DeWitt, Grover and Reed (1990) and Greenberg (1990) tested interactional justice propositions without referring to its specific terminology whereas others such as Dailey and Kirk (1992) and Folger and Konovsky (1989) utilised measures that are inclusive of interactional and procedural rules into a single index.

4.4 TYPES OF ORGANISATIONAL JUSTICE

Figure 4.1 illustrates the various types of justice and their interrelatedness. Each type will be discussed to link fairness in with the financial services industry.

Figure 4.1: Types of organisational justice



Source: Greenberg (1990)

4.4.1 Distributive justice

Historically, Adams' equity theory (1965) has been the main focus of organisational scientists interested in issues of justice. It claims that people compare the ratios of their own perceived work outcomes (rewards) to their own perceived outputs (contributions) with the corresponding ratios of a co-worker. If the ratios are unequal, the person whose ratio is higher is theorised to be inequitably overpaid, whereas the person whose ratios is lower is theorised to be inequitably underpaid. The equity theory predicted that comparatively low rewards would produce dissatisfaction. This discontent would then motivate individuals to take action that reduces the discrepancy between ratio and that of their co-worker. According to Adams (1965), an over-reward situation will result in a person experiencing guilt, shame or remorse. These emotions are also negative and should therefore motivate the individual to reduce the imbalance (Cropanzano, 1993). Various studies have been conducted to determine how employees behave when they perceive injustice. With enabling legislation such as the Employment Equity Act 55 of 1998 and the Promotion of Equality and the Prevention of Unfair Discrimination Act 4 of 2000, managers should pay close attention to justice violations in the workplace since these may give rise to the employee's lawsuits which, if successful, could bring about various remedies. Injustices, yet it can also generate negative consequences that are less direct. Various studies have examined the influence of fair treatment of employees on organisational variables such as job satisfaction (Bateman & Organ, 1983), trust in and loyalty to the leader (Deluge, 1994), organisational citizenship behaviour (Morrison 1994) and employee theft (Greenberg, 1990). The fair and equal treatment of employees will increase job satisfaction, improve relationships between supervisors and employees, encourage organisational citizenship behaviour and reduce the cases of employee theft, thus also benefitting the organisation.

According to Leventhal (1976), people use three major justice rules to determine outcomes justice: the contributions rule (equity rule); the equality rule; and the needs rule. The purpose of outcomes or decisions based on the equity rule is to achieve productivity and a high level of performance. The equality rule is used when the goal is to preserve social harmony, while the needs rule is applied when the objective is to foster personal welfare. As far as South African financial services industry is concerned, decisions are often made by applying the equality rule.

One source of frustration with the equity theory in explaining organisational justice was its lack of specificity regarding the reactions that would occur when inequity was experienced. Organisational scientists thus began to raise questions about justice in various organisational settings, something which was not adequately addressed by prevailing theories of justice. Specifically, questions on how pay plans were administered and what grievances resolution practices were followed in organisations, prompted concerns about fairness that were more process oriented. The focus thus shifted to how decisions were made as opposed to what those decisions were.

Another significant abusive action, which could lead to perceptions of injustices, includes prejudicial statements such as racist or sexist remarks. Being a target of these kinds of insults can arouse a sense of injustice (Bies, 2001:105). Coercion refers to the psychological effect that management practises might have on employees, where an employer compels an employee to perform a task which both the employer and employee know will arouse a sense of injustice.

Cropanzano and Ambrose (2001:135) propose that the employee will compare his or her expectations to the actual outcomes to exercise judgement. Employees will feel that the outcome was fair if his or her expectations have been met or exceeded. Yet when expectations have been violated and the outcomes fall short of what was anticipated he/she will experience a sense of injustice. Procedures in which people are treated differently are unusually considered unfair. Cropanzano and Ambrose (2001:138) found the following three rules could be applied in the distribution process and considered as fair, namely, equity, equality, and need:

- An equity rule suggests that everyone should receive the same reward on their contribution.
- The equality rule states that all employees are and should have an equal chance of receiving a particular outcome or reward.
- Some individuals could receive more favourable treatment than others if it is used to address an imbalance. Distribution could be allocated to meet the employee who has the most need.

Muchinsky (2003:316) warns that these types of disagreements on what is fair or unfair are not uncommon. The organisations should typically seek to gain consensus

regarding which rule is the fairest to follow when distributing rewards and by different rules. Perceptions of fairness play an important role in an employee's decisions to cooperate. Cropanzano and Ambrose (2001:120) regard organisations as a source of both economic and socio-emotional benefits, when it is important to individuals how rewards are distributed. Workplace benefits can be categorised into two types, namely, economic and socio-emotional. Economic benefits are relatively concrete and can be easily quantified into none. The manner in which the distribution is made and the final outcome is evaluated by the individual. Socio-emotional benefits are symbolic and are concerned with an individual's identification, standing and status within a group. Perceptions are formed whether the procedure and the distribution process is fair or not (Anik, Aknin, Norton & Dunn, 2009).

Gilliland (1994) proposes that fair treatment is associated with favourable work attitudes and higher job performance. Cropanzano, Prehar and Chen (2002:324) found that procedural justice relates to trust in top management and the quality of the manager who treated the employee fairly. The crucial factor in understanding the beneficial effects of interactional fairness is the quality of leader-member relationships.

4.4.2 Procedural justice

Outcomes or decisions (distributive justice) are not the only relevant issue to the way an individual is treated. According to Skarlicki and Latham (1996:163), as quoted by Ivancevich and Matteson (2002), procedural justice refers to the extent to which fair procedures and processes are in place and adhered to and which individuals see their leaders as being fair and sincere and logical or rational in what they do. Folger and Cropanzano (1998:26) define procedural justice as fairness issues where the methods, mechanisms and processes are used to determine outcomes.

In 1975, Thibaut and Walker conducted research into an employee's reaction to the dispute resolutions process. This led to develop their theory of procedural justice. According to these authors, employees judge the fairness of procedures according to two types of control: the amount of control they have over the procedures used to make a decision (referred to as process control); and the amount of control they have over influencing decisions (referred to as decision control). People want procedures that allow them to feel that they have participated in developing a decision that will

affect them. Being able to voice their opinions thus affords them the opportunity to influence the decisions of others.

Furthermore, research studies revealed that procedures which provide employees with opportunities to influence a decision were perceived as fairer than procedures that denied process control.

Related to the study on control and decisions, Lind and Tyler (1988) developed the self-interest and group value models of procedural justice. The self-interest model suggests that people seek decision control because they are concerned with maximising their own outcomes. Yet when individuals have to cooperate with others in groups to achieve outcomes, group value models come into play, and the focus shifts from decision control to process control. Procedures are then regarded as more important in attaining fair or favourable outcomes. Group value models explain the value of expressive effects in process control. Group identity and group procedures are two elements that govern the functioning of groups. People consider procedures that allow them to express their opinions to be fair; they can participate in group processes as valuable group members. Even if voice does not produce a favourable outcome, it enhances perceived procedural justice because its value of expressive function confirms the value of group participation and membership status.

In further research, Tyler and Lind (1992) developed a relational model of authority in groups. According to the authors, three relational concerns with authority affect procedural justice judgements: trust, neutrality, and standing. Trustworthiness can be measured by rating the manager's fairness and ethicality. If the manager behaves fairly and considers the needs and views of the individual, then he can be trusted. Trust involves beliefs about manager's intentions. Neutrality can be judged in terms of the person's unbiased decision-making in the use of facts. Standing refers to the status recognition that is indicated to people by a manager who treats them with dignity, politeness and respect for their rights. By looking at the procedures a manager uses, individuals can judge whether they will be treated fairly with regard to the manager's relational concerns of trust, neutrality and standing.

Related to Tibhaut and Walker`s research on the importance of process and decision control for fairness perceptions, Leventhal, Karuza and Fry (1980) identified seven components of procedures that led to justice attainments:

- The selection of decision makers.
- Setting ground rules for evaluating rewards.
- Methods for collecting information.
- Procedures for defining the decision process.
- Safeguards against abuse of power.
- Procedures for appeals.
- The availability of change mechanisms to change unfair decisions.

According to these authors, the fairness of procedures is evaluated by six justice rules. Procedures are regarded as fair to the extent that they:

- suppress bias;
- create consistent allocations;
- rely on accurate information;
- are correctable;
- represent the concerns of all recipients; and
- are based on moral and ethical standards.

Thus far, the discussion has focused on the attributes of a fair procedure. Very little has been said about the positive impact procedural justice has on an employee`s behaviour. According to Skarlicki and Foyger (1997), as quoted by Ivancevich and Matteson (2002), the positive consequences of procedural justice include:

- Organisational commitment.
- Intent to stay with the organisation.
- Organisational citizenship behaviour.
- Trust in supervisor.
- Satisfaction with decisions made.
- Work effort.
- Performance.

As indicated in the above list, employee commitment is a direct consequence of fair treatment, therefore the impact of procedural justice and the extent of fairness in the South African financial services industry needs to be discussed.

As research has extended the original conceptualisations of procedural justice, it has become clear that perceptions of procedural justice are influenced by factors that go beyond the formal procedures used to resolve disputes or allocate rewards. In particular, it has been demonstrated that judgments of procedural justice are influenced by two important factors: the interpersonal treatment people receive from decision-makers and the adequacy with which formal decision-making procedures are explained (Bies & Moag, 1986). These perceptions of justice based on the quality of interpersonal treatment are known as interactional justice.

4.4.3 Interactional justice

Theorists on organisational behaviour have not reached a consensus on whether interactional justice forms part of procedural justice or whether it should be regarded as a third type of justice. Bies and Moag (1986) state that interpersonal justice denotes an individual's concerns about quality of the interpersonal treatment they receive during enactment of organisational procedures. Folger and Cropanzano (1998) consider a decision-making process to consist of both the formal structural components represented by Leventhal's six justice rules, and the informal interactions between the decision-makers and the recipients that represent interactional justice. Yet, Bies and Moag (1986), maintain that interactional justice can be distinguished from procedural because the procedures refer to the structural quality of the decision process, whereas interactional justice refers to a social exchange between two participants. Nevertheless, for the purposes of the study, interactional justice will be regarded as a third type of justice.

Bies and Moag identified the term interactional justice which refers to people's sensitivity to the quality of interpersonal treatment they receive during enactment of organisational procedures and pinpointed the following four attributes in interpersonally fair procedures:

- Truthfulness.
- Respect.
- Propriety of questions.
- Justification.

The first three attributes deal with the nature of communication while it is occurring. The last one (justification) has to do with removing any discontent following an unfair procedure. These are discussed as follows:

- Truthfulness. Truthfulness consists of two components: deception and candidness. Employees do not like being deceived and expect to be treated in a forthright manner. Organisations should therefore provide them with realistic and accurate information.
- Respect. Individuals expect to be treated politely and respectfully. This means that insults or discourteous behaviour should be avoided at all costs.
- Propriety of questions. The property of questions refers to two components. Firstly, questions should not be considered improper by their very nature, and secondly, they should not involve prejudicial statements.
- Justification. Justification comes into play following negative outcomes or unfair treatment. It may be possible to rectify an injustice with an adequate justification.

According to Bies and Shapiro (1988:677), a sense of anger over injustices can be reduced or eliminated by providing an explanation or apology. People expect events that affect them to be explained, and if they do not receive an explanation, they doubt whether they have been treated in accordance with socially rooted expectations for fair processes in human interaction (Weaver, 2010). Respect and concern constitute informal social goods, and failing to receive them is seen as a violation of justice expectations.

Although some researchers have stopped separating procedural and interactional justice, the general perspective is that organisations should see justice in a broader social context. Both formal procedures and the social side of organisational justice are important in predicting work outcomes and understanding organisational behaviour.

4.5 ANTECEDENTS OF ORGANISATIONAL JUSTICE

4.5.1 Employee participation

According to Gollan and Markey (2001:20) employee participation can be described as a voice which is defined as the process in which the employees fully granted an opportunity to express their views to decision-makers prior to the final organisational decisions. Employee participation affords organisational members and employees an opportunity to strategically provide inputs to the decision-makers and influences procedural fairness judgements to an extent that it provides and enhances trust in the authority and affirms the members' standing in the group. Employee participation is found to be closely related and fairer than other procedures, which do not provide participation opportunity within the organisational setting, participatory decision-making as well as performance appraisal and compensation plans embedded in organisational plans.

Employee participation creates an organisational climate where group members are allowed to provide their creative ideas, which are more crucial to the development of the organisation. Employee participation is perceived as being strongly related to procedural and interactional fairness, which creates an environment that leads to organisational efficiency and effectiveness where the employee strongly exhibits organisational citizenship behaviours that are more instrumental for organisational change.

Furthermore, employee participation is perceived as an influence where ethical behaviour is ensured as a result of trust between the subordinates and superiors within the organisation. Employee participation creates an organisational culture where the employees are strongly trusted and are believed to be making an effective contribution for the sustainability of the organisation, which creates a platform where the employees are willing to express their view points and misunderstandings for clarity, which results in mutual understanding within the organisational setting between the employees and their superiors where interactional form of justice is realised (Davidson & Mazibuko, 2011:15)

4.5.2 Leadership

Leaders are important sources of outcomes to followers as they make decisions regarding promotions, tenure, development opportunities, job assignments and resources. The perceived fairness of the leader in coming to all these decisions can be salient consideration for followers and can influence leadership effectiveness. According to leadership research, leader fairness positively contributes to leadership fairness (Van Knippenberg, Decremer & Van Knippenberg, 2011). It is expected of followers to be concerned about leader fairness since a core function of leaders is to carry the responsibility for decisions that directly and indirectly concern and affect followers such as promotion decisions, pay increase, allocation of duties. In addition, research of fairness has long recognised that the fairness of treatment received from authorities is an important influence on people's attitudes and behaviour (Adams 1965; Thibaut & Walker, 1975; Van Knippenberg *et al.*, 2007:1128). The prediction for the effects of leader fairness is that leadership perceived to be fairer in terms of the outcomes received, in terms of the procedures used to arrive at these outcomes, or in terms of quality of interpersonal treatment in this process, is more effective in engendering desirable follower attitudes and behaviour. The effectiveness of some aspects of leadership may be contingent on the extent to which leaders act fairly. Based on evidence found for the main effects of leader distributive, procedural and interactional fairness, it can be concluded that leadership effectiveness leads to leader fairness and organisational fairness in totality.

It is envisaged that leaders who promote fair employee treatment in the organisation will be perceived as effective leaders. Effective leaders are viewed as attractive, credible and legitimate role models who engage in normatively appropriate behaviour and give salient messages that influence employee outcomes. Leaders who exercise fairness in the workplace are perceived as ethical, and in turn receive employees who act in an ethical manner. Ethical leaders are perceived by their followers as legitimate and attractive role models who gain and retain their attention, and have more effective influence on their followers.

Furthermore, ethical leadership characterised by openness, fairness and consideration is fundamental to perceived leader effectiveness (Brown, Trevino & Harrison (2005:257); Yukl, 2010:68). Employees are generally more satisfied with

leaders who discipline wrong-doers, who treat followers fairly and considerately; who are trustworthy and exhibit transformational leadership behaviours (Brown *et al.*, 2005:254). Yukl (2013:150) confirmed that effective leadership signifies mobilising and influencing followers in the required direction. An effective leader influences followers to attain the goals of the organisation. Effective leaders work in an effective manner and go along with work-related needs of the followers. This suggests that effective and ethical leaders guide employees towards responsible goals and objectives, which benefit the organisation and its members (Kanungo, 2001:260).

In addition, the employees from a social learning perspective are more likely to identify with, admire and emulate their leaders and perceive them as role models of appropriate behaviour, which creates a strong relationship between organisational justice and interactional fairness where ethical behaviour is strongly influenced by effective leadership (Kalshoven & Den Hartog, 2009:114). Effective leaders are more responsible for their actions and followers often perceive them as influencing organisational effectiveness (Kalkhoven *et al.*, 2011:61).

The cost of unfair employee treatment can be extremely high for the organisation. Even though the costs of unfair employee treatment are difficult to compute, an employee's perceptions of inequitable treatment are strong predictors of job absenteeism and turnover. The costly results of unfair treatment of employees may include lower production, quantity, lower morale, lack of cooperation, spreading dissatisfaction to co-workers, fewer suggestions and less confidence (Grobler, Warnich, Carrels, Elbert & Hatfield, 2006:172).

In contrast, employees who perceive fair treatment will perceive management's decisions as legitimate and understandable Buckley, Beu, Dwight, Howard, Berkson, Mobb and Ferris (2001:20). Three aspects of organisational justice can be seen as intertwined with ethical leadership, as many decisions that ethical leaders make concern issues of fairness. Leaders of organisations often assume responsibility for the fair distribution of outcomes and workloads provided to their employees such as distributive justice. Formal processes and procedures should therefore be utilised to determine employee outcome decisions such as procedural justice.

Effective leaders should treat their employees with politeness, dignity and respect in performing procedures or determining outcomes such as interactional justice. Decisions that leaders make should ultimately reflect fair treatment and concern for all employees' welfare (Tatum *et al.*, 2003:1009). The opportunities for subordinates to express their opinions often heighten perceptions of fairness, as well as evaluations of supervisor's leadership capabilities (Tyler & Bies, 1990:85).

Leaders are expected to serve as role models who exhibit ethically acceptable behaviour and address ethical issues (Nielsen, 1989:127). Additionally, their behaviours are demonstrated by their explicit rewarding and punishment of certain behaviours (Hegarty & Sims, 1986). According to Northouse (2001:104), ethical leaders are concerned with issues of fairness and justice in their attempt to treat all employees equally. Justice, therefore, necessitates leaders to perform fair decision-making processes. When individuals are treated differently, the grounds for dissimilar treatment must be clear, reasonable and based on sound moral values. Ethical leaders are perceived as trustworthy, fair and caring, who make principled and fair choices and structure their work environment justly (Brown *et al.*, 2005; De Hoogh & Den Hartog, 2008:259). In creating a fair and trustful environment, they consequently stimulate ethical and pro-social employee behaviours in organisations (Mayer *et al.*, 2009:12; Stouten, VanDijke & Decremer 2012:5; Wlumbwa & Schaubroek, 2009).

4.5.3 Communication

Communication plays an integral part in the success of the organisation and the form of its processes that are carried out within the organisational setting creates an environment where employees' concerns and opinions matter within the workplace. The two-way communication refers to sending a message and feedback between the sender and the receiver by employing tools of persuasion and negotiation. According to Versosa and Garcia, communication refers to the design of action plans intended to promote voluntary changes in behaviour amongst those involved in the organisation. The effective communication assists with initial well-tailored organisational justice policies, which serves as a two-way check and feedback instrument from planning to implementation. Taran and Gachter (2012:1-34) postulate that when preparing for organisational justice the organisation must communicate with shop stewards or union representatives, managers, employees, business leaders,

potential investors and customers about the imperative policies and procedures that constitute a successful practice of organisational justice.

4.5.4 Justice climate

An organisational justice climate is defined as shared perceptions about it as well as the treatment of employees by the management of the organisation. These shared perceptions focus on distributive, interactional and procedural justice. The justice climate is perceived to be strongly related to job satisfaction, organisational commitment and emotional contagion.

Furthermore, organisational justice climate is envisaged to create positive effects on employee commitment, intention to remain within the organisation and the discretionary services to customer satisfaction. Procedural justice is perceived to be more effective on performance of the organisation and often creates an atmosphere where team work and operational outcomes are derived together with increased financial outcome, where increased mutual trust between organisational participants such as managers and employees is embraced.

4.5.5 Trust

Trust enables cooperative behaviour, reduces conflict and decreases transactions costs in the workplace (Rosseau, 1998:680). Trust has been demonstrated as an effective predictor of certain organisational outcomes such as organisational commitment (Cook & Wall, 1980:) and organisational citizenship behaviour (Konovsky & Pugh, 1994; Van Dyne *et al.*, 2000). Organisational justice is found to be closely related to employees' commitment and trust in the organisation (Alexander & Ruderman, 1987; Cropanzano & Folger, 1991; Sweeney & MacFarlin, 1993:36).

Organisational justice researchers have shown that distributive justice does not significantly impact on trust (Konovsky & Pugh, 1994). Yet Kumar and Steenekamp (1995) found both procedural justice and distributive justice contribute to relationship quality, and procedural justice appears to be a more important determinant of trust. Tyler and Lind (1990) reported that both procedural justice and distributive justice affect trust.

According to Konovsky and Pugh (1994:659), trust is a manifestation of social exchange accounts for OCB by motivating employees to behave in a manner that is not mandated by the employers. (Rosseau & Parks, 1993) Employees with higher trust in their organisation are more likely to display more OCB, regardless of the types of organisation. A subordinate is more likely to develop higher levels of trust in their supervisor if they perceive more interactional justice. It is therefore imperative for organisations to foster close development and interpersonal relationships between supervisors and subordinates.

Furthermore, trust is an enabler of cooperative behaviour where conflicts are reduced with decreased transaction costs in the workplace (Rousseau *et al*, 1998). Trust has been demonstrated as an important predictor of various organisational outcomes such as organisational commitment, job satisfaction and ethical climate. Organisational justice is found to be closely related as a fundamental requirement for the effective functioning of the organisation and related to employees' commitment and trust in it. Employees are more likely to develop higher levels of trust in the organisation if fair procedural treatment is guaranteed.

Recent research suggests that organisational justice and trust are two intertwined variables related to each other (Hoy & Tarter, 2004). According to Geist and Hoy (2003), an employee's trust towards the organisation provides various advantages, which includes cooperativeness, reduced conflicts and dissatisfaction and increased confidence.

4.5.6 Ethical climate

Organisational justice has become an increasingly important concern in today's rapidly changing work environment (Cohen-Charash & Spector, 2001; Colquitt, Colon, Wesson, Porter & Ng, 2001; Fuchs & Edwards, 2012; Karriker & Williams, 2007).

Organisational justice can be seen as the just and ethical treatment of individuals within an organisation and their behavioural reactions to such perceptions (Fernandes & Awamleh, 2006; Greenberg, 1993).

Fein, Tziner, Lusky and Palachy (2013:154) examined the connection between ethical climate and justice perceptions. The theoretical rationale for this relationship existed

through the notion that ethical climate perceptions embody norms regarding internal stakeholders. An ethical climate reflects a pattern of typical interaction regarding ethical issues, specifically norms about the treatment of others. Consequently, employees within the organisation could be considered the most relevant stakeholders to its climate. When an employee communicates about ethical events, it furthers a joint sense-making process that results in the emergence of a shared understanding that often emerges as an ethical climate (Nicholson & Robertson, 1996:1388). In this sense, individual justice perceptions can serve as antecedents to understandings of an organisation's ethical climate. To the extent that fairness and respect for individual outcomes are valued in an organisation, positive justice perceptions would be expected, at least in terms interactional justice (Erdogan, Liden & Kraimer, 2006:402). Such perceptions can reasonably be expected to lead to changes in ethical climate (Nicholson & Robertson, 1996:354).

The notion that specific subtypes of ethical climate may be related to justice perceptions and similar constructs such as facets of job satisfaction is another focal point of the link between ethical climate and satisfaction. The distribution of valued outcomes such as promotion and pay has further been noted by several researchers (Tsai & Huang, 2008:572).

It could consequently be presumed that ethical climate exists in organisations where fair and ethical treatment of all employees is valued. An organisation's ethical climate hence is seen as intricately tied to its perceived organisational justice.

4.6 THE IMPORTANCE OF ORGANISATIONAL JUSTICE IN THE WORKPLACE

The experience of justice in the workplace produces positive consequences, as reported in previous studies (Colquitt *et al.*, 2001; Fatt, Khin&Heng (2010:58); Sutinen, Kivimaki, Elovainio & Virtnanen, 2002). Earlier studies by Moorman (1991) involving 225 employees in two companies found that employees who perceived that they were unfairly treated tended to possess positive attitudes towards their jobs, their job outcomes and their supervisors. In terms of organisational justice components, Moorman (1991) found interactional justice is the easiest practice through which supervisor or manager can enhance employee perception of fairness. Furthermore,

both distributive and procedural justice frameworks are difficult to implement in ways consistent with those expected by employees. Organisational justice is sometimes perceived as a constraint that is beyond either the employer's control and organisational policy.

A meta-analysis by Colquitt (2001) on organisational justice in the workplace envisaged that it is as a crucial aspect of managerial functioning, associated with positive job outcomes including job satisfaction, organisational commitment and organisational citizenship behaviour. In addition, job satisfaction is found to be highly associated with procedural and distributive justice.

The success of properly administered organisational justice is related not only to work-related wellbeing including job satisfaction, but also to improved employee health (Elovaino, Kivimaki & Vahtera, 2002:107).

Job satisfaction as a significant work outcome associated with organisational justice is evidenced in earlier studies from 1975 to 1999, but has continued to be confirmed in recent studies, for example, surveys conducted by Fujishiro (2005:180), involving 357 employees of a furniture distribution company, which has shown that supervision, management and wage fairness is significantly correlated with employee job satisfaction. The study by Lindfors, Meretoja, Toyry, Lukkonen, Elovaino and Lein (2007:819) of 257 male employees also found that organisational justice is the most important predictor of job satisfaction.

The universality of organisational justice in predicting employee well-being has been highlighted in previous studies (Findler, Wind & Barack 2007:68; Macfarlin & Sweeney, 1992; Zohar, 1995). Findler *et al.*, (2007:68) carried out a study involving 250 employees and found that employees who perceived fair organisational process reported a high sense of wellbeing. In a recent study of 160 correctional employees, Lambert, Hogan, Jiang, Elechi, Benjamin and Morris (2010:14) confirmed that procedural justice has a positive relationship with life satisfaction. It is reported that in several studies organisational justice leads to life satisfaction in totality.

Numerous studies confirm that the positive consequences of organisational justice on employees' wellbeing are not associated with wages and a supervisory style. It is

envisaged that the psychological wellbeing is substantially affected by fairness in the workplace and suggestions to consider other factors outside the workplace, such as family matters, are imperative. Therefore, the incorporation of work factors such as organisational justice and psychological work environment together with non-work issues such as work family conflicts are effective predictors of employee wellbeing.

Organisational justice and its significance in employee wellbeing have not only been recognised by western scholars but are also of interest in research in other areas. Hemdi and Nasurdin, (2008:20) are of the notion that reduced employee turnover intentions and job satisfaction are the outcomes of properly administered procedural and distributive justice amongst employees. Yom (2010:280) envisaged that all three components of justice such as procedural, interactional and distributive justice decrease the intention of employees to leave the organisation. Bakshi, Kumar and Rani (2009:147) suggest that procedural and distributive justice significantly improve organisational commitment.

4.7 BENEFITS AND CHALLENGES OF ORGANISATIONAL JUSTICE

Organisational justice studies have documented the finding that perceived injustice has negative consequences for the employee in an organisational setting and can be perceived as a source of job stressor (Zohar, 1995:489). Studies by Baron, Neuman and Geddes (1999:285) which include private and public sector employees, envisaged that greater employee perception of injustice leads to a greater tendency to act aggressively towards their supervisors, when in employees engage in various forms of aggressive behaviour. Krehbiel and Cropanzano (2000:348) found that perceived procedural injustice is associated with two negative emotions, namely, anger and frustration.

Perceived organisational injustice not only causes aggressive behaviour and negative emotion but affects psychological health and wellbeing. For example, Teppe (2001:202) found an interactive effect of unfair distributive and procedural justice on employees' psychological distress. Higher levels of employee psychological distress are seen when they experience low distributive justice and unfair perceptions of procedural justice. Studies regarding the negative impact of perceived organisational justice have envisaged that employees who perceive low organisational justice are

associated with poor self-reporting and increased levels of absenteeism. Kivimaki *et al.* (2003:29) demonstrated in research findings that low procedural and relational justice is strongly related with medically certified absence. Procedural justice is the strongest predictor of minor psychiatric morbidity and self-rated health status than relational justice. Kivimaki *et al.* (2003:31) envisaged that the employees appraised the outcomes of unjust procedural fairness as more significant with substantial effects on health when compared with outcomes of unjust interactional treatment by the supervisor. A study by Riolli and Savicki (2006:364) found that employees who perceived lower procedural justice reported higher levels of burnout, strain and turnover. This makes the procedural justice a significant contributor to these negative outcomes.

Furthermore, job related wellbeing is another concept that is negatively associated with perceived injustice and performance. Schmitt and Dorfel (1999:447) envisaged that procedural injustice is negatively associated with job satisfaction and psychosomatic wellbeing among employees. Cortina and Magley (2003:251) and Lim and Cortina (2005:487) discussed the impact of interpersonal treatment as a strong predictor that affects employee wellbeing. In their study, the mistreated employees received unjust performance appraisal and were denied promotion and pay increments because they questioned the existence of justice in the workplace. As a consequence of perceived injustice, such employees often experience negative outcomes including decreased job performance, low satisfaction and psychological distress.

It is envisaged that the perceived low levels of organisational justice are the job stressors, which may negatively affect the employee well-being and performance.

Studies by Macfarlin and Sweeney (1987) suggest that distributive and procedural justice on personal and organisational satisfaction is more significant in the satisfaction of employees. On the other hand, other findings reveal that procedural justice has significantly predicted affective commitment and is related to citizenship behaviour and job satisfaction amongst employees (Chu, Lee, Hsu & Chen, 2005:322).

4.8 ETHICAL CLIMATE AND ORGANISATIONAL JUSTICE

Organisational justice is increasingly becoming more important in a rapidly changing work environment. It is seen as an instrument of ethics and how others are treated and react to such treatment and perceptions.

Fein *et al.* (2013:154) argue that perceptions of an ethical climate and justice can be traced to a recent study that examined the connection between these perceptions. An ethical climate is concerned with norms about the internal stakeholders. It reflects patterns of typical interaction regarding ethical issues, specifically norms about treatment of others. Employees play an important role within the organisational setting and should therefore be considered as relevant stakeholders to the organisational climate. When ethical issues are shared jointly by all the employees within the organisational setting it creates an understanding of ethical processes and increased justice climate. In other words, group perceptions, which serve as a climate of justice, create an antecedent to an understanding of an organisation's justice and its ethical climate. To the extent that fairness and respect for individual and group outcomes are valued in an organisation, positive justice perceptions would be expected, at least in all forms of organisational justice (Elovaino, Kivimaki & Vahtera, 2002:106).

The imbalance of organisational justice and fairness in respect to an employment relationship creates the need for legalisation in organisations. It is imperative for organisations to focus on its legal aspects rather than legally defensible strategies that are merely aimed in an attempt to resolve an employee's complaints as this undermines the organisation's social and economic goals and damages its performance and legitimacy (Sitkin & Bies, 1994:157).

The management of the organisation is expected to act fairly in all aspects of work relations, which includes the implementation of various labour laws in confronting and addressing its needs. Policies, rules and procedures of the organisation should be structured according to the laws that relate to equity and employment. It is envisaged that the rules and procedures should be in accordance with laws such as Labour Relations Act, Employment Equity Act, Basic Conditions of Employment Act, Occupational Health and Safety Act and affirmative action policies which seek to redress the imbalances of the past (Coetzee, 2005:122).

In South African organisations the implementation of such acts will reinforce the need for effective organisational justice practice in terms of interactional, procedural and distributive justice, resulting in an organisation where performance and innovation improves the legality encapsulated in all procedures, actions and policies that are fully embedded in the organisational setting (Coetzee, 2005:124)

4.9 REASONS WHY JUSTICE MATTERS TO EMPLOYEES IN THE WORKPLACE

There are multiple accounts for why justice at work matters to individuals. The literature distinguishes three aspects concerning justice motives: instrumental, relational and deontic (Cropanzano, Rupp, Mohler & Schminke, 2001; Fortin, 2008). These are not exclusive of one another. According to Cropanzano, Rupp *et al.* (2001) the various justice motives are discussed below.

a) Instrumental motive of organisational justice

Instrumental models propose that individuals care about fairness for reasons of self-interest. Fairness is considered to be the means to an end of personal, economic gains or losses (Cropanzano *et al.*, 2001). Thibaut and Walker (1975) suggest that controlling part of the process creates the likelihood of attaining a desired outcome. Accordingly, employees may, for example, prefer organisations that distribute promotions and pay fairly since they would want to receive these benefits/resources, in future.

b) Relational motive of organisational justice

Relational models postulate that individuals are interested in fairness because of identity concern. Individuals derive dignity and self-esteem from receiving fairness from a group of colleagues or an organisation which satisfies their need for inclusion and belonging (Blader & Tyler, 2005:237). Relational models emphasise that individuals want to be appreciated, respected, included and valued in social groups. Fairness perceptions and procedural justice, in particular, help individuals interpret their standing and respect in a group.

c) **Deontic motive of organisational justice**

Deontic models propose that justice is a fundamental need and drive of people to respect human worth and dignity. Deontic models suggest that individuals have an intrinsic desire to live in an ethical social system. The moral virtues models of Folger (2001:31) suggest that individuals care about fairness because it is the right to do. When confronted with injustice, individuals are not only motivated to act out of instrumental and relational concerns but out of deontic concerns. For instance, deontic models suggest that experiencing an injustice, such as witnessing a colleague getting harassed would trigger strongly felt emotions such as moral outrage or deontic anger that would prompt behaviours such as retaliating against the organisation.

Although each of these justice motives emphasise a different aspect of justice, they all presume that justice is important to individuals in general and at work. Justice matters to individuals because it fulfils some kind of need that is explicated in these motives (Cropanzano, Byrne *et al.*, 2001:175). These explanations add important information on why justice matters, but their relative importance may depend on the person and context (Decremer, Van Knippenberg, Van Dijke & Bos, 2004:415; Van Prooijen, 2009).

Justice theories explain how individuals form justice perceptions and how justice affects individuals' subsequent attitudes and behaviour, and pertains to more than one of these aspects. The three aspects of why justice matters to individuals are mainly used to describe into what category a specific justice theory falls. They are instrumental in deriving predictions of the effects of justice and the antecedents of justice.

4.10 EMPLOYEES' BEHAVIOUR IN RESPONSE TO INJUSTICE IN THE WORKPLACE

The experience of injustice is hurtful to individuals and harmful to organisations. Few benefit from unfairness, although many are harmed. On the face of this, an organisation should reduce injustice by studying the employee's responses to injustice and prepare written guidelines, procedures and policies to make decisions and engender fairness.

Several years ago, Felstiner, Abel and Sarat, as quoted by Sheppard *et al.* (1992:57), described the sequence of activities followed by people when they perceive an injustice as a naming and blaming process.

4.10.1 Naming

Naming refers to the initial identification of fair or unfair outcomes, procedures or system. Suffice to say that if something has not been identified as unfair, then no action will be taken, even if extreme injustice exists. Employees deem an action, procedures or system to be unfair only if their attention is drawn to it. One means of perpetrating an injustice with impunity, therefore, is either to hide or direct employees' attention away from it. For example, organisations may maintain strict secrecy about certain matters to protect policies from public scrutiny that might stimulate accusations of perceived injustice regarding such things as pay systems, budget allocations or affirmative action appointments. Sheppard *et al.* (1992:68).

The degree of perceived injustice is of vital importance in determining how someone responds to the injustice. Perceived injustice is often determined by assessing the degree of perceived discrepancy from the rule being applied. According to Folger (1984:82), the degree of perceived injustice is at least partially determined by our ability to envision alternatives to the unjust condition. If no alternative exists, employees will more readily accept the unjust condition. One way of limiting employees' sense of injustice would therefore include keeping them ignorant of alternatives. Many action groups in organisations have built their businesses around their ability to help others to identify and label perceived injustices such as discrimination, abuse or unfair treatment. Once identified, these groups also help to transform the perceived injustice into grievances, by clearly attributing blame.

4.10.2 Blaming

Although people try to resolve problems without knowing their cause, they usually attempt to determine what or who is to blame for the injustice, so that they can focus their effort on the agent of the problem. The process of allocating blame progresses from determining the cause to determining responsibility to determining value. Without knowing what caused the injustice, people cannot decide to blame someone.

Injustices can be attributed to any one of three distinct entities: the person, procedure, or a system. An outcome may be considered unfair because an unfair decision was made. Similarly, the procedure determining the outcome is truly responsible for injustice. According to Crosby (1984:92), people initially tend not to blame systems for two reasons: individuals do not have sufficient information to question that system, and most individuals do not wish to question the system.

A second complication of attributing blame concerns the data people use to form a judgment. The primary problem is to determine whether individuals or their environment are to blame. In the context of judgments about injustices, established criteria exist for evaluating the fairness of a procedure and a system. First, information about the individual's environment is to blame. Second, information about the environment is used to determine whether the individual is to blame. When injustice occurs and the procedures and system seem to be fair, logic suggests that the actor who produced the injustice is to blame.

Another complicating factor in attributing blame is that people have extremely strong, prior beliefs about the likely sources of injustice. These prior beliefs vary as a function of social class, cultural background, socio economic status and individual personality. If, for example, black employees believe that the organisation is not committed to their development and progression, they might not continue with their studies because they do not expect their good results to be equitably rewarded.

Finally, sometimes it is not possible to attribute blame, because no real injustice has occurred. In such instances, predicting the individual's allocation of blame is difficult, since there are no clear indicators of blame. The more difficult it is to attribute blame, the more hostile, alienated, and disaffected an individual may become. According to Sheppard *et al.* (1992), the principles in attributing blame hold the following implications for the organisation:

- The causes of injustices at any level may be diagnostic of potential injustice at other levels.
- If a procedure is fair then a person is likely to receive the blame.
- People will continue to blame that element to which they usually attribute blame.

- Although blame for injustices can be widely shared, it rarely is. We tend to concentrate blame on a single or favourite source.
- People tend not to blame systems, and if they do, this will happen only after explanations of people and procedure have been proven to be inadequate.

Having determined the target of blame, a person makes one more decision: how much responsibility and blame to attribute to the target. According to Sheppard *et al.* (1992), people base their judgments on three criteria, namely: Was the perceived injustice intentional? Could the injustice and its consequences have been controlled? Did the person provide any excuse or justification for his or her actions?

According to Bies (1987:295), excuses and mitigating circumstances can be used to pre-empt for unjust acts. People can provide explanations for potentially unfair behaviour or procedures before they occur and thus mitigate another's responses to the injustice. According to Sheppard *et al.* (1992), common explanations used by organisations to soften the impact of an injustice include the following:

- We didn't really have any choice.
- You would have made the same decision had you been in my shoes.
- The policy on Affirmative action is very prescriptive.
- The system wasn't designed to handle problems like this.
- If we look at this problem from a different perspective, the decision is completely reasonable.

In lieu of an excuse, organisations can also provide an apology to justify injustices. An apology plays a similar role to an excuse, but assumes a different form. An apology involves the acceptance of blame, the acknowledgement of wrong doing, and the implications that the behavioural or procedural elements that caused the problem will not occur again. In other words, there is no need for a person to take action to fix the injustice since the agent recognises the wrongdoing, has learned from it, and will make sure that it will never occur again.

4.11 ACTING ON INJUSTICE IN THE WORKPLACE

Having decided that someone or something is to blame for an injustice, a person must next decide what if anything, to do about it. Several factors influence the degree to which someone feels a need to act on an injustice.

4.11.1 Factors influencing a person`s need to act on an injustice

Two most important factors include the impact of the injustice on the perceiver, and the level of concern for limiting future injustices.

4.11.1.1 *The impact of the injustice*

The need to punish the cause of an injustice is a direct function of both the perceived magnitude of the injustice itself, and the degree to which one holds a particular person responsible for creating the injustice. The perceived magnitude of injustice is a function of the level of discrepancy from relevant standards of fairness held for behaviour in that situation, and the level of discrepancy from the best envisioned alternative to the current situation. If, for example, a manager uses his influences to ensure that a family member receives a promotion while other employees are not informed about the vacancy or afforded the opportunity to apply, unfairly treated employees will act on the injustice because:

- a gross injustice has occurred (magnitude of injustice);
- the manager can be held responsible for injustices (person responsible); and
- there was a clear deviation from procedures (discrepancy from standards).

4.11.1.2 *Limiting future injustices*

The second factor driving the need to respond is a function of the perceived probability that the injustice will persist into the future if left unattended. Yet the decision to respond also depends on the probability that a person will be able to bring about changes. There is no value in responding to injustices where there is no likelihood of perpetuation. People have different reasons for responding to injustices. Some are more retributive in their responses, while others are more focused on deterrence and adopt an eye-to-eye approach.

Individuals can pursue a number of alternative courses of action to deal with injustices. According to Sheppard *et al.* (1992), employees generally deal with injustices in one of four ways. Firstly, they live with the injustice and continue as if nothing has happened. Secondly, they can change their behaviour to remove the injustice – for example, they can work less hard if their efforts are not equitably rewarded. Thirdly, they can rationalise the injustice by renaming, removing and redefining it. Lastly, employees can decide to resign or avoid confronting continued injustices.

Rusbult, Zembrodt and Gunn (1982:1237) proposed a two-dimensional model of behavioural responses to dissatisfaction. According to them, behaviours can be located along a dimension of positive (constructive) to negative (destructive) and active to passive. Based on these two dimensions, four quadrants of behaviour, illustrated in Figure 4.2 are identified.

Figure 4.2: Behavioural responses to dissatisfaction



Source: Rusbult, Zembrodt & Gunn (1982:1240)

Hirschman (1970:55) suggests an alternative response to injustice, namely, voice. It is argued that a primary factor determining whether active or passive voice behaviour is used, is the individual's degree of loyalty to the organisation. Highly loyal employees will be more likely either to rationalise and cope with injustices or attempt to change the organisation and remove injustices.

Knowledge of the determinants of response to injustice is necessary if managers are to develop functioning organisations. Successful organisations are ones that not only minimise the number of incidents of perceived injustices, but also create the mechanism to direct the perceived injustices into channels that will effectively manage and deal with the responses injustice engenders.

According to Figure 4.2, organisations will benefit the most from employees who deal with injustices actively and positively. Such employees will do something about the injustice in a constructive way such as bring it to the management's attention. This will enable the organisation to review its practices and prevent future problems. In addition, by affording employees the opportunity to raise their concerns by responding to their inputs and by providing them with explanations and feedback, the value of employees is recognised. This in turn will lead to committed and loyal employees (Rusbult *et al.* 1982:1240).

Yet employees who respond to perceived injustices passively and negatively are harmful to the organisations. They are dissatisfied with their circumstances but do nothing to change it. Instead, they engage in withdrawal behaviour and make no attempt to contribute to the success of the organisation.

4.11.2 Factors influencing choice of action

When employees experience an injustice, and have to choose what to do, they base their decision on two factors, namely, the cost and the benefits of a response. The cost of a response could, for example, include the creation of conflict, victimisation, retaliation, emotional costs of action, lost opportunities, a sense of failure, strained interpersonal relationships and so forth. The benefits of a response could include the system, procedures and practice being revealed or a decision being reversed. Obviously, an employee will choose the alternative that maximises the value of the action (Coetzee, 2005:128).

Part of determining the benefits of a response involves calculating the impact of a response and the probability that it can be successfully completed. According to Sheppard *et al.* (1992), several aspects of individual and the situation have an

influence on the probable success of each course of action. These include the following:

- The degree to which an employee feels that he or she has control over the factors necessary to take affective action.
- The degree to which an employee believes his or her personality and values are consistent with a particular course of action.
- The degree to which a clear route for action is available and visible.
- The degree to which others agree with and support the employee's opinion about the existence of an injustice and how to proceed.

4.11.2.1 Level of perceived control

The degree to which one will respond is related to the level to which one feels one has any control over the causes of the injustice. Perceived lack of control comes from three main sources. First, it is related to one's general sense of perceived efficacy. Some people feel that they can affect change or get things done more than others. Second, perceived control is related to real and perceived power. If a person thinks he or she does not have resources, information, status or support necessary to influence the cause of an injustice, he or she will not act to rectify the injustice. Third, the perceived control is related to the degree to which a person feels he or she understands the cause of the injustices. (Sheppard *et al.* 1992).

4.11.2.2 The predisposition of unfairly treated individuals

The likelihood of actively responding to an injustice is also affected by the qualities of the unfairly treated person. People who feel they are generally competent are more likely to act than those who feel they are incompetent. Individuals who tend to approach orientation actively strive to cope with their problem, while those with an avoidance orientation tend to rationalise the problem away and deny it, and denigrate themselves. Furthermore, past feelings of injustice can accumulate to influence current action. People who have experienced persistent injustice from a particular source will be more likely to act to that injustice Sheppard (1992).

4.11.2.3 Clear route for action

One reason for a person not acting on an injustice, is that there is no obvious way to respond. Take, for example, the increasing number of complaints and grievances lodged during the past few years. Grievance procedures provide employees with information and the means to address any injustice and they are therefore more likely to act on an injustice.

4.11.2.4 Shared perceptions with others

As indicated earlier, because perceptions of justice are an objective reality but a social judgment people are likely to seek confirmation of their opinions before deciding on a course of action. When a person discovers that others disagree with his or her opinions, he or she will become less certain about the judgment and less likely to act on it (Deluga 1994).

4.12 MANAGEMENT OF EMPLOYEE REACTIONS TO ORGANISATIONAL INJUSTICES

Employees who experience an injustice tend to act irrationally and emotionally when no avenue exists for reducing the injustice, when the chosen action has not fully solved the injustice, when the feelings from the existing injustices are managed without taking the future into consideration and when the unfairly treated employee is too angry to react rationally. These situations suggest that an organisation can do a number of things to channel reactions to injustice into forms that are less emotion driven and easier for them to handle. Organisations should consider the following options to manage an employee's feelings about perceived injustices (Cropanzano 1993).

4.12.1 Eliminate gross injustices

First, organisations should avoid engaging in gross injustices. Although it is impossible to eliminate all forms of injustice and there are too many criteria for determining justice, injustices that do not exist should be reasonable in scale (Gilliland, 1993:704).

4.12.2 Provide accessible and effective mechanisms for responses to injustices

Providing a controlled, accessible, responsive, and non-retributive means of allowing employees to vent their ill-will and receive some reasonable response from the organisations can serve to avoid more harmful, emotional responses and reduce the perceived need for further action. One of the mechanisms that organisations can use to assure procedural fairness is to afford employees the opportunity to be heard. The opportunity to express feelings and opinions is known as voice. (Folger & Skarlicki, 1999).

4.12.3 Allow employee voice

According to Sheppard *et al.* (1992) voice serves two critical roles in assuring procedural fairness: a preventive and remedial role. Preventive voice is the process whereby organisations create a mechanism that permits employees to express their views about policies, procedures or key decisions in organisational governance and management. By providing opportunities to those influenced by a decision, organisations will likely be seen as fairer. A remedial voice mechanism affords individuals the opportunity to express concerns about a decision that has already been made. This form of voice consists of efforts by employees to question organisational practices, to gain more information about them, to challenge or attempt to change them.

Remedial voice serves a number of key functions. Its primary function is to reduce the level of dissatisfaction and distress of the employee who experiences an injustice. It also provides diagnostic feedback to the organisation by indicating that some policy or practice is not working. It thus serves to alert the organisation to the fact that some employees find a policy or practice unfair. By identifying and notifying management of injustices, it enables the organisation to correct or make changes as necessary. Voice does not, however, assume that such changes or corrections will be made. Lastly, voice creates the opportunity for a new level of knowledge and understanding about the areas in which problems may be encountered in the future. The information enables the manager to design and implement future policies and practices so that justice concerns will not be raised.

Furthermore, Saxby, Tat and Johansen (2000) state that the fair treatment of employees is important for the following three reasons: to improve performance and effectiveness; to enhance organisational commitment; and to sustain individual dignity and humanness. Closely related to these reasons are the functions of voice systems which include: assuring the employee's fair treatment; providing a context in which unfair treatment can be appealed; improving the organisation's effectiveness; and sustaining employee loyalty and commitment.

The first two functions meet the dignity and humanness goal, the third meets the performance effectiveness goal and the last meets commitment goal. One can thus conclude that a voice system has a direct influence on the perceived fairness of an organisation. Yet for a voice system to function effectively it has to meet certain criteria. Without going into too much detail, the attributes of an effective voice system as identified by Sheppard *et al.* (1992) are listed in Table 4.1.

Table 4.1: Attributes of effective voice system

<p>DESIGN</p> <ul style="list-style-type: none"> Simple procedures Broad application Vested authority Good diagnostic system 	<p>CORRECTNESS</p> <ul style="list-style-type: none"> Administered well Provides follow-ups Solve problems in an unbiased, thorough and effective manner
<p>RESPONSIVENESS</p> <ul style="list-style-type: none"> Timely Tangible results Management commitment Considered inputs 	<p>ACCESSIBILITY</p> <ul style="list-style-type: none"> Easy to use Well-advertised <p>NON-PUNITIVENESS</p> <ul style="list-style-type: none"> Anonymity, Non-retributive Confidentiality

Source: Sheppard *et al.* (1992)

The purpose of an organisational voice system is to channel organisational dissatisfaction into perspective, and provides a mechanism to hear employee concerns and complaints. Viewed from the organisational perspective it serves as a vehicle for stimulating feedback and commentary while maintaining control over challenges and threats to management or even to the organisation's existence.

In understanding organisational justice, an attempt should be made to apply fairness principles in financial services firms.

4.9 BENEFITS AND CHALLENGES OF ORGANISATIONAL JUSTICE

One of the prominent outcomes affected by employees' justice perceptions can be stated as turnover intention. In the literature, turnover intentions, as well as the actual turnover, are predicted to relate both procedural and distributive justice perceptions. As both justice forms indicate that the organisation's procedures and distributions are fair, employees' motivation to leave is reduced. On the other hand, some researchers claim that only procedural justice is interrelated with turnover intentions since justice demonstrates organisational norms of decision making, which are beyond the effect of any specific outcomes. According to Cropanzano (1993), as long as procedures and processes are fair, certain negative outcomes would not lead employees to leave the organisation.

Another significant challenge shaped by justice perceptions of employees in organisations is organisational commitment. This has been operationally defined in many ways but one major stream of research has considered this construct as multidimensional in nature, comprising an employee's loyalty to the organisation, willingness to put in effort on behalf of the organisation, degree of goal and value congruency with the organisation, and willingness to maintain membership. The conceptualisation of organisational commitment by Allen and Meyer proposed a bi-dimensional conceptualisation of organisational commitment, labelling the first dimension as affective and the second as continuance commitment. According to the conceptualisation, affective commitment stems from positive work experiences, such as job satisfaction and the perceptions of fairness, and is associated with favourable outcomes such as lower levels of withdrawal behaviours and higher levels of organisational citizenship. Continuance commitment is developed due to lack of job alternatives and side-bets that would be lost in the case of quitting. In the justice literature, affective commitment was presented as a having wide outcome and thus related mainly to procedural justice rather than distributive justice perceptions.

One of the challenges of justice perception that is revealed in reorganised or restructured entities is the employee's commitment to change. It is defined as the glue

that provides the vital bond between people and change goals, and according to Allen and Mayer (1997) the most prevalent factor contributing to failed change projects is a lack of commitment by the people. Meyer and Herscovitch (2001:311) proposed that the three-component model of commitment can also be applied to the concept of commitment to change. There is a significant body of literature suggesting that when the participants of change perceive the implementation was handled fairly the reaction to change and to the organisation would be more positive, enhancing both commitment to change and organisational commitment.

Another benefit of organisational justice is that it leads to increased social well-being within the workplace and creates a situation where collaboration and teamwork is fully embraced by the organisation and its employees (Liebig, Sauer & Hulle, 2015:19).

Organisational justice is related to work attitudes and behaviours. The perceived fairness from the employer give rise to feelings of trust, commitment and obligation towards the employer, which leads to the perceived fairness being reciprocated through, for example, better job performance, helping behaviours and positive work attitudes (Colquitt, Zapata-Phelan & Roberson, 2005:60). Organisational justice affects individuals largely because of reasons of self-interest as it is presumed that employees increase their efforts in the belief that the reciprocation will increase the likelihood of receiving fair treatment in the future.

Fair treatment communicates to individuals that they are considered valued members of their organisation, which leads to respect, pride and strong identification with it. Individuals are intrinsically motivated to see it excel as the organisation is part of themselves. Its success contributes to a positive social identity (Blader & Tyler, 2005:330). Individuals then work harder for the success of the organisation and engage in extra-role behaviours such volunteering and working extra hours.

According to Greenberg (2010) and Robbins *et al.* (2012), organisational justice is strongly related to health outcomes where employees become motivated to stay with their employer and conserves energy and resources. They derive more satisfaction and a feeling of belonging to a working group and to the organisation that appreciates its employees, and that may elicit positive emotion at work, which may spill over into private life and enhance life satisfaction.

4.14 THE IMPACT OF ORGANISATIONAL JUSTICE ON ORGANISATIONAL CITIZENSHIP BEHAVIOUR

Cropanzano and Greenberg (1997) propose that employees will go above and beyond the call of duty and will be strongly committed to organisations if employees believe that the organisations have treated them fairly. Research suggests that OCB is related to the perceptions of organisational justice and suggest that fairness, rather than job satisfaction account for OCB. The research found empirical support that perceived fairness determines the extent of employees' cooperativeness in OCB and contributes to the organisation. OCB increases, to a certain extent when employees perceive that fairness exists in the workplace.

Research has examined the relationship between perceptions of fairness and OCB. One of the propositions embedded here is that organisational justice positively influences the dimensions of OCB. Its value creates positive attitudes towards employees' work and work outcomes if they believe they are treated fairly by the organisation.

The relationship between procedural justice and OCB suggest that citizenship behaviour occurs in a context in which social exchange characterises the quality of the supervisor and subordinates. Konovsky and Pugh (1994) suggest that procedural justice is an important determinant of employee behaviour and considerable evidence demonstrates that it is a predictor of employee attitudes.

Chen, Lin and Ko's (2008:297) research of motivational forces behind OCB, found that although procedural justice has no effects on OCB towards co-workers, it had a significant and positive relationship with employees' performance of OCB towards supervisor. Moorman *et al.* (1993:220-223) found support for the hypothesis, that procedural justice is related to citizenship behaviour of courtesy, sportsmanship and conscientiousness. They suggested reasons why this dimension is directed at co-workers only as well as supervisors who performed the survey, as they found it more difficult to observe behaviours directed at co-workers. They conclude that employees go above and beyond their duties because they feel the need to return fair treatment they received from the organisation. Niehoff and Moorman (1998:356) suggested that the perceptions of the degree of management support create a climate in which

employees are likely to reciprocate with citizenship behaviours and that actions designed to promote procedural fairness may be useful in communicating how the organisations values and support its employees.

The acceptance of procedural justice effects on OCB led Niehoff and Moorman (1998:511) to explain the motivational influences of procedural justice on OCB. It is envisaged that employees' perceived support from the organisation comes from their own perceptions of organisational justice. These create an atmosphere where employees are likely to reciprocate with citizenship behaviours. Wright and Sablynski (2008:397-401) posit that procedural justice and fair treatment fosters the performance of OCB. In an attempt to clarify the influence of procedural justice as an antecedent of OCB, it is hypothesised that procedural justice affects OCB since employees who are treated in a fair manner usually display significantly greater extra-role behaviour than those who are treated in an unfair manner. Wright and Sablynski (2008:407) argued that the findings are an extension of prior research while an influence of causality can be drawn from the findings.

Furthermore, when employees are treated fairly they perceive a high-quality relationship with the organisation and are more likely to perform extra-role behaviours that benefit it. When supervisors invest in enhancing the fairness of their relationship with employees, it will eventually lead to employee behaviours that benefit the supervisor. Greenberg (1998) found that subordinates perceived their managers as fairly open, and considered their view-points honestly. The communication of fair intentions is critical as it ensures that subordinates know the expectations and what is going, and that the information is open and above board. The manager's request on trust may well be honoured when it comes from one with a proven track record of fairness.

Fassina (2008:805-807) suggested in the findings of organisational justice that interactional justice is the strongest predictor of OCB towards individual and procedural justice.

4.15 MANAGING THE EMPLOYEES FAIRLY IN AN ORGANISATION

In order to determine the fairness within the financial services industry one needs to understand the concept of fairness or organisational justice. In order to achieve this, organisations need to make use of fair treatment and fair discriminatory interventions to appoint, promote or develop employees from previously disadvantaged backgrounds. Justice refers to the fairness of a decision, the procedure used in making that decision and the interpersonal treatment an employee receives during the enactment of these procedures (Folger & Konovsky 1989).

If the decision to appoint or promote a candidate is made in accordance with the provisions of Employment Equity Act 55 of 1998, there is not much an organisation can do about the perceived fairness of it. Yet there are various ways in which such a decision can be made, hence the need for organisations to ensure that the procedures, policies and processes they use in making appointments or promotion are procedurally fair and viewed as such by employees Gilliland 1993).

Several principles of procedural justice are cited in the literature. The following list summarises the principles of fairness referred to in seven articles on organisational justice (De Witt, 1988; Gopinatha & Becker, 2000; Harris, 2000; Konovsky, 2000; Saxby, Tat, Johansen; Simerson, L` Heurex, Beckstein, ZiaMian, Dembowski & Freshman, 2000; Tang & Sarfield-Baldwin, 1996; Tata, 2000):

- Provide advance notice of intent or decisions.
- Provide accurate information and adequate feedback.
- Support two-way communication.
- Explain and justify decisions.
- Allow employees to influence the decisions.
- Consider the interest, views and concerns of all recipients.
- Permit appeal, review reconsiderations and correction.
- Treat employees with dignity and respect and sensitivity.
- Apply administrative procedures consistently.

The following are the principles of procedural justice as identified by Leventhal *et al.* (1980) are similar to the principles listed above are briefly discussed below.

- **Selection of decision makers**

Any decision that needs to be made about policies, appointments of applicants, determination of appointment and promotional criteria, budget, grievances lodged, and so forth, should be made by a panel of members. Of even greater importance is the composition of the panel. Panel members should be representative of all interest groups and consist of men and women from all ethnic groups. This will prevent unfair discrimination and afford all employee equal opportunities (Coetzee, 2005).

- **Setting ground rules for evaluating rewards**

Clear guidelines and criteria should be referred to when making decisions. If policies regulate the issue at hand, the policy should be adhered to and applied consistently to all candidates.

- **Methods for collecting information**

The methods for collecting information as well as the type of information collected should be the same for all candidates. If a decision needs to be made about who to promote in a department the performance appraisal should be used.

- **Procedures for defining the decision process**

Procedures that outline the decision-making process and are followed consistently will protect employers against accusations of favouritism and nepotism. The financial services prospects will have to go through each step in the selection process and be evaluated according to the same selection criteria used of other applicants. Preferential treatment with regard to a procedure will be regarded as gross injustice.

- **Safeguards against the abuse of power**

Although labour legislation in South Africa prohibits any form of discrimination, subtle forms of discrimination still occur in organisations. This is usually the case when employees come up against the power of managers. In order to protect the abuse of power, mechanisms should be in place to afford them the opportunity to voice their

concerns. The most common known mechanisms available in organisations include the following:

- Committees that follow employees input: the opinions of the employees are valued and are fully embraced within an organisational setting.
 - Senior management visits: which employees can meet with senior officials and openly ask questions about organisations strategy, policies or raise concerns about unfair treatment.
 - Grievances procedures: a proper procedure that is transparent to all the affected parties should be followed with fairness.
 - Open door policies: management must provide an open way of communicating with employees where they voice their grievances and complaints. The management should treat these policies with fairness and without bias and discrimination.
 - Suggestion boxes: employees must be afforded an opportunity where they can fully divulge information pertaining to their suggestions and such suggestions should be treated with respects and be taken into consideration.
- **Procedures for appeals**

Unresolved disputes and dissatisfaction creates tension and leads to behaviour such as withdrawal, resignation and other destructive actions such as sabotage and retaliation. Organisations should thus provide a mechanism through which employees can channel their dissatisfaction and receive feedback.

- **The availability of change mechanisms**

This component refers to the reversibility of a decision. Employees will regard a procedure as fair if they have the assurance that the procedure makes provision for injustice to be rectified.

Perceptions of procedural fairness are, however, also influenced by factors that go beyond the formal procedures used to make decisions. The interpersonal treatment employees receive from decision-makers also influences the fairness within the financial services industry. For procedures to be viewed as interpersonally fair,

managers should be truthful to employees, treat them well with respect and justify their decision (Folger & Skarlicki, 1999:42).

4.12 SUMMARY

There is clear evidence that organisational justice plays a pivotal role in organisations, which pursue it to measure a reality as well as by perceptions. Unfortunately, the conclusion that it is better to be behaviourally just is too simple. In pursuing principles of distributive justice, it is not possible to achieve all criteria simultaneously. The base criteria of equity, equality and need are incompatible. Thus, organisations are left with a superordinate problem: how to achieve balance between the three principles of distributive justice. One possibility is to determine which goals are the most important to a given situation.

Organisations have to ensure that the procedures, processes and policies they use in making decisions are fair in order to achieve procedural justice. Employees judge the fairness of procedures according to two types of control they have, namely, the control they have over the procedures used to make a decision and the control they have over influencing the decision. Procedures are regarded as fair to the extent that they suppress bias, create consistent allocations, rely on accurate information, are correctable, represent the concerns of all recipients, and are based on moral and ethical standards.

Another type of injustice, namely, interactional justice refers to the interpersonal treatment of employees receive during the enactment of organisational procedures. Procedures are seen as interpersonally fair when they make provisions for truthfulness, allow for the respectful treatment of employees, eliminate the chances of improper questions being asked and provide reasons or explanations for perceived injustices.

Employees can respond in various ways to a perceived injustice. They can live with it, change their behaviour to remove the injustice, rationalise it or leave/resign from the organisation. The experience of injustice is harmful to individuals and organisations, hence the need for organisations to eliminate injustices provides accessible and

effective mechanisms for responses to injustices, and allows employees to voice their concerns.

In this chapter, the meaning of organisational justice was discussed with a view to explaining how employees make fair judgments. The discussion extended to theories from organisational justice literature to the South African financial services industry domain in order to advance the understanding of fairness in the financial services industry. Employees' reactions to injustices and the way organisations should deal with perceptions of injustices were also highlighted.

The next chapter deals with the hypothetical model of organisational justice in the South African financial services industry.

CHAPTER 5

HYPOTHETICAL MODEL OF ORGANISATIONAL JUSTICE IN THE SOUTH AFRICAN FINANCIAL SERVICES INDUSTRY

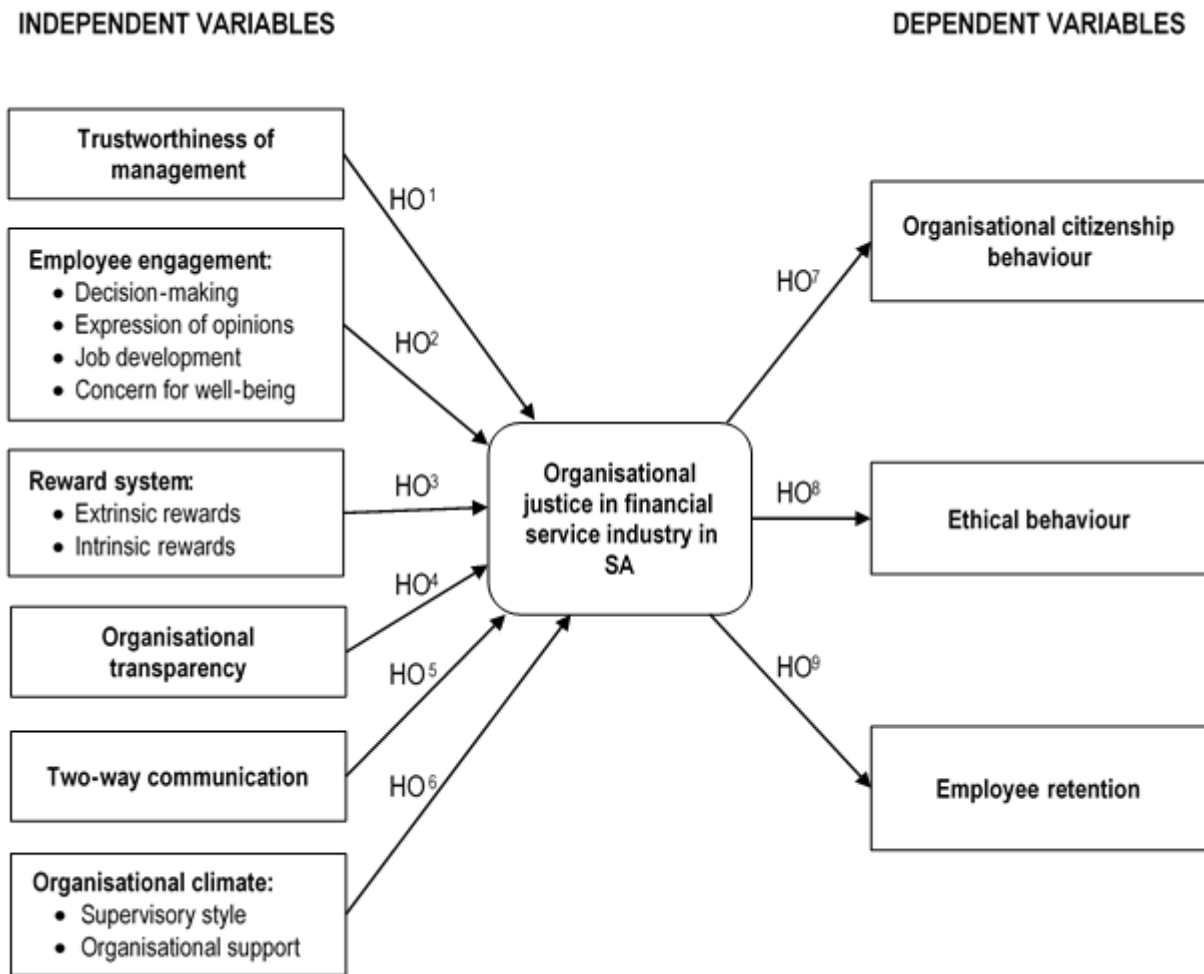
5.1 INTRODUCTION

The literature review in previous chapters indicated the theoretical concepts, and overview of organisational justice and its meaning, scope and the nature of organisational justice. The focus of this chapter is to operationalise the research variables and formulate hypotheses. Several empirical studies in supporting them are discussed. In Chapter four, a number of organisational justice factors were discussed. The proposed hypotheses model illustrated in Figure 5.1 integrates the relationship between the organisational justice factors as independent variables such as: trustworthiness of management; employee engagement; reward system; organisational transparency; two-way communication; and organisational climate. The dependent variables are: organisational citizenship behaviour; ethical behaviour; and employee retention. The hypothesised model is fully discussed in this chapter.

5.2 MODELLED INFLUENCES OF ORGANISATIONAL JUSTICE IN THE SOUTH AFRICAN FINANCIAL SERVICES INDUSTRY

The conceptual framework demonstrates the theory of organisational justice and the sequence of cause and effect that ultimately leads to outcomes such as; organisational citizenship behaviour, ethical behaviour and employee retention. These outcomes typically trace relationships to enable this study to develop questions, express testable hypotheses that underlie assumptions more accurately. Figure 5.1 entails the conceptual three components that constitute the conceptual framework, which are independent variables of trustworthiness of management, employee engagement as measured by decision-making, expression of opinions, job development and concern for employee wellbeing, reward system, organisational transparency, two-way communication and organisational climate. The mediating variable entails organisational justice and dependent variables such as organisational citizenship behaviour, ethical behaviour and employee retention.

Figure 5.1: Modelled influences and outcomes of the hypothetical model of this study.



Source: Researcher`s own construct

5.3 DEFINITION OF RESEARCH VARIABLES AND HYPOTHESES

5.3.1 The modelled influences of organisational justice

5.3.1.1 *Trustworthiness of management*

In this study, Cropanzano, Bowen and Gilliland (2007:39) define trust as the propensity to become vulnerable in respect to another party. This means that management is accountable to gain employees' trust within the organisation. It is thus a socially confirmed expectation to deal with all pertinent issues and strategic goals of organisations. Trustworthiness of management plays a crucial role for effective organisational justice to take place in an organisational setting. The value of

trustworthy managers is an antecedent of trust, which creates positive attitudes and behaviours within the workplace. The trust within organisations increases employee performance and compliance to rules and regulations of them (Kramer, 1999:570). The antecedents of trust include aspects such as competence, consistency, fairness, integrity, loyalty openness receptivity, benevolence and value congruence. Managerial trustworthiness is significantly associated with employee satisfaction by building trust between managers and subordinates. Colquitt, Conlon, Wesson, Porter and Ng (2001) envisaged that the three components of organisational justice can create a trust worthy environment within an organisational setting. Haliru and Mokhtar (2015:4) perceive a strong correlation between organisational justice and trustworthiness of management.

Trustworthiness of management should be clearly characterised by a situation where there is mutual trust between employees and management to reinforce organisational justice. Trust involves the active participation of management to gain trust of employees and better understand how organisational goals and objectives are to be achieved. Trust is perceived as a socially confirmed expectation of management to deal with managerial roles and all pertinent issues and strategic goals of organisations (Korsgaard, *et al.* 2008:90).

According to Chiabaru and Lim (2008:459), their research findings indicate that trustworthiness is a substitute for fairness in providing support for the importance of trustworthiness over and above interactional justice, when decision-makers interested in gaining trustworthiness need to consider the leader's ethical and interactional justice leadership as a fundamental conduit of trustworthiness.

Research findings by Chen *et al.* (2015:15) on organisational trust and identification confirmed on hospital nursing staff indicates their organisational commitment and trust in hospitals, where co- workers show significant trust, which positively affects continuance commitments. Organisational trust has the strongest influence on organisational commitment. Managers who trust their subordinates are more likely to be reciprocated with high-quality work and high learning motivation. Other research findings by Roy, Delvin and Sekhon (2015:) on fairness and trustworthiness in banking indicate that increased levels of fairness are important in creating levels of trust in the organisational setting and banking industry, and distributive fairness plays an important role in building trust.

Research findings by Colquitt and Rodell (2011:1192) showed that supervisor trustworthiness is important in creating a motivated workforce, and organisational justice leads to trust where the employees become more motivated to execute their tasks.

Other research findings by Seok and Chiew (2013:26) showed that employees tend to trust their supervisors more if they perceived fairness in the outcomes that they receive from their jobs such as rewards, evaluations, promotion and fairness in interpersonal treatment from their supervisors. When a favourable outcome is matched with the perceptions of a fair decision, employees are likely to feel trust towards the organisation and those who made the decision.

Another study by Heyns and Rothman (2015:1263) on propensity between trust and trustworthiness indicates a strong positive relationship between beliefs of trustworthiness and levels of trust.

Against the background of the above discussion it is hypothesised that:

H0¹: Trustworthiness of management does not influence organisational organisational justice in the financial services industry

5.3.1.2 Employee engagement

A strong relationship is between organisational justice and employees' engagement is envisaged by Al-Tit and Hunitie (2015:48). Employee engagement refers to a mutual commitment between employers and employees to help one another achieve goals and aspirations (Markos & Sridevi, 2010:90). Employee engagement is strongly considered as a viable means of competitive advantage in the increasingly complex world of business and financial services, and is instrumental in the realisation of organisational goals and objectives (Lockwood, 2007:2). Employee engagement is defined by other academic scholars as the willingness and ability to help their company succeed, providing sustainable effort largely on a voluntary basis for the effectiveness of the organisation. Employee engagement has a greater chance of bringing employees and employers together, which creates a platform where employees experience a sense of being a community (Markos & Sridevi, 2010:90). Kahn (1990:94) defines employee engagement as the harnessing of organisational

members to their work roles, in engagement to express themselves physically, cognitively and emotionally during their role performances. According to May, Richard, Gilson and Harter (2004:26), engagement is mostly associated with various constructs of job involvement and flow.

Studies on employee engagement, provides insights about the positive externalities such as employee retention, productivity, profitability, customer loyalty and safety. Researchers also indicated that engaged employees are more likely to demonstrate behaviours which increase organisational revenue and performance beyond the actual expectations (Markos & Sridevi, 2010:91).

The research findings by Albour and Altarawneh (2014:197) indicate that higher job engagement results in organisational commitment, which has a positive and significant relationship with affective commitment.

Another research finding by Saks (2006:603) indicates that employee engagement and job satisfaction are positively related in that employees are more likely to be satisfied when they are more engaged with their work, therefore organisational engagement is more related to employees' attitudes, intentions, and behaviours.

Research findings by Ledimo and Hlongwane (2014:12) on employee engagement within the public service organisations in South Africa indicate that there is a positive relationship between organisational justice dimensions and employee engagement. Their findings reveal that employees who have positive perceptions of justice in their organisations are more inclined to show high levels of dedication, in other words, employees will demonstrate high levels of involvement in their work and are more likely to experience high levels of significance, enthusiasm, inspiration, pride and challenge in their roles.

Other research findings by Lolitha and Johnson (2015:1603) on employee engagement and organisational commitment amongst the IT sector employees in Kerala reveal that it is positively correlated to affective, continuance and normative commitment. This means that employers should adopt impeccable measures to engage their key performers in order to build an effective and committed workforce.

Organisations can do several specific things to promote feelings of engagement among employees. The key drivers of engagement are:

- involving employees in decisions;
- giving employees the opportunities to express their ideas and opinions;
- providing opportunities for employees to develop their jobs; and
- showing concerns for employees' well-being as individuals.

a) Decision-making

Decision-making is described as a process of making choices by setting goals, gathering of information and assessing alternatives of action (Pettigrew, 2014:150). Decision-making can be described as a situation where employees are afforded an opportunity to effectively contribute in making effective organisational decisions as a reaction to problems confronting the organisations, which may directly or indirectly impact on organisational effectiveness (Robbins, Judge, Odendaal & Roodt, 2009:123). The decision-making process is a way of engaging employees, which is directly linked to organisational justice as a form of interactional justice within the organisation. Employees that are effectively engaged in their work and derive more satisfaction as a form of organisational justice can increasingly contribute to organisational development (Guirdham, 2002:151). Research findings by Michel (2007:38) claim that effective decisions can be made if managers and employees work together as a team to create an effective decision-making process within the organisational setting. The team building exercise and working as a group is more effective in creating proper decisions where all parties are fully involved in creating such decisions.

Research findings by Bolfikova Hrehova and Frenova (2010:143) envisaged that the decision-making process is effectively linked to organisational learning and when it increasingly eliminates the bureaucratic way of decision making it leads to increased group cohesion, team work and increased organisational performance. The research findings by Mackenzie, Van Winkelen and Grewal (2011:418) indicate that there is a positive relationship between organisational learning processes and human resources processes for effective decision making in an organisational setting. Employees are

more likely to participate effectively if the decisions are taken in a fair manner where all parties involved are included in the proper decision-making process.

A research study by Mykkanen and Tempere (2014:131) revealed that effective decision-making in an organisation leads to a productive and highly performing organisation since everyone is well acquainted with all organisational expectations and decisions made. The effective decision-making process addresses all social expectations that are part of the organisational setting.

Research findings by Ejimabo (2015:10) indicates that involvement of employees in decision-making processes result in effective organisations where employees become committed to their work. The sharing of knowledge and decision-making has a strong relationship in engaging the employees within the organisational setting.

Other research findings by Negulesu and Doval (2014:842) indicate that the quality of this process is more achievable when all key drivers that influence organisational sustainability is considered, therefore the quality of decision-making is the main source of the organisation`s effectiveness.

b) Expression of opinions

Expression of opinions is seen as a belief, judgment or way of thinking about something or what someone thinks about a particular thing (Kassing, 2011:120). Edmunson (2006:308) suggests that expression of opinions and concern about organisational phenomena may reveal agreement, suggestions, arguments and support or discontent, disagreement or contradictory opinions or divergent views. In order to be effectual, expression must be voiced to people who are able to directly address the discerned concern. In an organisational setting, a voice system represents sanctioned channels for employee to express their content or discontent. Harlos (2001:320) outlined that the expression of opinions is a way which leads to organisational justice and is strongly linked to procedural justice and interactional justice, which is a conduit for successful organisational performance. Organisational injustice can be created indirectly if employees fear retaliation as they will not voice their concerns.

In Edmondson`s (2006) research findings it is maintained that the expression of opinions is perceived as a strong predictor of trust and eliminates an adversarial relationship between management and employees, and is positively correlated with the values of the organisation, which are effectively maintained, such as ethical behaviours.

c) Job development

Job development is described by Robbins *et al.* (2009:172) as a form of job expansion, which increases the degree to which the employee controls planning, executing and the evaluation of work. Job development means that the number and variety of tasks an individual performs are increased and created for the employee. For instance, the employee can combine tasks, establish client relationships, open feedback channels and provide training and development (Simonsen, Fabian, Buchanan & Luecking, 2011:98). Job development plays an important role in terms of organisational justice perceptions. When employees are granted such an opportunity to develop themselves and take decision in their jobs they are more likely to perceive positive organisational justice (Nel, Werner, Duplessis, Ngalo, Sono & Van Hoek, 2011:408). Research findings by Grant and Hoffman (2011:9-31) reveal that there is a strong relationship between job development and motivation as a source of intrinsic self-focused values where autonomy is emphasised as a form of internal rewards in pursuing opportunities within the organisational setting. Research findings by Raza and Nawaz (2011:268-273) reveal that there is a strong relationship between job development and employee motivation, which eventually leads to job satisfaction and organisational commitment. Employees are more motivated when job enlargement pertaining to their work scope is created, which results in increased job satisfaction and organisational commitment. Another research finding by Saleem, Shaheen and Saleem (2012:152) reveal that job development has a direct impact on employee performance and employee satisfaction. The extent of job development has more influence on employee performance in that employees are more likely to perform well if their jobs are enriched.

The research findings by Kaya and Ceylan (2014:172) reveal that job development leads to increased job satisfaction and organisational commitment, which emanates from organisational citizenship behaviour. Further, job development is a strong

predictor of organisational engagement in that employees are more attached to the organisation when they can develop their job and scope of work.

Furthermore, a study by Vijay and Indradevi (2015:255) proved that there is a relationship between job development and individual performance. Task identity contributes towards enhancing the performance of the individual, which enables the employees to utilise their skills, abilities and space to complete their own tasks.

d) Concern for employee well being

Employee wellness forms an integral part of organisational justice perceptions. It is described as a way in which the organisation identifies factors that may impede the well-being of employees and try to meet all needs and expectations that may hinder it (Fenton Pinilla, Roncaio, Sing & Carmichae, 2014:2). The antecedents of well-being include employee wellness programmes such as counselling and provision of gymnasium and health-related products. Concern for well-being creates a situation where employees perceive a positive relationship between concern for well-being and organisational justice if an employee wellness programme is addressed and practised without any form of favouritism, which could create injustice perceptions (Grande, 2008:237).

Research findings by Litchfield, Cooper, Hancock and Watt (2016:9) and McCarthy, Almieda and Ahrens (2011:185) reveal that concern for employee well-being creates a motivated workforce that is willing to perform effectively in achieving the goals of the organisation. This means that there is a strong relationship between the concern for employee well-being by employers and increased employee performance. The concern for employee well-being leads to a motivated employee.

Against this discussion it can be hypothesised that:

H0²: Employee engagement as measured by decision making, expression of opinions, job development and concern for well-being do not influence organisational justice in the financial services industry in South Africa.

5.3.1.3 Reward system

The reward system includes both extrinsic and intrinsic rewards.

a) Extrinsic rewards

Extrinsic rewards are those which have physical existence and cash based rewards are part of extrinsic rewards (office pay salary, bonuses and other indirect forms of payment). According to Baer, Oldman and Cummings (2003:569), when extrinsic rewards are fairly reimbursed to an employee this will create a situation where fairness is perceived as distributive justice, which may eventually lead to increased motivation and organisational commitment, employee satisfaction and employee effectiveness. Ajmal, *et al.* (2015:462) envisaged that lower level employees such as administrators and foremen perceive extrinsic rewards based on their level of employment, which may contribute extensively in terms of how organisational justice practices should be affected to create a motivated workforce. According (Khan, Shahid and Nawab, 2013:290), the financial rewards that are granted to employees on an individual basis have a tendency of improving the culture that focuses in improving employee performance. Employees are more effectively rewarded to work effectively and produce efficient results as a result of job satisfaction.

Academic scholars such as Ajmal *et al.* (2015:46) maintained in their study that the extrinsic rewards lead to job satisfaction, organisational commitment and increased employee attitudes, which are more instrumental for the effectiveness of the organisation and its performance.

b) Intrinsic rewards

Giancola (2014:25) argues that intrinsic rewards are perceived as non-cash rewards or not having any physical existence for example, employee recognition, acknowledgement, professional growth, authority to immediate tasks, respect and appreciation. Intrinsic rewards require equity in the form of distributing it amongst employees within the organisation. When employees perceive inequity in a way of how intrinsic rewards are distributed, this could create organisational justice which may lead to demotivated and demoralised employees. The rewards where employees are praised, promoted and developed create a positive organisational culture and could

lead to perceived organisational justice (Ryan & Deci, 2000:60). Non-financial rewards contribute extensively in creating employee perceptions where the organisation is perceived as a supporting and caring organisation. Employees at a higher level of employment such as middle managers, top managers and other strategic managers seek intrinsic rewards which contribute to a positive relationship between organisational justice and rewards systems (Robbins *et al.* 2009:437). The rewards that are given to employees eventually create desirable values and behaviours such as knowledge sharing, increase in employee creativity, increase in quality performance and increase in customer satisfaction levels.

The study by Ajmal *et al.* (2015:468) confirmed that the intrinsic rewards increasingly contribute effectively in the performance of the organisation and job satisfaction amongst the workers. Various studies confirmed clearly that the rewards system plays a crucial role and are important for employee outcomes in productivity. These studies confirm a positive relationship between the extrinsic and intrinsic reward system and job satisfaction when extrinsic rewards are positively related to job satisfaction.

H0³: Reward system does not influence organisational justice in the financial services industry in South Africa.

5.3.1.4 Organisational transparency

Transparency can be defined as an organisational ability to divulge information to its employees in order to create an effective understanding between the organisation and its employees (Sturges, 2007:6). The revelation of pertinent information creates a balanced workforce, which creates perceived organisational justice which eventually increases employee performance. By openly communicating goals should be the fundamental step which drives collaborative work effort exerted within the organisation (Dando & Swift, 2003). Information needs to be broken down to manageable goals for each employee. This could create a positive relationship between transparency and organisational justice in terms of informational justice (Schnackenberg & Tomlison 2014:22). Transparency entails an organisational strategy that is clearly communicated and broken down into actionable goals for each employee. According to Berggren and Bershteyn (2007:41), this involves a process of defining individual goals throughout the employee's lifecycle to manage the ongoing development,

performance and potential succession. Another phenomenon of organisational transparency involves a situation where openness and comfort is embraced and where the employees can express frustrations with their organisational inability to execute the organisational strategies and make critical decisions. It is envisaged that to encourage the form of complete strategy it is therefore imperative that alignment of goals and strategy should be understood at all levels of the organisation. The research findings by Berggren and Bershteyn (2007:411-417) confirm that organisational transparency leads to motivated workforce. The research findings by Norman, Avolio and Luthans (2010:355) maintained that the level of organisational transparency exhibited by the leader and the leader's level of positive psychological capacity creates a positive impact on both the participant's rated trust and perceived effectiveness of their leaders. This means that the expressed positive psychological capacity and transparency play an important role in the trust and effectiveness attributed to leaders attempting to deal with organisational challenges.

Research findings by Park and Blenkinsopp (2011:268) discovered that organisational transparency plays an important role in reducing workplace corruption and in improving citizen satisfaction and is largely influenced by trust. Transparency, therefore, is vital for organisational sustainability and performance.

Other research findings on organisational transparency by Schafer (2013:129) reveal that organisational transparency is positively related to organisational commitment and effectiveness in the workplace. When management involves itself in transparency it creates an environment where employees become more committed in their work and take more pride in completing their tasks since transparency is perceived as part of fairness in the workplace. According to Kundeliene and Leitoniene (2015:342) discovered that business information transparency stimulates stakeholders' reliance on a company and insufficient information can be perceived wrongly and results in their unjustified expectations from the organisation. Organisational transparency which does not have quality attributes, accuracy, relevance, and clarity is perceived as an unjustified organisational transparency.

The research findings by Schnakenberg and Tomlison (2016) reveal that organisational transparency is strongly linked with interpersonal justice, and when it is maintained then organisational transparency will lead to trust, employee commitment

and job satisfaction. Other academic scholars such as Bernstein (2012):190 envisaged that organisational transparency is strongly attributed to organisational learning that affords every employee an opportunity to explore various mechanisms that are instrumental within an organisational setting.

Furthermore, research findings by Albu and Flyverbom (2016:26) revealed that organisational transparency as a mode of information disclosure, or as a social process which include verifiability and performativity, has a strongly relationship of resolving conflicts and tensions, including negotiation processes of making things visible in organisational settings. Organisational transparency therefore creates unintended consequences and leads to the management of visibilities in organisational settings. Organisational transparency leads to a situation where there is more focus on the quality of information that permits employees to fully observe organisational action and means of solving organisational and societal problems by improving the effectiveness and quality of transparency efforts. It is a socially situated and communicatively contested process in which the information is used to produce relations of power and new forms of proximity and governance.

H0⁴: Organisational transparency does not influence organisational justice in the financial services industry in South Africa.

5.3.1.5 Two-way communication

Two-way communication refers to sending a message and feedback between the sender and receiver by employing tools and persuasion and negotiation (Morsing & Schultz, 2006:330). According to Versosa and Garcia (2009:1), communication refers to the design of action plans intended to promote voluntary changes in behaviours amongst those involved in the organisation. Employee participation is a key indicator of effective communication and assists with initiating well-tailored organisational justice policies which serve as a two-way check and feedback instrument from planning to implementation. Taran and Gachter (2012:29) postulate that when preparing for organisational justice the organisation must communicate with shop stewards or union representatives, managers, employees, business leaders, potential investors, customers and national and international organisations about imperatives policies and procedures that constitute a successful practice of organisational justice.

Mehmet's and Hasan's (2011:118) research findings envisaged, that there is a positive relationship between an organisational justice type and a two-way communication in an organisation. Organisational communication plays an important role in configuring interactional justice. The behaviours such as respect and kindness from managers to employees, sincere communication, informing subordinates about organisational operations social personal right, objective and rational explanations to suggestions, looking after employee's benefits lead to interactional justice that is perceived positively.

Research findings by Nazari, Homayuni and Yektayar (2013:192) based on a sports manager's perceptions indicate that there is a positive relationship between two-way communication and employee perceptions of fairness in the workplace. The two-way communication is significant in creating a better understanding of workplace and organisational goals. This study indicates that there is a significant relationship between organisational justice and a two-way communication in creating organisational change by sports managers and experts.

The research findings of Husain (2013:45) indicate that an effective two-way communication creates a new platform which leads to community spirit, builds trust, motivates employees in an organisational setting and leads to employee commitment, job security, additional feedback and participation, which reduces the uncertainty in the workplace.

The research findings by Adu-Oppong and Agyin-Birikorang (2014:210) envisaged that an effective two-way communication in the work place creates a situation where job satisfaction, lesser conflicts, formation of relationships, proper utilisation of resources and increased productivity are realised.

Furthermore, research findings by Adu-Oppong and Agin-Birikong (2014:212) on communication in the workplace indicate that two-way communication in the workplace is critical to establish and maintain quality working relationships in organisations. This means that two-way communication as a process of transmitting information is important because every administrative function and activity involves two-way communication.

Another research study by Chan and Lai (2017:24-223) reveal that two-way communication is significant in creating a better understanding of an employee's perceptions of organisational justice. A fair working environment alone is not sufficient to create meaningful working relationships if it is not embraced by supervisors of the organisation. The two-way communication is a significant factor that influences how employees view justice within their organisations and their performance in the workplace.

Against this discussion it can be hypothesised that:

H0⁵: Two-way communication does not influence organisational justice in the financial services industry.

5.3.1.6 Organisational climate

The organisational climate refers to conditions within an organisation as viewed by its employees and usually describes practices involved in communication, conflict, leadership and rewards (Verbeke, *et al*, 2002:306). For the purpose of this study, aspects of organisational climate include supervisory styles and organisational support.

a) Supervisory style

Supervisory style can be described as the way in which management controls the resources and organisational atmosphere in terms of acceptable organisational rules. A supervisory style is a form of interactional justice exerted by the supervisor towards his subordinates (Aquinas 2007:150). According to Cooper *et al.* (2001:118), in terms of organisational climate, supervisory styles entail antecedents of conflict management, developing team membership, and dealing with subordinates. The extent to which the manager can successfully exercise his role as a supervisor in a fair manner can be increasingly be correlated with motivation. Supervisory styles such as an employee-centred manager, transactional leader and task oriented leader can be a true determinant of organisational justice practices or organisational injustice exercised (Guirdham, 2002:548). The perceived employee-centred or participative supervisor who successfully exercises his authority is more likely to be perceived as fair in terms of interactional justice.

According to Noordin, *et al.* (2010), an organisational climate is strongly linked to leader and managerial trust and supervisory leadership, which can strongly influence organisational performance. Other research findings by Castro and Martins (2009:8) articulated in the study of organisational climate that supervisory leadership leads to job satisfaction and that this positive relationship creates a climate conducive to an effective organisation able to sustain itself through its performance, which exceeds the customer expectations. Other academic scholars such as Noordin, *et al.* (2010) maintained that organisational climate is influenced by leadership, teamwork and culture, which are the strong determinants of the organisational well-being that is reimbursed by an employee's positive attitude and organisational commitment. Cojocar's and Stoican's (2010:19) research findings also confirmed that organisational climate is a strong predictor of effective communication and the effective management of communication creates a platform which leads to motivated workforce, collaboration of employees and professional satisfaction amongst the employees.

b) Organisational support

In terms of organisational climate, Schneider, Erhart and Macey (2013:361) view organisational support as organisational commitment towards its employees and how employees internalise this form of support. Perceived organisational support reflects the employee beliefs concerning the organisation's commitment towards them. Rhoades and Eisenberger (2002:698) stated that favourable treatment received by its employees is positively related to perceived organisational support, which in turn influences outcomes such as affective commitment performance and reduced turnover. Lind (2001:55) states that the most important part of fairness is the resultant belief that employees develop to become a valued member of the organisation directly relates to the quality of social exchange relationships between the organisation and their employees (Takleab, Takeuchi & Taylor, 2005:150). Wayne, Shore, Bommer and Tetrick (2002:594) have found distributive justice and procedural justice relate significantly with perceived organisational support, with procedural justice having a stronger relationship. Employees perceive that the organisation cares when decisions are based on accurate and unbiased information and when the employees have the ability to raise their concerns.

Research findings by Tuwvesigye (2010:946) on perceived organisational support and turnover intentions discovered that affective commitment, normative commitment and continuance commitment play a mediating role in the relationship between perceived organisational support and turnover intentions. According to Ibrahim, Isa and Shahbudin (2016:507), research findings on organisational support and creativity indicates that when employees perceive that there is support for creativity from the organisation then a positive perception is increased, with developmental experiences and exposure provided by the organisation. This implies that organisations that allow their employees to be creative in their work roles and willing to provide the necessary facilities, infrastructure and training will result in creative thinking and action among employees which eventually benefits the organisation from the flow of creativity, which stems from their employees and results in increased performance and productivity.

Furthermore, research findings on meta-analytic evaluation of organisational support by Kurtessis, Eisenberger, Ford, Buffardi, Stewart and Adis (2017:1857) revealed that organisational support creates successful predictions concerning relative strengths of a substantial bivariate relationship. When key processes are proposed such as felt obligation, organisational identification and affective commitment and performance rewards receive support, it results in a strong relationship between favourable treatment by the organisation and the employee's positive orientation, psychological wellbeing and performance towards it.

Against this background it can be hypothesised that:

H0⁶: Organisational climate as measured by supervisory style and organisational support do not influence organisational justice in the financial services industry in South Africa.

5.3.2 Organisational justice as mediating variables

Organisational justice refers to the role of employers in the workplace, the employee's perceptions of fairness of decision-making processes and the influence of these perceptions in the workplace (Moorman 1991:845). Organisational justice concerns itself with fair treatment of people within the organisation. It is 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 possessions, race, and religion should be treated without prejudice. Fairness can be questioned both in the process followed as well as in decisions made. Organisational justice could be divided into three distinct dimensions, namely, distributive, procedural and interactional justice, which is further divided into interpersonal and informational justice (Greenberg & Baron 2008:46). A meta-analytic evaluation of relations with work attitudes and behaviours in organisational justice by Viswesvaran and Ones (2002:196) revealed that procedural justice and distributive justice have more a substantial unique variance associated with them. Individuals appreciate procedural justice more because it provides control over processes than expectations and control over outcomes. Procedural justice is more closely related to work attitudes and behaviours than distributive justice. Another study by Majekodunmi (2015:107) showed that organisational justice leads to organisational commitment, which means that when organisational justice exists in the workplace there are more feelings of obligation towards work organisation and employees become more committed to their work. Organisational justice results in high organisational commitment and increased organisational productivity.

Another empirical research by Yean and Yusof (2016:330) showed that organisational justice encourages a positive reciprocal relationship between employer and employees that creates a conducive working environment that enables the organisation to retain the best employees. Yet organisational justice is associated with the ability of management to allocate resources fairly to all concerned in the organisation.

Theoretical and empirical findings by Muqadas, Rehman and Aslam (2017:855) revealed that organisational justice such as distributive, interactional and procedural justice can reduce the level of job dissatisfaction in the workplace. Yet psychological empowerment programmes can play an important role to motivate employees facing business changes in the workplace. The study also proved that the interactive role of psychological empowerment reduces negativity in the relationship between organisational justice and level of job dissatisfaction.

Empirical findings by Saunders and Thornhill (2003:372) point out that there is a positive relationship between perceptions of fairness and feelings of trust for the nature

of distributive justice. The perceptions of fairness related to individual allocations and broader organisational outcomes plays an important role in creating an ethical climate that is conducive to high performance and increased productivity.

A survey by Iqbal, Rehan, Fatima and Nawab on public sector organisations (2017:5) revealed that distributive, interactional and procedural justice has a significant and positive impact on employee performance. This means that organisational justice with its dimensions exert a varying degree of impact on employee performance. The role of management is to ensure that organisational justice prevails and jobs are equally distributed along with equal distribution of benefits and rewards with fair implementation of rules and regulations with no personal favour.

5.3.3 The modelled outcomes of organisational justice

5.3.3.1 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).

Organisational citizenship behaviour describes an employee's voluntary commitment within an organisation that is not part of the contractual work and is usually discretionary in nature (Berber & Rofcanin, 2012:206). 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 behaviour, loyalty and motivation (Forret & Love, 2008:252). According to Williams, Pitre and Zainuba (2002:46), there are some preconditions and premises of organisational citizenship behaviours. The primary condition is the perceptions of the workers about decisions and practices. Williams *et al.* (2002:48) assert that a positive mind increases the possibility of performing certain organisational citizenship behaviours. In this context the psychological condition of employees is among the most important factors determining the relationship between organisational justice and organisational citizenship behaviour (Giap *et al.* 2005:145; Asgari, Silong, Ahmad & Sama, 2008). The empirical findings on OCB and service quality on contact employees

by Yoon and Suh (2003:597-611) reveal that contact employees who are satisfied with their jobs are more likely to engage more in OCB as reciprocation of those who benefited from them in supporting the reciprocity norm. Yet these employees exhibited good sportsmanship behaviours by taking positive attitudes and avoiding unnecessary complaints during their service delivery.

Organisational justice is strongly linked to employees' willingness to engage in behaviour helpful to the organisation. A meta-analysis by Colquitt (2001) indicates that perceptions of organisations are related to several important attitudes. Cohen-Charash and Spector (2001:280) also found that distributive, procedural and interactional justices are all positively related to organisational citizenship behaviour. Organisational citizenship behaviours improve organisational effectiveness by providing high performance in qualitative and quantitative senses (Trunkenbrodt, 2000:239). It suggests that organisational citizenship behaviours improve organisational performance by increasing effectiveness through motivation of employees. This indicates that the evaluation of employees by their superiors and their perceptions towards its fairness determine their organisational behaviour, and that employees perceiving fair practices of management provide more organisational citizenship behaviours. Konovsky and Pugh (1994:659) conclude that trust towards managers strengthens the relationship between procedural justice and organisational citizenship behaviours.

The research findings by Akbar, Daraei, Rabiei and Salamzadeh (2012:22-31) examined the relationship between perceptions of organisational justice and OCB. The research supports the findings that organisational practice will positively influence the dimension of organisational citizenship behaviour. Moorman (1991) envisaged that the researchers that support the value of organisational justice are of the notion that employees will have positive attitudes towards their work and their work outcomes if they are treated fairly by the organisation. The strongest implication by Efanga's and Akpan's (2015:73) study was that supervisors can directly influence organisational citizenship behaviours if there is fairness in their interactions with employees.

Guyen and Gursoy (2014) envisaged that types of justice have an effect on employee performance. Their research findings reveal that interactional justice is the strongest predictor of organisational citizenship predictor of OCB towards the organisation. The

practice of fairness that relates to all types of organisational justice encourages more citizenship behaviour and thus benefits both the supervisor and manager and the organisation. Greenberg (2001) envisaged that when employees are treated fairly and perceive high quality relationship with the organisation they are more likely to perform extra role behaviours that benefit the organisations. If the supervisor invests in enhancing the fairness of their relationship with employees, it will lead to employees' behaviours that benefit the supervisor and the organisation as whole.

Research findings by Taheri and Soltani (2013:67) revealed that there is a positive relationship between organisational justice and organisational citizenship behaviour. This means that organisational justice and its aspects affects job satisfaction and organisational citizenship behaviour of employees.

Furthermore, the research findings of Velickovska (2017:48) revealed that organisational citizenship behaviour leads to increased employee performance as a form of reciprocation for organisational justice practised among employees. They exhibit OCB because there are more satisfied with their jobs, which leads to increased employee performance and increased productivity.

Empirical findings by Obamiro, Olaleke and Osibanjo (2014:37) revealed that organisational citizenship behaviours facilitate achievement of hospital performance. This implies that understanding and cooperation with colleagues, mentoring, performing extra duties without delays and complaints, and sharing ideas lead to increased service efficiency, patient satisfaction and organisational performance

Against this background, it is hypothesised that:

H0⁷: Organisational justice does not influence organisational citizenship behaviour in the financial services industry.

5.3.3.2 Ethical behaviour

Ethical behaviour can be defined as acting in ways consistent with what society and individuals typically think are good values and moral principles, which include fairness, equity, diversity and individual right (Trevino, Weaver & Reynolds, 2006:952). Organisational justice can only be achieved through employees who display greater

effort and behavioural attributes to help the firm succeed (Decremer, Mayer & Schminke, and 2010:11), and is therefore an important theoretical understanding of the organisation's high performance. It can be argued that when employees perceive procedures as fair and managers treat them with dignity and fairness, then employee performance is more likely to increase. Organisational justice practices, moreover, could lead to ethical behaviour in the organisation (Crawshaw Cropanzano & Nadisic 2013:885).

Martison *et al.* (2006) envisaged that when management practise organisational justice it will restore fairness whereby employees begin by eliminating or discouraging unfair conduct by self-reporting their own misbehaviour, by bringing ethical issues to the attention of management and sometimes encouraging whistleblowing. Martison examined that the organisational justice is required to promote an organisation's integrity.

According to Weiss (2003:294-295), ethical behaviour is primarily embedded with various actions when organisational justice is fully implemented within the organisational setting. It involves the following actions and ethical decision-making:

- Employees do not violate the norms and values that others want to preserve. They seek to pursue with integrity economic survival and self-defence tactics. Winning the tactical battle unethically or illegally is not the goal.
- Employees utilise their moral imagination by responding to an ethical component since there are no rules for responding.
- Employees are expected to use restraint and rely on those to whom the use of force is legitimately allocated when their response to immorality involves justifiable force or retaliation. Employees must use minimal force that is justified as the ultimate solution, realising that force is a reaction to unethical acts and practices.
- Employees are expected to apply the principles of proportionality when measuring their responses to an unethical opponent. The force they use should be commensurate with the offense of the harm suffered and the good to be gained.

- Employees are expected to use the technique of ethical displacement when responding to unethical forces. This principle consists of searching for clarification and a solution to a dilemma on different, higher levels than looking at the problems from various levels such as international, industry, and organisational, structural and national or legislative policy.
- Employees are expected to use publicity to respond to an unethical practice, adversary or system. Corruption, unethical and illegal action must be considered and publicity should be judiciously used to mobilise pressures against the perpetrators.
- Employees are expected to work jointly with others to create new social, legal or popular structures and institutions to respond to immoral opponents.
- Employees must act with moral courage and from values, personality and corporately
- Employees must be prepared to pay a price and innocent people sometimes must pay costs that others impose on them by their unethical and illegal activities.
- Employees must use principles of accountability when responding to unethical activity. Those who harm others must be held accountable.

A study by Maccain *et al.* (2010:985) revealed that distributive and procedural organisational justice leads to ethical behaviour, which leads to increased job satisfaction. It is envisaged in this study that the employee's ethical behaviours are strongly influenced by the company's policies and procedures and just decision-making processes.

Furthermore, research findings by Zadeh, Kahouei, Cheshmenour and Sangestani on work ethics, organisational alienation and justice in health information technology managers (2016:225) reveal that organisational ethics is significantly based on trust. Managers perceive just behaviour as significant in creating ethical behaviour within the organisational setting. There is positive relationship, therefore, between organisational justice and ethical behaviour in the workplace.

Against the background of the above, it is hypothesised that:

H0⁸: Organisational justice does not influence ethical behaviour in the financial services the industry.

5.3.3.3 Employee retention

In this study, employee retention is defined as a voluntary move by an organisation to create an environment which engages employees for the long term with the purpose of preventing loss of competent employees from the organisation. According to Smith and Cronje (2002), training and development are the major retention strategies used by managers in retaining their best employees. Bussin's (2002) findings are contrary to retention in that training and development may lead to early turnover of employees in South Africa.

According to Samuel and Chipunza (2009:412), in public and private sector organisations, employee retention is influenced by training and development, recognition and reward for good performance and competitive salary and job security. Research findings by Rao (2011:129) envisaged that employee retention is influenced by motivating employees in aspects of open communication, which fosters loyalty among the employees in the organisational settings.

Empirical findings by Hauusknecht, Rodda and Howard (2009) among employees showed that employee retention is strongly influenced by organisational prestige as the decision to stay among the respondents in that organisational prestige also offers retention benefits for employees who are currently on the job.

Research findings of comparative analysis of a heavy engineering industry by Sinha (2012:145-162) established that competence and relationship oriented strategies, scholastic and futuristic oriented strategies with developmental and reward oriented strategies are the most fundamental strategies of employee retention in an organisational setting.

Empirical findings in Nigeria by Nwokocha and Iheriohanma (2012:201) found that critical, sustainable trends in employee retention such as the establishment of a strategic retention plan, involvement of employees in the decision-making process, a

personalised compensation plan, career planning, training and development and creation of work flexibility and outsourcing are the pertinent employee retention strategies that require the use of a talented work force in order to drive the fundamental changes and production processes that take place in work organisations.

Against the back ground of the above, it is hypothesised that:

H0⁹: Organisational justice does not influence employee retention in the financial services industry.

5.4 SUMMARY

This chapter provided an insight into the influence of organisational outcomes, more specifically on organisational citizenship behaviour, ethical behaviour, employee motivation and innovativeness. Various discussions in respect of the independent variables demonstrated a need in respect of independent variables, and a need to retest their influences on dependent variables using organisational justice as a mediating variable. Consequently, various hypotheses that express a relationship between the variables are discussed theoretically and are tested empirically in Chapter seven.

Chapter six elucidates the research methods and instruments developed to collect and analyse data for this research.

CHAPTER 6

RESEARCH METHODOLOGY

6.1 INTRODUCTION

The purpose of this chapter is to explain the research methodology used to address the primary objective of this study. Good research generates dependable data that is derived by professionally conducted practices that are reliable and can be used for decision-making. Chapter six presents the methodology and statistical procedures undertaken for the research design and how the conceptual model presented in Chapter five was assessed. This chapter introduces the population studied and describes the sampling technique used. A summary of the biographical information of the participants is presented as well as the research instrument design and administration of the questionnaire presented. The statistical methods used to assess the validity and reliability of the results is explained. It also presents the ethical procedures followed in carrying out the research. Finally, the chapter clarifies the development of the measuring instrument used in this study.

The empirical research is based on factors contained in the conceptual model, which was constructed after carrying out literature on the critical analysis of organisational justice in the South African financial services industry. A self-administered questionnaire was developed on the factors contained in the model, which was later administered to the employees of financial services firms.

6.2 PURPOSE OF THE STUDY

The purpose of this study is to investigate and critically analyse organisational justice in the financial services industry in South Africa. The managers and employees within the financial services industry are not conversant with what constitutes organisational injustices (Buys & Van Niekerk, 2014). This study seeks to identify critical factors for the successful implementation of organisational justice so as to formulate guidelines which can be applied in the organisations.

6.2.1 Primary research objective

The primary objective of this study are to critically analyse organisational justice within the South African financial services industry.

6.2.2 Secondary research objectives

The following secondary objectives will assist in achieving the primary objectives of the study:

- to critically analyse the literature pertaining to organisational justice;
- to empirically assess the views of employees and managers with regard to organisational justice in the financial services industry in South Africa;
- to provide managerial guidelines and recommendations in terms of how organisational fairness can be effectively implemented and improved in the financial services industry; and
- to add to the body of knowledge of organisational justice in the South African financial services industry.

6.2.3 Research questions

The research questions of this study will be based on the purpose and objectives of this research. The following are the research questions to be addressed:

- Does *trustworthiness of management* effectively impact on organisational justice?
- Does *employee engagement* impact on organisational justice?
- Does the *reward system* regarding extrinsic and intrinsic rewards promote organisational justice?
- Does *organisational transparency* impact on organisational justice?
- Does two-way communication positively influence organisational justice?
- Does *organisational climate* with regard to supervisory style and organisational support impact on organisational justice?
- Does organisational justice impact on *organisational citizenship behaviour*?
- Does organisational justice increase *ethical behaviour* in the South African financial services industry?

- Does organisational justice lead to *employee retention* in the South African financial services industry?

6.3 RESEARCH PARADIGM

Research can be understood in Kumar`s words as one of the ways to find answers to your questions (Kumar 2005:6). Such an abstract definition entails various research strategies, designs and methods (Bapir, 2012:4). A research method is a plan of inquiry which progresses from primary supposition to the research design and collection of data (Myers 2009:1625). Leedy and Ormond (2001:14) define research methodology as the broad-spectrum approach the researcher takes in carrying out the research project. Similarly, Pilot *et al.* (2001:948) and Burns (2000:20) define methodology as a way of obtaining, organising and analysing data, which includes data collection and analysis techniques employed in the study. Schreiber and Asner-Self (2011:30) refer to research as a methodical progression of dynamic inquiry and discovery through collecting, analysing and inferring from data, resulting in understanding a given phenomenon in which the study is interested. In other words, it can simply refer to the data processing technique for an academic inquiry or stipulate how the researcher intends to go about research. Bryman (2008) takes validity to refer to the sincerity of the conclusions that are generated from a piece of research (Bryman, 2008:31). Neuman puts validity in accessible terms by describing it as referring to the link between the construct and the data (Neuman, 2003:185). In any given study there is a need to identify the most appropriate research design which will shape the general overview of the methodologies to be used (Coll & Chapman, 2001:1). The preference of methodology should be determined by the line of investigation that is questions, or objectives rather than any inclination for a specified methodology (Gerhardht, 2004:2).

It is equally important to note that there are a number of studies that have used different descriptions of the main research approaches with common themes, categories and overlapping emphases, which is in fact, qualitative and quantitative (Mkhansi & Acheampong 2012:135). In research, there are three main methods to be followed: qualitative, quantitative and mixed methods (Creswell, 2003:209, 2009:95; Burns, 2006:613, Denzin & Lincoln, 2000:7). Apart from this, quantitative and qualitative methods of data collection are often in support of each other on the research project (Schreiber Asner-Self 2011:31, Seale, Gobo, Gubrium & Silverman

2004:7, Silverman 2010:17). Burns (2000:13) and Creswell (2003:8) argue that there is also a mixed methods approach, which is a combination of both qualitative and quantitative research methods. Although their definitions of ontology, epistemology and axiology have an ordinary subject matter with a bit of altered meaning and emphasis, there seems to be no consensus in the classification and categorisation of these paradigms (Mkansi & Acheampong, 2012:32). There is much on-going discussion on where a scrupulous method, for instance qualitative, quantitative or mixed methods is entrenched or founded in relation to these philosophies (Johnson & Duberley, 2000:8, Caelli *et al.* 2003:1). Additionally, Guba and Lincoln (1994:105) acknowledge the on-going patents of paradigms to a research approach.

Despite the fact that scholars debate the foundation of philosophies or paradigms for research approaches, Johnson and Onwuegbuzie (2004:14) argue that the disparity in epistemological viewpoints and reasons of validation do not order what precise data collection and analytical methods utilise, therefore it should not avert whichever method is utilised. In support of this, Guba and Lincoln (1994:105) stress that the direction of finding approaches is unimportant to conceptualise and they do use either qualitative or quantitative from any research paradigm. More broadly, with regard to three approaches to research design, the factors that influence the researcher's choice include the research problem, personal experiences of the researcher and the audience (Creswell, 2003:21).

Creswell (2003:21) affirms that collecting various types of data provides the best insights into the research problem. Significantly, Baxter *et al.* (2006:153) proclaim that data may be numerical, may consist of words or may be a combination of the two. Under these circumstances, Creswell (2003:220) advises researchers to be apparent and accurate about the sort of information that they gather, that is, whether the data should be qualitative or quantitative. Proponents of research philosophies have engaged in and demonstrated their acquaintance with viewpoints on what emerged as paradigm wars (Saunders *et al.*, 2009:120).

In a new paradigm war, Wright (2006:799-800) emphasises that every visible social justice-oriented approach that follows a line of investigation is threatened with delegitimisation by the government-sanctioned, exclusivist assertion of positivism as the gold paradigm of educational research. Researchers who use the logical positivism

research paradigm make use of experimental methods and quantitative procedures to test hypothetical generalisations and emphasise the measurements and investigation of the contributory relationship between variables (Golafshani: 2003:1). Furthermore, the second paradigm divergence transpired within the mixed methods community and involved disputes between individuals convinced of the paradigm purity of their own positions (Teddie & Tashakkori, 2003:67).

6.3.1 Quantitative research

Quantitative research is known as empirical research, which is deductive and explanatory and can be used in response to relational questions of variables within the research (Hinchey, 2008:15, Saunders *et al.* 2009:119; Engel & Schutt, 2005:291). Quantitative research entails collection of data so that information can be enumerated and subjected to statistical handling in order to support or contest varying knowledge claims (2005:153). In addition, quantitative research can be called the traditional approach because it was dominant in the 1960s and 1970s (Zohrabi, 2011:699).

Quantitative data uses countable pieces of information which are usually numerical in form. This method relies on statistical data to study and compares the relationship linking the observable fact under investigation. The data can be acquired in the course of tests and observable facts under investigation. It can be acquired in the tests and objective-questioned questionnaires (Dudley-Evans & St John, 2000:128). Leedy and Ormond (2001:102) allege that quantitative research is detailed in its survey and experimentation, and builds upon existing theories. Quantitative research methods were initially developed in the natural sciences to study natural phenomena. According to Flick (2006:2-3) and World Health Organisation (World Health Organisation, 2008:3), in carrying out quantitative studies, researchers endeavour to quantify variables and to oversimplify findings obtained from a representative sample from the total population. Also, quantitative research can be conducted on a large scale and provides a lot more information as far as value and statistics are concerned. According to Schreiber and Asner-Self (2011:41), quantitative research holds a positivist's view of the world and focuses on objectivity, assuming a reality about quantifying the phenomenon under investigation, and assigning numbers to ideas or constructs of interest.

In addition, Seliger and Shohamy (1989 cited in Zoharbi, 2011: 701) contend that this approach is useful when a researcher attempts to study the learning – teaching process in its natural setting. Quantitative methods also have an ability to use smaller groups of people to make suppositions with reference to larger groups that would be prohibitively costly to investigate (Swanson & Holton, 2005:33, Matveev, 2002:2). Quantitative research can also be used in response to interpersonal questions of variables within the research, and tries to find explanations and predictions that will be generalisable to other persons and places (Williams, 2007:66). The findings from quantitative research can be predictive, explanatory, and confirming. Yet in this study quantitative research was employed with rationale to establish, confirm or validate relationships and to develop generalisations that contribute to theory (Leedy & Ormond, 2001:102).

6.3.2 Qualitative research

Another paradigm is qualitative research or social constructivism, which views knowledge as socially constructed and may change depending on the circumstances and methods developed in the social sciences to facilitate the study of community and intellectual phenomena; it can be known as exploratory research, which is inductive and formulated (Golafshani, 2003:7; Neelankavil, 2007:14; Engel & Schutt, 2005:291, Bernard, 2006:387, Saunders *et al.* 2009:119). That is, qualitative researchers focus primarily on the significance and interpretations which individuals allot to their surroundings, actions and practices. Apart from this, qualitative researchers study things in their natural settings, attempting to make sense of or to interpret phenomena in terms of the meanings people assign to them (Denzin & Lincoln, 2005:3). Subsequently, from this perspective, all knowledge on the values, ideas and judgments of the individual is locally and contextually defined (Danermark, Ekstrom, Jakobsen & Karlsson, 2002:73). A further instance of this is that qualitative researchers are interested in understanding the meaning people have constructed, which is how people make sense of their world and the experiences they have in the world (Merriam, 2009:13). In other words, qualitative research is a situated activity that locates the observer in the world.

6.3.3 Mixed methods research

According to Greene, Kreider and Mayer (2005:274), mixed methods research is understood as the premeditated use of two or more different kinds of data gathering and analysis techniques, and more rarely, different kinds of inquiry designs within the same study or project. A mixed methods research plan is a course of action for collecting, analysing and mixing both quantitative and qualitative research and methods in a single study in order to comprehend a research problem (Creswell 2012:320). As noted by Johnson and Onwuegbuzie (2004:17), its logic incorporates induction, deduction and abduction.

Yet for that reason and its logical and perceptive appeal, as well as its provision of a connection involving the qualitative and quantitative paradigms, an increasing number of researchers utilise mixed method research to undertake their studies (Onwuegbuzie & Leech, 2006:475). Collins, Onwuegbuzie and Sutton (2006:67) state that mixed methods research can be conceptualised in various steps. Shaping the research question(s) is regarded as vital in quantitative and qualitative research processes, and in mixed methods, in the sense that questions narrow the research objectives and purposes that researchers endeavour to address in their studies (Creswell, 2005:157, Onwuegbuzie & Leech, 2006:475). Yet as this study's hypotheses seek to provide tentative answers to the research problem, a quantitative research method will be employed. The quantitative, descriptive approach will be appropriate for this study in order to collect information pertaining to critical analysis of organisational justice in the South African financial services industry since, according to Leedy and Ormond (2001:103), the qualitative approach is allegedly less structured in its description because it formulates and builds new theories.

Furthermore, a quantitative research approach was used in this study to collect data in order to establish the relationship between pre-defined variables, and to achieve this end, the researcher had to employ strategies of inquiry such as experiments and surveys and collect data on predetermined instruments that yield statistical data. The findings from quantitative research can be predictive, explanatory and confirmatory. In a thorough review of these terminologies, it shows that the terms mean almost the same thing in their descriptions of research approaches.

6.4 RESEARCH DESIGN

Designing a study assists the researcher in creating and putting into practise the study in a way that will help the researcher to obtain the intended results, thus increasing the chances of obtaining information that could be associated with the situation (Burns & Groove, 2001:223). Research design, according to Kothari (2004:24), refers to the management of conditions for collecting and analysing data in a manner that reveals the relevance of the study.

6.4.1 Population

A population, according to Hartl and Clark (2007:203), refers to target individuals or groups with common characteristics that suit the researcher's interests when conducting a study. Zikmund (2003:369), Cooper and Schindler (2008:374) also define population as a complete group a body of people or in any collection of items under consideration for a research purpose. In this study, the population comprised managers of financial service firms such as banks, insurance companies and auditing and accounting firms. The target population consists of all the managers and employees of organisations. According to Kitchham and Pfleeger (2012:17), a target population is the group or individuals to whom the survey applies. Ideally, a target population should represent a predetermined list of all members.

6.4.2 Sampling design

Sampling refers to the decisive factor devised with representative participants in the target population base, especially for purposes of statistical inferences (Palit, 2006:3511; Yin, 2008:111). Cooper and Schindler (2006:402) assert that sampling basically refers to any procedure for selection of the elements in a population, from which a conclusion can be drawn about the entire population. Yet decisions on several stages in the selection of a sample should be done before a conclusion can be reached (Harmse, 2012:153). Collins and Hussey (2003:121) and Zikmund (2003:262) define a sampling unit as the case to which the variables under study and the research problem refer, and about which data is to be collected and analysed. This implies that it involves choosing a reasonable group big enough to represent a larger group of the population under study, to avoid a distorted picture of the data to be collected or means

of acquiring intended data concerning the population without the need to observe the entire population (Turyakira, 2012:124).

The rationale behind sampling is that it is impractical to include all members of a group, but the sample study population will be in a position to produce the same data that represents the targeted population under study (Turyakira, 2012:124). Therefore, the intention is to draw conclusions valid for the whole study population is justifiable.

6.4.2.1 Stages in selecting a sample

The accuracy of the research is influenced by the way in which the sample has been selected (Sopin, 2009:40). The basic objective is to minimise the gap of the value of the sample within the limitations of cost to provide an adequate probability of fairly true reflections of the sampling population. There are many sampling strategies such as random probability sampling, non-random probability sampling, and mixed sampling.

Researchers have to select the appropriate sampling design for their study and need to understand the strengths and weaknesses of each (Kumar, 2005:151). In every quantitative study, it may not be possible for the researcher to study the entire population of interest (Khalid, Hilman & Kumar, 2012:21). Yet the researchers use a sample, which is subgroup of the population, to get information about the population of interest and to illustrate assumptions about the population (Lind, Marchal & Wathen, 2008:393). Using a sample saves time and money, while it allows the researcher to get more detailed information which may not be easily obtainable (Bluman, 2009:331). Researchers can decide from broad categories of probability and non-probability samples. According to Lind *et al.* (2008:393), the probability sampling method is available to the researcher. The sampling design process can be explained by five interrelated steps shown in Figure 6.1 below.

6.4.2.2 Sampling frame and sample size

A sample frame, according to Menza, Caldow, Jeffrey and Monaco (2008:6), is identified as a set of points or grid elements from which a sample is selected. The characterisation also includes the rationale of sampling frames, which is to provide a means for choosing the particular members of target population that are to be interviewed in the survey (Turner, 2003:3). Additionally, a sample frame can be

defined as a list from which a sample can be drawn (Cooper & Schindler, 2006:411, Saunders *et al.*, 2009:214).

In this study, a representative sample was drawn from all managers of organisations in South Africa within five provinces. Patten (2004) states that in order to achieve an unprejudiced sample, which is the most important decisive factor when assessing the sufficiency of a sample, every member of a population has the same opportunity of being selected in the sample (Patten, 2004:71). The study was conducted in South Africa in five provinces of Gauteng, Kwazulu Natal, Western Cape, Eastern Cape and Free State where most organisations' headquarters are situated. The sampling frame focused on both middle and top managers whose roles relate primarily to embedding fairness within the organisational setting. Also, employees were targeted to find out if they understand the concept and to some extent, if they are entrenched in organisational fairness. Table 6.1 below, indicates the structure of the target population.

Table 6.1: Sample structure of the study

TARGETED GROUPS	SAMPLE SIZE
Managers	200
Employees	200
Insurance brokers	200
Auditing professionals	200
Total	800

Source: Own construction

A sample size of 50 to 800 financial services firms is presumably enough to draw sufficient data to give validity to the results and reach meaningful conclusions pertaining to organisational justice in South Africa (Wahid, Rahbar & Shyan, 2011:5). The sample size of 800 was determined at 95% level of certainty and based on the population of 2500 in South Africa. Hence, 800 owners and managers who are judged to have specific information about their organisations were acknowledged and carefully chosen. A sampling structure was available. This list was obtained from South African financial services directory, as a sampling frame. The sampling method

applied in this study was non-probability sampling, by which samples were selected on the basis of their accessibility. This type of sampling technique used was convenience sampling, when samples are selected because they are accessible to the researcher. This technique is considered the easiest, cheapest and least time-consuming technique. The following section will represent data collection methods used in this research.

6.5 DATA COLLECTION METHODS

According to Most *et al.* (2003:1339), data collection is the course of action of gathering and quantifying information on variables of interest in reputable methodical approach that allows one to return with answered research questions, test hypotheses, and to evaluate the outcomes thereof. Data collection is a segment in the research cycle in which different types of information is gathered through different sources (Zohrabi, 2011:702). Richards and Schimdt (2002:142) presume that data is a collection of information, substantiation or facts that are gathered in order to achieve an enhanced understanding of a phenomenon.

6.5.1 Primary data

The primary data collection method used in this study was the survey method through the use of a self-administered questionnaire. This type of research, even if difficult to design, is initially highly detailed and structured and results can easily be drawn together and presented statistically. Driscoll (2011:3) posits that the definitive objective in conducting primary research is to gain knowledge about something new that can be confirmed by others and to purge biases in the process. In this study, the survey method was used because this is the most common method of generating primary data (Zikmund, 2003:66). According to Eybers (2012:130), a survey is defined as a research procedure through which information is collected from a sample of people by means of a questionnaire. Surveys undeniably provide a method for acquiring information on the same topic from a large group of people in a comparatively short period of time (Gerhardt, 2004:27).

This study used the survey technique to collect the raw data that hypothetically influences the organisational justice in the South African financial services industry. According to Collis and Hussey (2003:66), a self-administered questionnaire is

common to a positivist research paradigm. In support of this notion, Saunders *et al.* (2007:66) assert that questionnaires tend to gather data, focusing on the entire population under a study or a selected portion of the population to uniformly respond to the same questions. Similarly, Eislene *et al.* (2005:1) describes questionnaires as descriptive and opinion related surveys in the form of a self-administered questionnaire. According to Saunders, Lewis and Thornhill (2003:315), questionnaires assist the assemblage of data by soliciting all or a sample of people to act in response to the same questions.

In most cases, sensitive questions are best asked by more impersonal, self-administrative methods as they lead to higher levels of reporting (Bowling, 2005:7; Koponen, Maki-Opas & Tolonen, 2013:5). Undoubtedly, it is this kind of questionnaire that was deemed applicable for this study. Finally, the questionnaires were distributed to a target population of five hundred respondents with the aim of gathering data pertaining to organisational justice South African financial services industry.

6.5.2 Secondary data

Secondary data is composed of the existing literature on organisational justice, which will form the basis for the conceptual framework, upon which the frame of reference of the study will be built (Oliver, 2004:1). It is also known as the data originally collected for a different purpose and reused for other research questions and has an advantage to researchers in terms of the interaction it allows with printed materials which are non-human in nature (Shumba *et al.* 2005:91). Published journals, international, regional and domestic policies pertaining to the study, textbooks as well as internet sources were used. A thorough literature review of theoretical work on the key concept in the organisational justice debate was conducted. This includes trustworthiness, employee engagement, reward system, organisational transparency, two-way communication and organisational climate so as to identify appropriate organisational justice activities and other factors that have an impact on organisational justice in South Africa. Several data searches were done at Nelson Mandela Metropolitan University libraries using databases such as EBSCO, Emerald, Google searches, dissertation abstracts, and leading organisational psychology journals.

Yet the review, covered journals articles, online reports as well as government and organisations/company documents. In the ensuing sections of this chapter, the development of the measuring instrument is explained and the definition of the variables of interest to this study. The process that was followed to develop valid and reliable scales of measure is described, and the questionnaire – administering process is also stated.

6.6 QUESTIONNAIRE DESIGN

In this study, the purpose of the measuring instrument was to obtain primary data to test the hypothesised relationships shown in the hypothesised model, and to subsequently identify and critically examine organisational justice in South African financial services industry. Before formulating questions to include in a questionnaire, it is imperative that the researcher is precise about research questions and the intended goals of the study. A questionnaire usually consists of a combination of factual and opinion-related questions (Cohen *et al.*, 2004:407). Closed-ended statements were used to elicit standard answers that can be analysed statistically. In lieu of measurement purposes, a semantic differential scale was utilised with a possible response range from strongly disagree to strongly agree, requesting respondents to indicate their extent of agreement with each statement. A 7-point Likert scale was used and interpreted as 1=strongly disagree and 7=strongly agree. This was selected because it was believed that such a scale would allow the knowledgeable target population, i.e. senior manager, middle managers, supervisors and employees, to specify their responses more accurately (Han & Kambler, 2006:104). Yet Leedy and Ormond (2005:26-27) assert that the choice of an interval scale of the measuring instrument facilitates the obligatory inferential statistics data analysis to be undertaken.

According to Cooper and Schindler (2008:286), an interval scale has the power of nominal and ordinal data and normally incorporates the concept of equality of intervals. The interval scales represent a higher level of measurement than ordinal scales in the sense that they possess the properties of magnitude and equal intervals between adjacent units (Cooper & Schindler, 2008:286). Subsequently, with an interval scale, Pagano (2004:2) proclaims that there are the same amounts of variables between

adjacent units on the scale, and equal differences between the numbers on the scale that represent equal differences in the magnitude of the variable.

This study employed an ordinal scale using no-dichotomous data consisting of a spectrum of values by means of a 7-point Likert scale with opinion-related factual questions for Sections A to E (Collis & Hussey, 2003:161). In addition, a small number of statistical algorithms can be applied such as calculating central tendencies using mean, median, mode and dispersion using range, interquartile range and standard deviation in the interval scale (Pandian & Natarajan, 2009:135). The measuring instrument for this study consisted of a cover letter and six sections. The cover letter provided full details regarding the purpose of the study as well as the type of information being pursued (Collis & Hussey, 2003:55). Furthermore, a declaration of confidentiality and instructions on how to respond to the statement on the questionnaire were part of the cover letter (see Appendices A and B).

The questionnaire comprised the following four sections:

- Section A consist of 47 items of the perceptions regarding factors impacting on organisational justice.
- Section B consists 15 items of the perceptions regarding organisational justice.
- Section C consists of 15 items of the perceptions regarding outcomes of organisational justice.
- Section D sought demographic information relating to respondents and the sector to which they operate.

A nominal scale was used to assess the biographical data of respondents. In addition, the demographic section information on gender, age, educational level, tenure, position /title of participant in the organisation, the existing period of the organisation and its annual turnover. It should be noted that the headings were removed in order to improve the accuracy of answers to sensitive questions while avoiding participants being misled by the factors being tested. Yet censoring of variables is a technique which is specifically employed to improve the accuracy of answers to sensitive questions. When sensitive topics are studied, respondents often react in ways that negatively affect the validity of the data (Gerty, Lesvelt-Mulder, Hox & Van Der Heijden, 2005; 253). Table 6.2 below depicts a brief summary of the sections

contained in the measuring instrument as well as the corresponding number of items generated to test a particular variable in the proposed hypothesised model.

Table 6.2: Layout of questionnaire and study variables

VARIABLES	ATTRIBUTES	NUMBER OF ITEMS
Trustworthiness of management		5
Employee engagement	Decision making	3
	Expression of opinions	3
	Job development	3
	Concern for well being	3
Reward system	Extrinsic rewards	5
	Intrinsic rewards	5
Organisational transparency		5
Two-way communication		5
Organisational climate		5
Organisational justice		15
Organisational citizenship behaviour		5
Employee retention		5
Ethical behaviour		5
Demographics	Biographical information	9
	Position	
	Gender Age group Educational level Years in organisation Sector Employee in organisations Existence of organisation	

Source: Own construction

6.7 ADMINISTRATION OF QUESTIONNAIRES

This study started identifying organisations between April 2016 and April 2017 through stratified random sampling. In June 2017, six research assistants were deployed to assist in reaching intended target organisations for the purpose of appealing to them to participate in the study.

The questionnaires, with each one attached to a cover letter printed on the official letter head of Nelson Mandela Metropolitan University, were then directly given to those who agreed to participate in and complete the questionnaire. The official letterhead was used to enhance the perceived integrity of the study and to increase the probability that the respondents would complete the questionnaires. The cover letter elucidated the purpose of the study and the type of information being sought. Confidentiality was guaranteed by stipulating that the information sought was solely for study purposes. Furthermore, assurance was given to the participants that a summary of the final results would be made available to them. This was basically a way of increasing the chances of their participation. Participants were individually communicated with as a way of motivating them to complete the questionnaire. 750 questionnaires were made available to the prospective respondents.

6.7.1 Response rate and sample size

A total of 800 questionnaires were distributed and 437 usable questionnaires were received from respondents, resulting in a response rate of 54.62 %. Table 6.3 below represents a further breakdown of the response rate.

Table 6.3: Response rate of the study

QUESTIONNAIRES	RESPONDENTS
Questionnaires distributed	800
Usable received	437
Response rate	54.62%

Source: Own construction

6.7.2 Missing data

Upon receipt of the questionnaires, a rigorous check was done during data capturing for missing and incomplete questionnaires. The only part which was left unanswered was an item on organisational justice from Section B of the questionnaire but the number of these unanswered questions is too insignificant to state. Also, incomplete questionnaires were identified although too insignificant to mention. Yet no page was found missing in all of the received questionnaires. The verification process was done for the purpose of facilitating data processing without falsifying the results.

6.8 DEMOGRAPHIC PROFILE OF THE RESPONDENTS

Section D of the questionnaire comprised the demographic profile of the respondents and the different types of financial services industries. Table 6.3 provides the demographic composition of the respondents that have been approached for the statistical analysis in this study. A total of 800 questionnaires were distributed by the researcher and only 436 were useable, which indicates a response rate of 54%. All useable questionnaires were inspected, edited and coded. The purpose of this process was to ensure that the data is accurate, consistent, uniformly entered and properly arranged to facilitate coding. All the questionnaires were given a reference number, to facilitate the data capturing for the purposes of the statistical analysis.

Table 6.4: Composition of the respondents in demographic terms

DEMOGRAPHICS	RANGE	N	%
Age	Less than 20	48	11
	21-30	150	34
	31-40	156	36
	41-50	71	16
	51-60	11	3
	Total	436	100
Gender	Female	253	58
	Male	183	42
	Total	436	100
Ethnic classification	African	263	60

DEMOGRAPHICS	RANGE	N	%
	Coloured	83	19
	Indian	36	8
	White	49	12
	Other	5	1
	Total	436	100
Highest qualification	Grade 11 and lower	7	2
	Grade 12	92	21
	Diploma or N-certificate Certificate	120	28
	Bachelors degree	123	28
	Postgraduate dedegrdegree/diploma	92	21
	Other	2	0
	Totals	436	100
Position in the organisation	CEO/Owner	10	2
	Manager/supervisor	75	17
	Employee	281	64
	Professional	42	10
	Other	28	7
	Total	436	100
Length of current employment (years)	1-5	156	35
	6-10	110	25
	11-15	115	26
	16-20	48	11
	Above 21	436	100
	Total		
Employment size of organisation	Small (less than 50)	87	19
	Medium (51-199)	226	52
	Large(200+)	123	28
	Total	436	100

DEMOGRAPHICS	RANGE	N	%
Years in existence of organisation	1-5 years	101	23
	6-10 years	123	28
	11-15 years	93	21
	16 years +	119	27
	Total	436	
Types of financial services industry	Banking	104	24
	Insurance	157	36
	Accounting /auditing	153	35
	Other	22	5
	Total	436	100

Table 6.4 shows that 34% of the respondents were 21-30 years of age and 35% fell in the age range of 41-50 of the respondent fell in the range of 31-40 years and the gender which ranges from 58% were the females and 41 % is composed of males and in term of ethnic classification 60%of the respondents consist of Africans and 19% is composed of coloureds and the highest education attained was 28% with Diplomas, followed by 28% with bachelor`s degrees while the rest either had postgraduate degree/diploma degree/masters degree (21%) or diploma (4%).

Regarding the positions occupied by employees within the organisational setting, (64%) are ordinary employees and the (17%) are either a manager or a supervisor, the highest proportion had spent between 1-5 years (36%) and 11-15 years (26%) while the 25% were between 6-10 years. The financial institution where the employees work at, is described by three factors, namely, the type of financial services industry, the number of employees and the years of existence.

In the results, according to table 6.2 of the respondents, (36%) were from insurance firms and (35%) were from the accounting and auditing firms. (23%) were from the banking industry. The (51%) of the respondents were employed in medium sized organisations with 51-199 employees and (28%) were employed in large organisations with more than 200 employees. With regards to years of existence, about (28%) had

been in existence for 6 to 10 years while (27%) had been in existence for more than 16 years. The rest were operating in existence for between 1-5 years (23%) and 11 and 15 years (21%).

6.9 OPERATIONALISATION OF VARIABLES AND RESEARCH INSTRUMENT DESIGN

To effectively operationalize the variables in the hypothesised model, literature in organisational justice and its outcomes, and factors that affect organisational justice in South African financial services industry discussed in Chapter three, four and five was used in this study.

Some items were used from existing measuring instruments that provided evidence of reliability and have been compelling in the preceding line of investigation. Operationalisation is the development of specific research procedures that will result in empirical observations representing those concepts in the real world (Babbie, 2011:133). A minimum of ten items was used to measure variables. The various operationalisation definitions of the independent, mediating and dependent variables are discussed in the following sections. These definitions are based on an interpretation of secondary sources and existing empirical studies. An explanation of how the scales were developed to measure the selected variables are also provided.

6.9.1 Trustworthiness of management

In this study, trustworthiness of management refers to the propensity to become vulnerable in respect to another party. It is a socially confirmed expectation to deal with all pertinent issues and strategic goals of the organisation. A five-item scale was developed to measure the trustworthiness of management in this study. The items were derived from Reich, Cardona, Lee and Canela (2015), Rawlins (2015), Roy, Delvin and Sekhon (2015), Cropanzano, Bowen and Gilliland (2007) and Haliru and Mokhtar (2015). Some of the items emanated from secondary sources.

6.9.2 Employee engagement

In this study, employee engagement refers to the mutual commitment between employers and employees to do things to help one another to achieve goals and

aspirations. A nine-item scale was developed. These items were developed according to the sub-topics of employee engagement such as decision-making, concern for employee well-being and expression of opinions with three items per sub-topic with a total of nine items. These were picked from empirical studies by Al-Tit and Hunitie (2015), Markos, Sridevi (2010) and Pettigrew (2014).

6.9.2.1 *Decision-making*

Decision-making is seen as a process of making choices by setting goals, gathering information and assessing alternative courses of action. Decision-making can be described as a situation where employees are afforded an opportunity to effectively contribute in making effective organisational decisions or indirectly impacting on organisational effectiveness.

6.9.2.2 *Expression of opinions*

Expression of opinions is seen as belief, judgment or a way of thinking about something or what someone thinks about a particular thing.

6.9.2.3 *Job development*

Job development refers to the increase in the degree to which the employee controls planning, executing and the evaluation of work. The variety of tasks performed by the employee is increased.

6.9.2.4 *Concern for employee well being*

Concern for employee well-being refers to as the way in which an organisation identifies the factors that may impede the well-being of employees and tries to meet all needs and expectations that may hinder their well-being.

6.9.3 *Reward system*

A reward system refers to all monetary and non-monetary compensation and incentives provided by the firm to employees in return for their contributions in terms of their physical and mental efforts. This includes both extrinsic and intrinsic rewards. In order to measure the reward system, ten items were developed for both extrinsic and intrinsic rewards, which were picked from empirical studies used by Yasmeen,

Farooq and Aashgar (2013), Revard and Snelgar (2016) and Khan, Shalid, Nawab and Ali (2013).

6.9.3.1 *Extrinsic rewards*

Extrinsic rewards refer to the physical existence and cash-based rewards such as office pay salary, bonuses and other indirect forms of payment.

6.9.3.2 *Intrinsic rewards*

Intrinsic rewards refer to non-cash rewards and do not have a physical existence such as employee recognition, acknowledgement and professional growth as well as authority to immediate tasks, respect and appreciation.

6.9.4 Organisational transparency

In this study, transparency can be defined as an organisational ability to divulge information to its employees in order to create an effective understanding between the organisation and its employees. In order to measure organisational transparency in this study a five-item scale was developed. The items were extracted from the surveys by Schnackenberg and Tomlison (2014) and Sturges (2007).

6.9.5 Two-way communication

A two-way communication refers to the sending a message and feedback between sender and receiver by employing tools of persuasion and negotiation. In order to measure the two-way communication in this study the five-item scale was developed from the surveys by Taran and Gachter, Versosa and Garaia, Morsing and Schultz (2006).

6.9.6 Organisational climate

Organisational climate refers to the conditions within an organisation as viewed by its employees and usually describes practices involved in communication, conflict leadership and rewards. In order to measure organisational climate in this study the ten items were effectively developed from the surveys by Martin and Van der Ohe, Noordin, Omar, Sehan and Idrus (2010), Cojocaru and Stoican, Scheider, Erhart and

Macey (2013), Rhoades and Eisenberger (2002), Wayne, Bommer and Tertrick (2002), Idrus (2010).

6.9.6.1 Supervisory style

Supervisory style can be described as the way in which management controls the resources and organisational atmosphere in terms of acceptable organisational rules. It is a form of interaction exerted by the supervisor towards his subordinates.

6.9.6.2 Organisational support

Organisational support is a form of favourable treatment received by employees in terms of doing their work from the employer's side.

6.9.6.3 Organisational citizenship behaviour

Organisational citizenship behaviour 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. In order to measure the organisational citizenship behaviour, five items were developed and extracted from the surveys by Podsakoff and Mackenzie (2012), Moorman (1991), Konovsky and Pugh (1994), Crawshaw, Cropanzano, Bell and Nadisic (2013).

6.9.7 Ethical behaviour

Ethical behaviour refers to acting in ways consistent with society and what individuals typically think are good values and moral principles that include honesty, fairness, equality, dignity, diversity and individual rights. In order to successfully measure the ethical behaviour, the five items were developed from the empirical survey.

6.9.8 Employee retention

Employee retention refers to the voluntary move by an organisation to create an environment which engages employees for long term with the purpose of preventing loss of competent employees from the organisation. In order to measure the employee retention five items were fully developed and extracted from the empirical surveys by Smith and Cronje, Samuel and Chipunza (2009), Nwokosha and Iheriohanma (2012), Trevino, Veloso, Dasilva, Dutra and Fischer (2014).

Table 6.5: Summary of operationalisation of variables and scale development

Operationalisation of factors	Items	Empirical & secondary sources
Trustworthiness refers propensity to become vulnerable in respect to another party. A Socially confirmed expectation and to deal with all pertinent issues and strategic goals.	5	Reich, Cardona Lee & Canela (2015), Rawlins (2008), Roy, Delvin & Sekhon (2015), Cropanzano, Bowen & Gilliland (2007); Haliru & Mokhtar (2015)
Employee engagement refers to mutual commitment between employers and employees to do things to help one another to achieve goals and aspirations	12	Altit & Hunitie (2015); Markos & Sridevi, Pettigrew (2014)
Reward system refers to all monetary and non -monetary compensation and incentives provided by the firm to employees in return for their contributions in terms of their physical and mental effort. This includes extrinsic and intrinsic rewards	10	Yasmeen, Farooq and Asghar; Revard & Snelgar (2016) Khan, Shalid, Nawab & Wali (2013)
Organisational transparency can be defined as an organisational Ability to divulge information to its employees in order to create an effective understanding between the organisation and its employees	5	Schnackenberg & Tomlison (2014); Sturges (2007),
Two-way communication refers to sending the message and feedback between the sender and the receiver by employing tools of persuasion and negotiation	5	Taran & Gachter (2012); Versosa & Garcia; Morsing & Schultz (2006)
Organisational climate refers to conditions within an organisation as viewed by its employees and usually describes practises involved in communication, conflict, leadership and rewards	5	Martin & Van der Ohe (2003); Noordin, Omar, Sehan & Idrus (2010) ;Cojocaru & Stoican, Cooper, Cartwright & Early (2001) ;Schneider, Erhart & Macey (2013); Rhoades & Eisenberger (2002), Wayne, Bommer & Tetrick (2002)
Organisational citizenship behaviour describes an employee`s commitment within an organisation that is not part of his or her contractual tasks and is usually discretionary in nature	5	Podsakoff & Mackenzie (2012), Mooroman (1991), Konovsky & Pugh (1994), Crawshaw, Cropanzano, Bell & Nadisic (2013)

Operationalisation of factors	Items	Empirical & secondary sources
Ethical behaviour refers to acting in ways consistent with what society and individuals typically think are good values and moral principles that includes honesty, fairness, equality, dignity, diversity and individual rights	10	Trevino, Butterfield & MacCabe Trevino, Weaver & Reynolds (2006), Decremer, Mayer & Schminke (2010)
Employee retention refers to a voluntary move by an organisation to create an environment which Engages employee for the long term with the purpose of preventing loss of competent employees from the organisation	5	Smith & Cronje, Samuel & Chipunza (2009), Haausknecht, Rodda & Howard (2009); Nwokocha & Iheriohanma (2012), Trevino, Veloso, Dasilva, Dutra & Fischer (2014)
Organisational justice refers to the role in the workplace and employee`s perceptions of fairness in decision making and processes which influence the workplace behaviour	15	Cropanzano & Greenberg (1997); Niehoff & Moorman (2010); Colquitt (2009); Cropanzano & Ambrose (2001)

6.10 CRITERIA FOR EVALUATING THE MEASURING INSTRUMENT

6.10.1 Reliability

Reliability reaches a similar conclusion. Quantitative research utilises experimental methods to test hypotheses and emphasise the measurement and analysis of causal relationships between variables (Creswell, 2003:3, MacMillan & Schumacher, 2006:56-97). The term reliability is a concept used for testing or assessing quantitative research. The thought/concept is most often used in all kinds of research. Researchers may address this reliability indicator by conducting the new study on participants with similar demographic variables, asking similar questions, and coding data in a similar fashion to the original study (Firmin, 2008:754). Reliability is concerned with the amount to which different rates or coders appraise the same information; for instance, events, features, phrases, behaviours should be appraised in the same way (Van den Hoonaard, 2008:371).

Highlighting the significance of reliability in testing, Wells and Wollack (2003:2) suggest that it is of the essence to be anxious about a test's trustworthiness for two reasons. One reason is that reliability provides a measure of the extent to which an

examinee's score reflects the random measurement error and secondly, to be concerned with reliability as a precursor to test validity. That is, if scores cannot be assigned consistently, it is impossible to conclude that the scores accurately measure the sphere of influence of interest (Jafari, Akhavan & Nouriadeh, 2013:7).

6.10.2 Cronbach's alpha values

Cronbach Alpha correlation coefficients were computed to investigate the reliability of the measuring instrument (Smith & Rootman, 2013:8). It is stated that Cronbach's alpha coefficients range from 0 to 1 and that a test should have a Cronbach's alpha correlation coefficient equal to or greater than 0, 80 in order to be regarded as trustworthy (Gwet 2012, 246, Hair, Babin, Money & Samouel, 2003:172).

6.10.3 Validity

Validity can be viewed as the ability of the instrument selected for a particular study to produce the intended results, and reliability is described as an instrument with dependable attributes of accuracy (Wood, Ross-Kerr & Brink, 2006:195; Winter, 2000:7). This implies that the same instrument, if repeated on different occasions should produce the same results each time when administered. Validity will be ensured by means of conducting exploratory factor analysis. Various types of validity will be measured.

Validity determines whether the research truly measures what was anticipated to measure or how candid the research results are (Bashir, Afzal & Azeem, 2008:35). Golafashani (2003:597) describes validity in quantitative research as a construct validity. Relatedly, Whiston (2005:43) views validity as the amount to which the confirmation and hypotheses support the analysis of test scores dictated by proposed use of tests. Similarly, Kaplan and Saccuzzo (2005:132) view validity as the evidence for presumption made about a test score. Furthermore, McBurney and White (2007:169) view validity as a sign of meticulousness in terms of the degree to which a study draws conclusions with certainty. These views propose that validity centres on the level to which consequential and suitable presumptions or judgements are prepared at the starting point of scores resulting from instrument used in a study (Ayodele, 2012:391). Yet there are diverse categories of validity that are used in research, for example, Cohen *et al.* (2008:135) listed several classes of validity:

content validity, criterion validity, construct validity, convergent validity and discriminant validity.

a) Content validity

According to Landsheer and Boeije (2008:60), content validity is best when established deductively by defining a cosmos of items and sampling methods within this universe to establish the test. Furthermore, content validity is a hypothetical concept which focuses on the capacity to which the instrument of measurement displays the verification of reasonable and wide-ranging reporting of the sphere of influence of the items that it professes to cover (Ayodele, 2012:393). According to Babbie (2007:298), content validity gives an idea about the degree to which a measure covers the array of meanings including the notion. Cohen *et al.* (2008:135) define content validity as a form of validity that makes certain that the fundamentals of the focal subjects to be covered in a study is both a fair demonstration of the wider topic under examination, and that the essentials preferred for the study samples are intended to intensify and give it breadth.

b) Construct validity

According to Shuttleworth (2009:18-20), construct validity defines how well a test or experiment measures up to its claims. It refers to whether the operational definition of a variable actually reflects the true theoretical meaning of a concept. Construct validity is a device commonly used in educational research. It is based on the rational relationships among variables (Ayodele, 2012:394)

According to Roberts, Priest and Traynor (2006:41), construct validity refers to whether the operational characterisation of a variable in fact epitomises the hypothetical significance of a notion. In a nutshell, construct validity demonstrates the extent to which presumptions are justifiably prepared from the operationalisation in one's study to the hypothetical constructs on which operationalisation are based (Ayodell, 2012:394). Construct validity can also be known as an assertion that one can have with regards to whether the operational definition realistically represents the conceptual construct it is supposed to represent (Altermatt, 2007:479). At some point, the rationale of a study is to display the construct validity of a new measure, which is

of paramount importance to any study because it is only as good as its operator definitions (Altermatt, 2007:479). Construct validity is, however, a more important, but more difficult measuring property to assess (Carlson & Herdman, 2012:17). That is, the construct in question is different from other potentially similar constructs.

c) Discriminant validity

Discriminant validity means that using comparable methods for researching different constructs should capitulate, comparatively low inter-correlations (Tavakoli, 2012:176, Jafari *et al.* 2013:376). That is, the constructs in an inquiry are poles apart from other sustainability comparable constructs. Such discriminant validity can also be capitulated by factor analysis, which groups together comparable matters and separates them from others (Cohen *et al.* 2008:133). Testing for discriminant validity can be prepared by means of one of the following methods: O-sorting, chi-square differences test and the average variance extracted analysis (Zait & Berteau, 2011:217).

d) Convergent validity

Convergent validity entails that the scores resulting from the measuring instrument draw a parallel with the scores resulting from comparable variables (Cooper & Schinlder, 2001:164). Convergent validity is the degree to which the operational definition is correlated with variables that one would expect it to be correlated with (Altermatt, 2007:479). Convergent validity is an outline of the verification used to judge the construct validity of a measure. This evidence is frequently evaluated by means of enormity of the zero-order correlation between the proxy and other close related measures (Carlson & Herdman, 2012:78). Convergent validity replicates the extent to which measures confine a familiar construct. Alternative measures that provide less than perfect convergent validity introduces indistinctness that meddles with the development of meaning and the interpretation of findings within and across studies (Larraza-Kintana, Wiseman, Gomez-Meija & Welbourne, 2007:1001).

d) Criterion validity

A criterion validity is an average opinion or a traditional standard against which other measures are weighed (Kaplan & Saccuzzo, 2005:132). Therefore, criterion-related validity covers correlations of the measure with another criterion measure, which is accredited as applicable and where a high-correlation coefficient exists between the scores on a measuring instrument and the scores on other existing instruments, which are accepted as applicable (Bowling, 2009:16, Whiston, 2005:43, Cohen *et al.* 2008:133, Whiston, 2005:43). Cohen *et al.* (2008:133) propose that there are two types of criterion-related validity, namely, concurrent validity and predictive validity. There is time to pause between when the instrument is administered and when the criterion information is drawn together. In synchronised validity, the measures and criterion measures are taken at the same time because they are generally premeditated to offer problem-solving information that help direct edifying advancement of the learners (Kaplan & Saccuzzo, 2007:132). The concept of criterion validity involves demonstrating validity by showing that the scores on the test being validated correlate highly with some other, well-respected measure of the same construct (Brown, 2009:539). Therefore, criterion-related validity covers correlations of the measure with another criterion measure, which is conventional as well as applicable (Bowling, 2009:162). Yet in this study, discriminant validity was used, since dimensions did not cluster together.

6.11 DATA ANALYSIS

Hatch (2002:148) asserts that data analysis is a way to give a clear meaning of the data gathered during research so that it can be comprehended by anyone. The analysis of the data in terms of understanding the various concepts, constructs or variables, engross breaking up the data into manageable themes, patterns, trends and relationships (Mouton, 2001:108). Most importantly, data analysis does not take place only at one phase; instead, an experienced researcher goes through the data in several stages and analyses it throughout the research process (Zohrabi, 2011:698). Consequently, Blaxter *et al.* (2006:193) believe that analysis is a work in progress, which will possibly suggest itself throughout the research. Yet the purpose of this incessant data analysis is principally to extract importance from a quantity of data (Zohrabi, 2011:698). Creswell (2003:190) contends that it means moving deeper into

appreciating the data, representing the data, and analysing the larger meaning of it. In this regard, the researcher has to find some suitable ways of making logic out of a mass of data. After it has been collected through altered procedures and from different sources, Zohrabi (2011:698) avows that the researcher should find some suitable ways of analysing it. Quantitative data emerges in numerical form and qualitative data in a mass of words, sentences and texts.

6.11.1 Descriptive statistics

Sandelowski (2000:334) posits that the researcher is expected to commence by working out some descriptive statistics to summarise the pattern of findings, which include the measuring of the central tendency within a sample, for instance, mean, mode, and median and measures of the spread of scores within a sample, such as range or standard deviation. Russell (2002:65) maintains that frequencies indicated by table, chart, and graphs can also be used to summarise the results and should be clearly acknowledged and improve the endorsement of the results. This commonly means that descriptive statistics, unlike inferential statistics, are not developed on the foundation of prospect theory (Dodge, 2002:144). Even when a data analysis draws its important conclusion using inferential statistics, descriptive statistics are generally also presented.

6.11.2 Factor analysis

Other advanced statistical analysis techniques that were used include factor analysis, Such as Cronbach`s alpha coefficient as well as correlation and regression analysis. The preliminary point of factor analysis is a correlation matrix, in which the interrelations between the studied variables are presented. The dimensionality of this matrix can be condensed through looking for variables that correlate highly with a group of other variables, but correlate imperfectly with variables outside of that group (Field 2000:424). Factor analysis is a category of procedures that accomplish the same type of classification as the method depicted above, but do so in accord with a more structured set of operations and provide more explicit information that the data analyst can use to make judgments (Field, 2000:470). Like the methods just described, factor analysis classifies categories of similar statements and can be used for theory instrument development and assessing the construct validity of an established

instrument when administered to a specific population (Chen, 2010:2). Through factor analysis, the inventive position of variables is reduced to a few factors with the minimum loss of information.

Yet there is general agreement that an inadequate sample size can be unfavourable to the factor analysis process and produce unreliable, and therefore, invalid results (Osborne & Costello, 2004:1, Pett, Lackey & Sullivan, 2003:132). It is important to note that factor analysis is not a singular statistical method, but rather a group of statistical analyses that share a similar methodology and functionality (Beavers *et al.* 2013:2). More specifically, the goal of factor analysis is to lessen the dimensionality of the inventive space and to provide an analysis of the new space, spanned by condensed number of new dimensions invented to bring about old ones or to elucidate the variance in the observed variables in terms of underlying dormant factors (Habing, 2003:2).

The factor scores can then, for example, be used as new scores in multiple regression analysis, while factor loadings are especially useful in determining the substantive importance of a particular variable to a factor by squaring this factor loading; it is, after all, correlation and the squared correlation of a variable (Fields & Yoo, 2000:139). This is important information in interpreting and naming the factors since factor analysis departs from correlation matrix and the used variables should first be measured at an interval level (Fields & Yoo, 2000:139). In addition, the variables should approximately be averaged distributed, which makes it possible to generalise the results of the analysis ahead of the sample collected (Field, 2000:444). Additionally, the sample size should be taken into consideration, as the correlation are not resistant and can for this reason seriously influence the reliability of the factor analysis (Moore & McCabe, 2002:103; Field, 2000:443; Habing, 2003:3).

According to Field (2000:443), much has been written about the indispensable sample size for factor analysis resulting in many rules of thumb. Field himself, for example, states that a researcher should have at least 10-15 subjects per variable (Field, 2000:443). Yet Habing (2003) states that there should be at least 50 observations and at least 5 times as many observations as variables (Habing, 2003:3). Fortunately, Monte Carlo (1930) studies have resulted in more specific statements concerning sample size (Field, 2000:443, Habing, 2003:3). The common conclusion of these

studies was that the most important factors in determining reliable solutions were the absolute sample size and magnitude of factor loadings; the more frequent and higher the loadings are about a factor, the smaller the sample can be (Field, 2000:443).

a) Confirmatory factor analysis

Confirmatory factor analysis (CFA) is a kind of structural equation modelling that deals distinctively with the measurement of models; that is, the relationships between observed measures or indicators such as test items, test scores, behavioural observation ratings, and latent variables of factors (Brown & Moore, 2012:3). Gregorich (2006:78) describes the appropriateness of using CFA for evaluating construct validity and measurement invariances. The CFA framework makes available a way to test the construct validity of item test, that is, whether item sets are indirect measures of theorised underlying variables (Gregorich 2006:78). Furthermore, CFA can test whether verification of construct validity is invariant across two or more population groups. The effects of these tests support to institute the types of quantitative group comparison that are permissible (Tabachnick & Fidell, 2007:628, Gregorich, 2006:78). Confirmatory data analysis reckons the extent to which deviations from a model may perhaps be expected to occur by chance (Gelman, 2004:755). Confirmatory analysis uses traditional statistical tools of inference, significance and confidence.

b) Exploratory factor analysis

Exploratory factor analysis accounts for familiar variances in the data and approximation factors, which influences responses on the observed variables (Suhr, 2006:3). An approach used to analyse data for previously unknown relationships, on average, involves highly visual and interactive methods (Renz, 2013:26). In its most basic sense, exploratory data analysis is concerned with the identification or discovery of patterns pertaining to a variable (Waltenburg, 2012:27). In this study, exploratory factor analysis was used.

c) Factor loadings

Factor loadings are vital for the interpretation of the factors, in particular, higher ones. One can wonder how loadings have to be in order to establish the interpretation of the factor in any significant way. According to Field (2000:440), this is dependent on the sample size; the bigger the sample, the smaller the loadings can be to be significant. On the same note, Field (2000:441) states that the impact of a loading gives a modest suggestion of the substantive importance of a variable to a factor. Yet the loadings have to be squared for this to be determined. A cut-off point used in this study is 0.5.

d) Factor Rotation

Field (2000:439) states that a choice of rotation on whether there is good theoretical reason to presume that the factors should be related or independent, and also how variables cluster of the factors before rotation; it is not always easy to decide which type of rotation to take under such conditions. Yet a fairly straight-forward way is to decide which rotation demonstrates a negligible correlation between the extracted factors, then it is reasonable to use orthogonally rotated solutions (Field, 2000:439). In this study, the orthogonally rotated solution was used simply because it yields results which make it as easy as possible to identify each variable with a single factor.

6.12 REGRESSION ANALYSIS

Regression analysis can be a long, drawn-out process of taking account of more than one self-determining variable and can be referred to as multiple regressions (Guerard, 2003:19). In simple regression analysis, one seeks to measure the statistical association between two variables, X and Y (Guerard, 2013:20). Regression analysis illustrates a statistical association or correlation amongst variables, rather than causal relationships amongst variables. Yet regression is used to calculate, approximately, the unknown effect of changing one variable over another (Stock & Watson, 2003:549). It is recommended to have a clear idea of what one tries to estimate, for instance, to identify which are the outcomes and predictor variables before running a regression analysis (Torres-Ryena, 2007:2). A regression analysis makes sense only if there is a sound theory behind it (Torres-Ryna, 2007:2). According to Mendall and Sincich (2003:85), regression analysis of data is considered to be a very powerful statistical tool in the sense that it provides a technique for building a statistical predictor of a response and enables one to limit the error of prediction.

6.13 CORRELATION ANALYSIS

Correlation analysis is a valuable practice that can be used to analyse the relationship between a single dependent variable and several independent variables (Hair *et al.* 2006:99). In this study, it was conducted to test the main research hypothesis (Markovic & Jankovic, 2013:154). Yet the objective is to perceive if a variation in the independent item, which is typically a pointer, will result in changes in the dependent item (Achellis, 2000:37). The correlation coefficient can range between $-+1.0$ to $+0.10$ (Hair *et al.*, 2003:283). According to Ratner (2009:1439), the degree of relationship is measured by correlation coefficient symbolised by r . Subsequently, the Pearson correlation coefficient was calculated to determine the correlations between the study variables (Smith & Rootman, 2013:8). The Pearson correlation coefficient, therefore, enabled the researcher to classify correlations between the six independent variables, trustworthiness of management; employee engagement; organisational transparency; two way communication; reward system; and organisational climate; and dependent variables such as organisational citizenship behaviour, employee motivation, ethical behaviour and innovativeness. Furthermore, the correlation coefficient requires that the fundamental relationship between the two variables under deliberation is linear in order to provide a dependable measure of the strength of the linear relationship (Ratner, 2009:140).

6.14 ETHICAL CONSIDERATIONS

Ethical issues ought to be taken into consideration, from the planning stage to data collection through to the data analysis and reporting the findings. Therefore, every successful researcher needs to take heed of the ethical issues any stage of the research process. As Flick (2006:49) contends, the inquirer will be confronted with an ethical issue at every step of the research. In this regard Frankel and Wallen (2003:56) state that the term ethics refers to questions of right and wrong. On the whole, it can be inferred that, to a large extent, ethics is a matter of agreement among researchers. In this study, the research ethics were observed in terms of seeking clearance from the Nelson Mandela Metropolitan University's Research Ethics Committee.

Additionally, the covering letter bearing the signatures of the coordinators and the researcher was provided, specifying the participant's privacy, together with the

anonymity and confidentiality of data collected. That is, the respondents were assured that any data collected from or about them will be held in confidence (Fraenkel & Wallen, 2003:59).

6.15 SUMMARY

In conclusion, this chapter presented the methodology used to conduct the study. Furthermore, it outlined the sampling procedure, presented the research instrument design and described how the questionnaire was designed and administered to the participants. Also highlighted were the reliability and validity of the measuring techniques. In addition, it went on to define the descriptive statistics, factor analysis and regression methods utilised to analyse the data captured in this study. Finally, the research ethics were also outlined in this chapter. Yet it should be noted that a well-defined analysis of the data collected is found in Chapter seven of this study.

CHAPTER 7

EMPIRICAL RESULTS OF THE STUDY

7.1 INTRODUCTION

Chapter 6 highlighted the research methodology and the various data analysis techniques that were used in this study. This chapter provides information on the empirical results of a critical analysis of organisational justice in the financial services industry in South Africa. Data analyses techniques such as Cronbach's alpha reliability testing, exploratory factor analysis, regression and correlation analysis were used to test the hypothetical model and hypotheses of the study. The study investigated and critically analysed organisational justice in the financial services industry in South Africa. Key variables that impact on organisational justice and its possible outcomes in the financial services industry are depicted in Figure 7.1.

7.2 HYPOTHESES AND HYPOTHETICAL MODEL OF THE STUDY

7.2.1 The first set of hypotheses concerning the independent variables and the mediating variable (organisational justice)

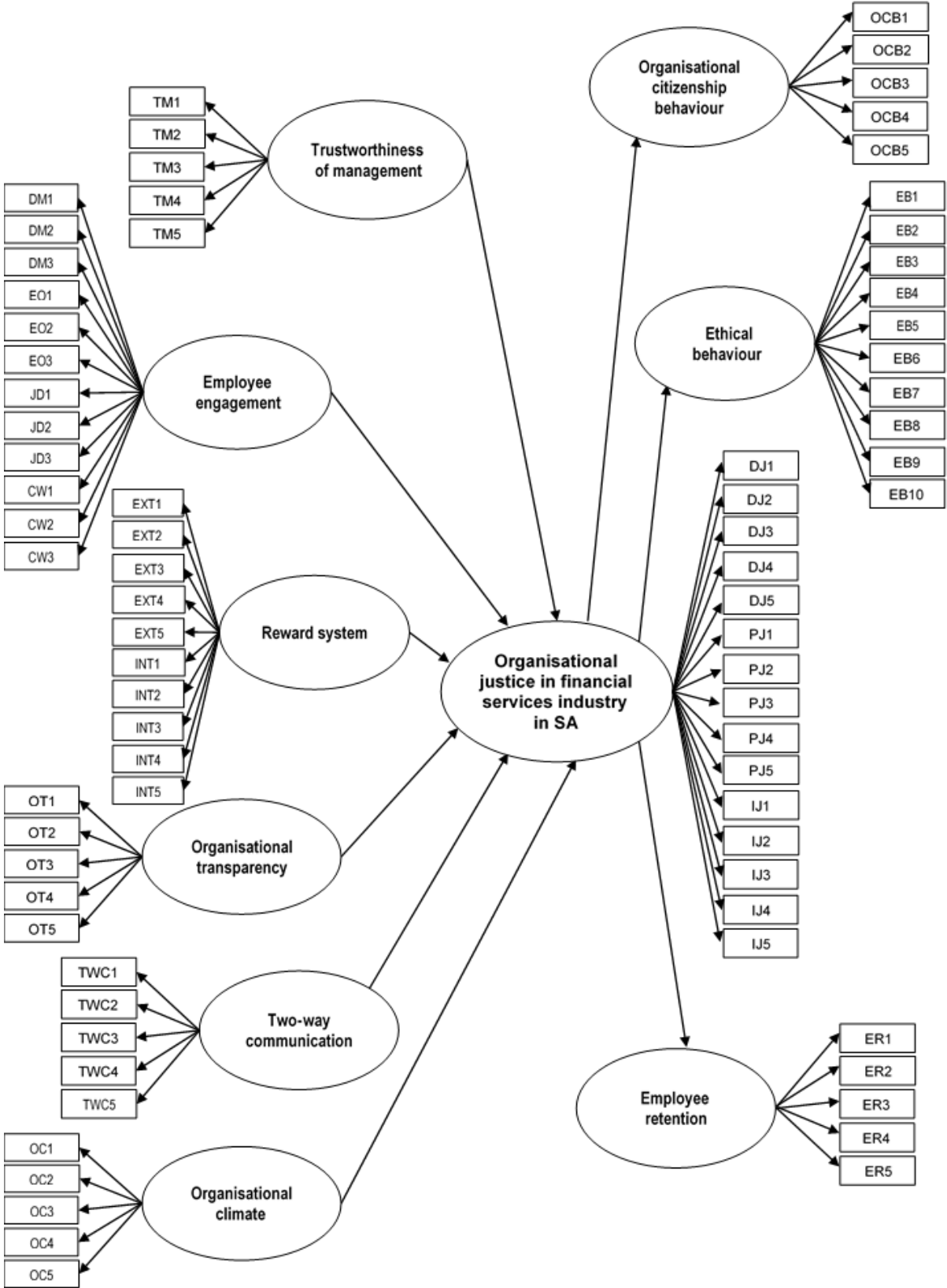
- Hypothesis H0¹: Trustworthiness of management does not influence organisational justice in the financial services industry.
- Hypothesis H0²: Employee engagement (as measured by decision making, expression of opinions, job development and concern for employee well-being) does not influence organisational justice and financial services industry.
- Hypothesis H0³: The reward system (as measured by extrinsic and intrinsic rewards) does not influence organisational justice in the financial services industry.
- Hypothesis H0⁴: Organisational transparency does not influence does not organisational justice in the financial services industry.
- Hypothesis H0⁵: Two-way communication does not influence organisational justice in the financial services industry.
- Hypothesis H0⁶: Organisational climate (as measured by supervisory style and organisational support) does not influence organisational justice in the financial services industry.

7.2.2 The second set of hypotheses concerning the relationship between the organisational justice and dependent variables (outcomes)

- Hypothesis H0⁷: Organisational justice does not influence organisational citizenship behaviour in the financial services industry.
- Hypothesis H0⁸: Organisational justice does not influence ethical behaviour in the financial services industry.
- Hypothesis H0⁹: Organisational justice does not influence employee retention in the financial services industry.

Figure 7.1 indicates the hypothetical model of the study.

Figure 7.1: Hypothetical model of organisational justice in the financial service industry in South Africa



7.3 DATA ANALYSIS OF THE EMPIRICAL RESULTS

The data analysis consisted of four distinct phases and the empirical results were as follows:

- The objective of the first phase of data analysis was to examine the internal reliability of the measuring instruments used. This was done by aggregating Cronbach's alpha values of each instrument, using the computer programme, STASTICA (Version 12) (Bryman & Bell, 2007:162).
- The second phase of the statistical analysis assessed the construct validity of the various instruments used to measure the constructs under consideration. Validity was checked by means of exploratory factor analyses procedures.
- During the third phase, the impact of the independent variables on the dependent variables specified in the hypothetical model were assessed through multiple regression analysis.
- The objective of the fourth phase was to examine the hypothesised relationships through correlation analysis.

Table 7.1 indicates the variables used in the study and data analysis.

Table 7.1: Abbreviations of study variables

VARIABLE	ABBREVIATION
INDEPENDENT VARIABLES:	
TRUSTWORTHINESS OF MANAGEMENT	TM
EMPLOYEE ENGAGEMENT	EE
Decision making	DM
Expression of opinions	EO
Job development	JD
Concern for well-being	CW
REWARD SYSTEM	RS
Extrinsic rewards	ER
Intrinsic rewards	IR

VARIABLE	ABBREVIATION
ORGANISATIONAL TRANSPARENCY	OT
TWO-WAY COMMUNICATION	TWC
ORGANISATIONAL CLIMATE	OC
Supervisory style	SS
Organisational support	OS
MEDIATING VARIABLES:	
ORGANISATIONAL JUSTICE	OJ
Distributive justice	DJ
Procedural justice	PJ
Interactional justice	IJ
DEPENDENT VARIABLES:	
ORGANISATIONAL CITIZENSHIP BEHAVIOUR	OCB
ETHICAL BEHAVIOUR	EB
EMPLOYEE RETENTION	ER

7.4 RELIABILITY OF THE INITIAL MEASURING INSTRUMENTS

Reliability refers to consistency of the extent to which results are accurate in representing the population. Reliability is defined as the understanding of the identification of testing methods for stability and consistency (MacMillan & Schumacher 2006:569-597). Cronbach's alpha coefficients were used to assess the internal reliability and consistency of the measuring instruments and STATISTICA computer package was used for that purpose (see Table 7.2). According to Gwet (2012:246) a Cronbach alpha coefficient is a reliability type of estimate that is based on the average correlation of variables within a specific set of items measuring a construct. According to the reliability coefficient scales, values below 0.50 are an indicator of being rejected, while scales that provide higher coefficient values between 0.80 and 0.95 are accepted as being highly reliable. The lesser scales that range from

0.60 and 0.60 indicates minimal acceptability in terms of internal reliability. In this study, Cronbach's alpha coefficient with values of less than 0.80 were rejected.

**Table 7.2: Cronbach's alpha values of initial measuring instruments:
Theoretical model**

Measuring Instrument	Alpha value
Trustworthiness of management (TM)	0.92
Employee engagement (EE)	0.92
Reward system (RS)	0.92
Organisational transparency(OT)	0.90
Two-way communication(TWC)	0.86
Organisational climate(OC)	0.95
Organisational justice (OJ)	0.95
Organisational citizenship behaviour (OCB)	0.85
Ethical behaviour (EB)	0.90
Employee retention (ER)	0.89

Table 7.2 clearly shows that all the study variables in the initial theoretical model have Cronbach's alpha values of above 0.80 and could thus be regarded as internally reliable.

7.5 VALIDITY OF THE MEASURING INSTRUMENTS

The following step in the data analysis process was the testing the validity of all the variables indicated in Table 7.2. Construct validity was tested by means of convergent and discriminant validity. Exploratory factor analysis was used to provide the underlying dimensions between measured variables and latent constructs, providing the formation and refinement of the postulated theory and providing construct validity evidence of self-reporting scales.

7.5.1 Exploratory factor analysis

Exploratory factor analysis is used to analyse data for previously unknown relationships on average it also involves interactive methods. Field (2000:441) states that the impact of a loading can be significant and on the other hand the impact of a loading gives a modest suggestion of the substantive importance of a virile factor. Yet the loadings have to be determined. Thus, in this study a loading of 0.5 and above was considered significant to confirm its validity. For the purpose of this study the factor loading of three items per factor is perceived as significant and the factors that are less than the envisaged items are considered as insignificant and are therefore eliminated and ignored for any further analysis.

The computer programme STATISTICA was used to conduct two sets of exploratory factor analyses. The first set involved general perceptions of the employees regarding the trustworthiness of management (TM), employee engagement (EE), reward system (RS), organisational transparency (OT), two-way communication (TWC) and organisational climate (OC). The last factor analysis involved the perceptions of employees regarding organisational justice (OJ) in the financial service industry and its impact on potential outcomes (namely, organisational citizenship behaviour (OCB), ethical behaviour (EB) and employee retention (ER).

7.5.1.1 Perceptions of employees regarding trustworthiness of management, employee engagement, reward system, organisational transparency, two-way communication and organisational climate

Table 7.3 shows the exploratory factor analysis results of employee perceptions regarding the independent variables.

Table 7.3: Exploratory factor loadings: Employee perceptions regarding trustworthiness of management, employee engagement, reward system, organisational transparency, two-way communication and organisational climate

	Factor1	Factor2	Factor3	Factor4	Factor5	Factor6
Items	Organisational climate (OC)	Trustworthiness of management (TM)	Extrinsic rewards (EXT)	Employee engagement (EE)	Organisational transparency (OT)	Intrinsic rewards (INT)
OS1	0.787994	0.156394	0.150000	0.141065	0.132257	0.147518
OS2	0.765357	0.103870	0.134936	0.180064	0.116767	0.211693
OS4	0.740344	0.185802	0.185392	0.085673	0.048855	0.237211
OS5	0.736591	0.178834	0.162506	0.114371	0.167368	0.202220
SS5	0.726529	0.198869	0.187926	0.113872	0.265174	0.121807
SS2	0.709305	0.093042	0.156377	0.201469	0.267257	0.197271
SS3	0.704367	0.070791	0.158737	0.187861	0.244006	0.204587
OS3	0.704045	0.243031	0.250639	0.126153	0.158366	0.163888
SS4	0.697817	0.108470	0.198472	0.149853	0.283905	0.088516
SS1	0.630116	0.055792	0.255593	0.234290	0.331195	0.117518
TWC5	0.573250	0.086810	0.242183	0.209980	0.289864	0.171036
TWC4	0.521222	0.098887	0.226844	0.130789	0.468097	0.068996
TWC3	0.506946	0.068999	0.132674	0.111167	0.453218	-0.016830
TM2	0.103882	0.858662	0.080165	0.147000	0.127867	0.085937
TM3	0.117474	0.856851	0.150586	0.155357	0.153017	0.051963
TM1	0.082829	0.844352	0.118482	0.134556	0.114892	0.080350
TM4	0.183561	0.773396	0.117703	0.196235	0.016585	0.151199
TM5	0.191567	0.727291	0.081491	0.212213	0.069481	0.083129
CW3	0.247510	0.175589	0.717334	0.141548	0.173202	0.118455
CW1	0.234733	0.110477	0.700213	0.242651	0.210384	0.026717
EXT1	0.265514	0.263255	0.697346	0.072347	0.166415	0.239663
CW2	0.345879	0.184295	0.631766	0.146210	0.093013	0.130134

	Factor1	Factor2	Factor3	Factor4	Factor5	Factor6
Items	Organisational climate (OC)	Trustworthiness of management (TM)	Extrinsic rewards (EXT)	Employee engagement (EE)	Organisational transparency (OT)	Intrinsic rewards (INT)
EXT2	0.259831	0.156472	0.622450	0.253161	0.257355	0.187471
EXT3	0.216892	0.085330	0.611667	0.302091	0.280187	0.269391
EXT4	0.187079	0.066003	0.525848	0.288878	0.242261	0.341415
EO3	0.194230	0.164011	0.213002	0.741926	0.165417	0.157275
EO2	0.175303	0.256423	0.102935	0.707212	0.225132	0.124344
JD1	0.129610	0.187823	0.262453	0.697653	0.130529	0.148542
DM3	0.246435	0.351536	0.066601	0.671581	0.108460	0.191343
EO1	0.210562	0.326767	0.085763	0.621807	0.046872	0.218635
DM2	0.306302	0.473781	0.161629	0.535350	-0.017209	0.212195
JD3	0.224381	0.186980	0.367156	0.529258	0.161976	0.111242
JD2	0.073406	0.200208	0.348215	0.516432	0.179250	0.164944
OT5	0.288377	0.201878	0.217024	0.133176	0.702738	0.194753
OT3	0.197775	0.083266	0.213711	0.193872	0.666029	0.272005
OT4	0.286458	0.164390	0.245904	0.064246	0.653517	0.180054
TWC1	0.405462	0.197412	0.195160	0.151915	0.613136	0.200749
TWC2	0.402766	0.104300	0.249766	0.196480	0.588893	0.130099
OT1	0.280069	0.216916	0.177191	0.223691	0.563910	0.402683
OT2	0.372335	0.152928	0.095809	0.153756	0.551796	0.361997
INT4	0.270285	0.131384	0.203911	0.280627	0.255536	0.673112
INT5	0.320821	0.189569	0.126807	0.226212	0.257063	0.673070
INT3	0.249443	0.105393	0.122509	0.265154	0.309824	0.649058
INT1	0.310642	0.157069	0.354578	0.137549	0.139042	0.608019
INT2	0.322973	0.158807	0.292216	0.140988	0.231597	0.530590
EXT5	0.331102	0.221915	0.457451	0.087072	0.134337	0.481906

	Factor1	Factor2	Factor3	Factor4	Factor5	Factor6
Items	Organisational climate (OC)	Trustworthiness of management (TM)	Extrinsic rewards (EXT)	Employee engagement (EE)	Organisational transparency (OT)	Intrinsic rewards (INT)
DM1	0.201222	0.489645	0.268026	0.472772	0.222541	0.107586
Expl. Var	8.296353	5.000925	4.751712	4.693466	4.604165	3.650302
Prp. Totl	0.176518	0.106403	0.101100	0.099861	0.097961	0.077666

(Loadings > 0.5 considered as significant)

The first exploratory factor analysis results shown in Table 7.3 reveals that all five items (SS1, SS2, SS3, SS4, SS5) expected to measure 'supervisory style', and all five items (OS1, OS2, OS3, OS4, OS5) which were expected to measure 'organisational support' loaded on factor one (1). Table 7.3 further reveals that three of five items (TWC3, TWC4, TWC5) which were expected to measure 'two-way communication' also loaded on factor one (1). This means that respondents viewed these items as measures of a single construct 'organisational climate'. Table 7.3 further indicates that all five items (TM1, TM2, TM3, TM4, TM5) that were expected to measure 'trustworthiness of management' loaded on factor two (2). This indicates that respondents viewed these items as measures of a single construct 'trustworthiness of management.'

Table 7.3 also indicates that four of the five items (EXT1, EXT2, EXT3, EXT4) which were expected to measure 'extrinsic rewards' and three items (CW1, CW2, CW3) which were expected to measure 'concern for well-being' loaded on factor three (3). This means that respondents viewed these items as a single construct termed 'extrinsic reward'. One item (EXT5) which was expected to measure 'extrinsic rewards', did not load to a significant extent ($p < 0.05$) was deleted and not used in subsequent analyses. Two of the three items (DM2 and DM3) which were expected to measure 'decision making', three items (EO1, EO2, EO3) that were expected to measure 'expression of opinions' as well as three items (JD1, JD2, JD3) that were expected to measure 'job development' loaded on factor four (4). This means that respondents viewed these items as a single construct termed 'employee engagement'. One item (DM1) which was expected to measure 'decision making' as a dimension of

'employee engagement', did not load to a significant extent ($p < 0.05$) and this led to the deletion of this item and was not considered for further analysis.

Table 7.3 shows that all five items (OT1, OT2, OT3, OT4, OT5) which were expected to measure 'organisational transparency' and two (TWC1, TWC2) of the five items that were expected to measure 'two-way communication' loaded on factor five (5). This means that respondents viewed these items as a single construct termed 'organisational transparency'. Table 7.3 also indicates that all five items (INT1, INT2, INT3, INT4, and INT5) which were expected to measure 'intrinsic rewards' loaded on factor six (6). This indicates that respondents viewed these items as measures of a single construct 'intrinsic reward.'

7.5.1.2 Perceptions of employees regarding organisational justice and its outcomes (OCB, ethical behaviour and employee retention)

Table 7.4 shows the exploratory factor loadings for organisational justice (mediating variable) and outcomes (dependent variables).

Table 7.4: Exploratory factor loadings: Organisational justice (mediating variable) and outcomes (dependent variables)

Items	Factor1	Factor2	Factor3	Factor4
	Procedural interactional justice	Organisational citizenship behaviour	Reputable employee retention	Distributive justice
PJ2	0.772651	-0.042835	0.190943	0.274365
IJ3	0.768777	0.038377	0.233249	0.207953
IJ1	0.763744	0.003864	0.292000	0.241772
PJ5	0.757736	0.040342	0.305743	0.174512
PJ3	0.755007	-0.041621	0.258956	0.264102
IJ2	0.721211	0.032978	0.312259	0.275768
PJ4	0.716410	0.000979	0.293693	0.293530
IJ4	0.716263	0.058642	0.301560	0.259454
PJ1	0.666625	0.020511	0.263971	0.325409

Items	Factor1	Factor2	Factor3	Factor4
	Procedural interactional justice	Organisational citizenship behaviour	Reputable employee retention	Distributive justice
IJ5	0.632194	0.142021	0.300844	0.129297
OCB2	0.052491	0.885768	0.060016	0.033825
OCB3	-0.048315	0.839255	0.037945	-0.038349
OCB1	0.081548	0.795804	-0.022290	-0.019133
OCB4	-0.051861	0.771359	0.252659	0.081501
OCB5	0.019358	0.636218	0.263286	0.115571
EB5	0.214837	0.052656	0.793370	0.209695
EB4	0.226614	0.025314	0.787334	0.205286
ER2	0.289064	0.099397	0.750358	0.134591
ER4	0.381755	0.075268	0.743460	0.146991
ER3	0.335707	0.098115	0.725295	0.105137
EB3	0.231757	0.111470	0.718609	0.330105
ER5	0.385794	0.078847	0.692096	0.071261
EB2	0.256472	0.197059	0.650597	0.311591
EB1	0.217029	0.254267	0.586147	0.333134
ER1	0.404460	0.114335	0.562053	0.132651
DJ2	0.265319	0.044806	0.253869	0.770535
DJ3	0.419140	0.005135	0.184460	0.738034
DJ4	0.409883	-0.007590	0.244221	0.711601
DJ1	0.269000	0.105454	0.289935	0.693761
DJ5	0.461909	-0.019033	0.149364	0.637878
Expl.Var	6.939109	3.331165	6.144033	3.661880
Prp.Totl	0.231304	0.111039	0.204801	0.122063

The loadings greater than 0.5, were considered to be significant.

Table 7.4 indicates that the respondents perceived 'organisational justice' as a two-dimensional construct. All five items (PJ1, PJ2, PJ3, PJ4 and PJ5) which were meant to measure 'procedural justice' and all five items (IJ1, IJ2, IJ3, IJ4 and IJ5) which were meant to measure 'interactional justice' loaded onto factor one (1), and are termed 'procedural interactional justice' (PIJ). All five items (OCB1, OCB2, OCB3, OCB4 and OCB5) which were expected to measure 'organisational citizenship behaviour' loaded onto factor two (2) and are termed 'organisational citizenship behaviour'. Table 7.4 also indicates that all five items (EB1, EB2, EB3, EB4, EB5) expected to measure 'ethical behaviour', and all five items (ER1, ER2, ER3, ER4 and ER5) expected to measure 'employee retention' loaded on factor three (3). This means that respondents viewed these items as measures of a single construct termed 'reputable employee retention' (RER). All five items (DJ1, DJ2, DJ3, DJ4 and DJ5) that were expected to measure 'distributive justice' (DJ) loaded onto factor four (4) and are termed 'distributive justice'.

In this study, Table 7.3 indicated that the variable 'reward system' was split into two different variables, namely extrinsic (EXT) and intrinsic (INT) as a result of the discriminant validity assessment with the exploratory factor analysis. Correspondingly, Table 7.4 indicated that organisational justice (OJ) was also split into two different variables, namely 'procedural interactional justice' (PIJ) and 'distributive justice' (DJ). Table 7.3 and Table 7.4 thus indicated that 'trustworthiness of management'(TM); 'employee engagement' (EE); 'extrinsic rewards' (EXT), 'intrinsic rewards' (INT), 'organisational transparency' (OT); 'organisational climate' (OC); 'procedural interactional justice' (PIJ), 'distributive justice' (DJ), 'organisational citizenship behaviour' (OCB) and 'reputable employee retention' (RER) are the variables that will be used in further statistical analyses. Furthermore, 'two-way communication' (TWC) variable was regarded as insignificant and deleted from the empirical model. This implies that the reliability of the new and adapted variables had to be retested.

7.6 CRONBACH'S ALPHA VALUES OF LATENT VARIABLES BASED ON THE RESULTS OF FACTOR ANALYSIS: THEORETICAL MODEL

Table 7.5 shows the Cronbach's alpha values of the new and adapted variables used for further analyses in this study.

Table 7.5: Factor loadings: Cronbach's alpha coefficients of the latent variables which are based on the comprehensive exploratory factor analysis

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
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 7.5 indicates the Cronbach's alpha coefficients of the latent variables based on the comprehensive exploratory factor analysis. Furthermore, Table 7.5 summarises the items which are regarded as measures of individual variables in the theoretical model following the exploratory factor analyses. The study retains trustworthiness of management (TM), employee engagement (EE), extrinsic rewards (EXT), intrinsic rewards (INT), organisational transparency (OT), organisational climate (OC), procedural interactional justice (PIJ), distributive justice (DJ), organisational citizenship behaviour (OCB) and reputable employee retention (RER), as their Cronbach's alpha values were above the cut-off point. Table 7.5 indicates that all Cronbach's reliability coefficients are above 0.80 which is regarded as acceptable for

the purpose of this study. These results are summarised in Table 7.6 by means of an empirical factor structure used for regression analysis.

Table 7.6: Empirical factor structure for regression analysis for latent variables

Latent variable	Items
Trustworthiness of management (TM)	TM1, TM2, TM3, TM4, TM5
Employee engagement (EE)	DM2, DM3, EO1, EO2, EO3, JD1, JD2, JD3
Extrinsic rewards (EXT)	EXT1, EXT2, EXT3, EXT4, CW1, CW2, CW3
Intrinsic rewards (INT)	INT1, INT2, INT3, INT4, INT5
Organisational transparency (OT)	OT1, OT2, OT3, OT4, OT5, TWC1, TWC2
Organisational climate (OC)	SS1, SS2, SS3, SS4, SS5, OS1, OS2, OS3, OS4, OS5, TWC3, TWC4, TWC5
Procedural interactional justice (PIJ)	PJ1, PJ2, PJ3, PJ4, PJ5, IJ1, IJ2, IJ3, IJ4, IJ5
Distributive justice (DJ)	DJ1, DJ2, DJ3, DJ4, DJ5
Organisational citizenship behaviour (OCB)	OCB1, OCB2, OCB3, OCB4, OCB5
Reputable employee retention (RER)	EB1, EB2, EB3, EB4, EB5, ER1, ER2, ER3, ER4, ER5

Table 7.6 indicates the empirical structure of all items of the remaining variables in the study following the results of the reliability and validity assessment. Six independent variables (trustworthiness of management (TM), employee engagement (EE), extrinsic rewards (EXT), intrinsic rewards (INT), organisational transparency (OT) and organisational climate (OC); two mediating variables (procedural interactional justice (PIJ) and distributive justice (DJ) and two dependent variables (organisational citizenship behaviour (OCB) and reputable employee retention (RER)) remained in the empirical model and will therefore be subjected to multiple regression assessments.

As a result of the scale refinement process, the original hypotheses had to be reformulated and the theoretical model (Figure 7.1) had to be adapted. Figure 7.2(a)

and Figure 7.2(b) show the adapted models of employee perceptions regarding organisational justice (OJ) in the financial services industry.

Figure 7.2a: The adapted model of the relationships among variables based on employee views regarding procedural interactional justice (PIJ)

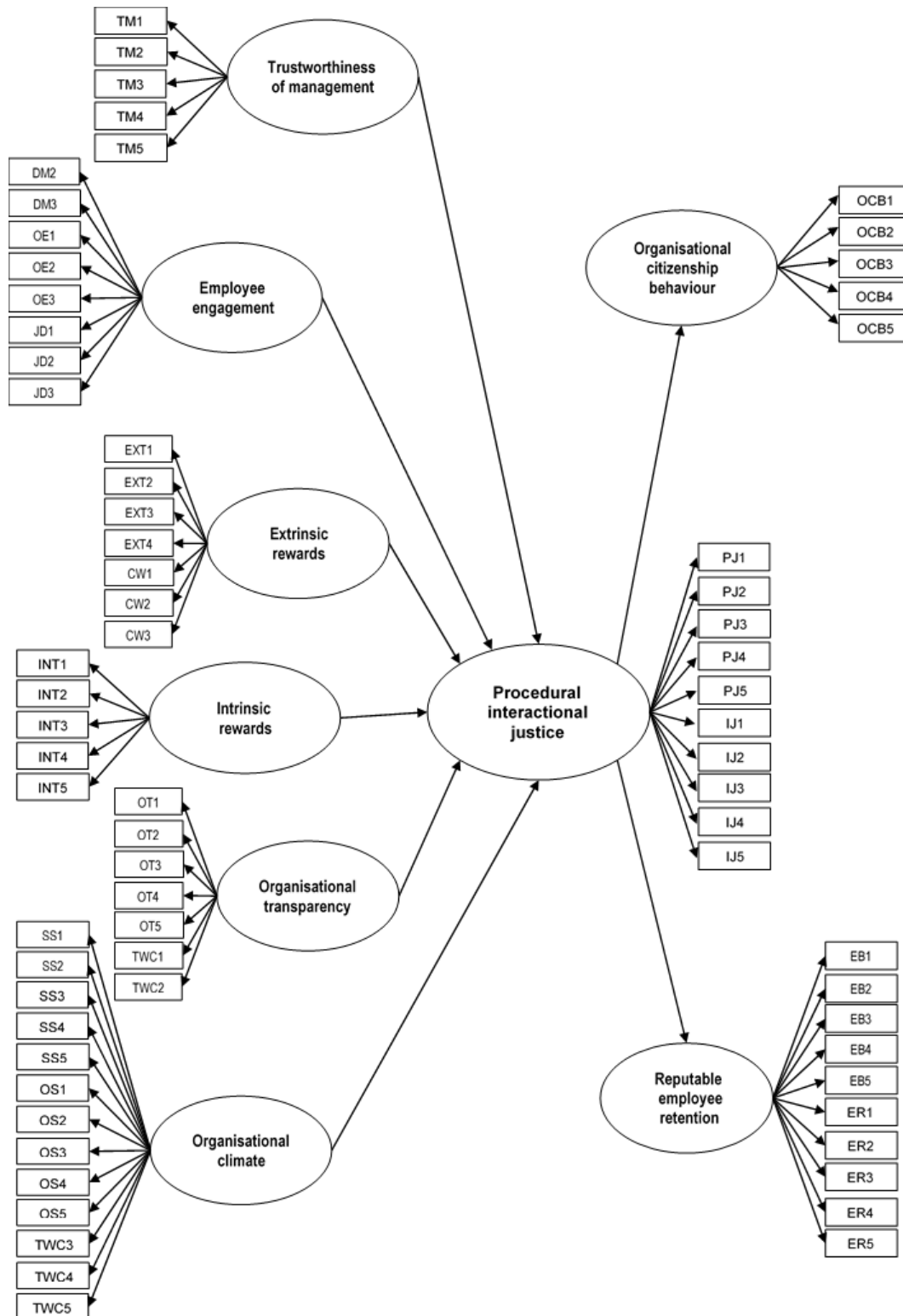
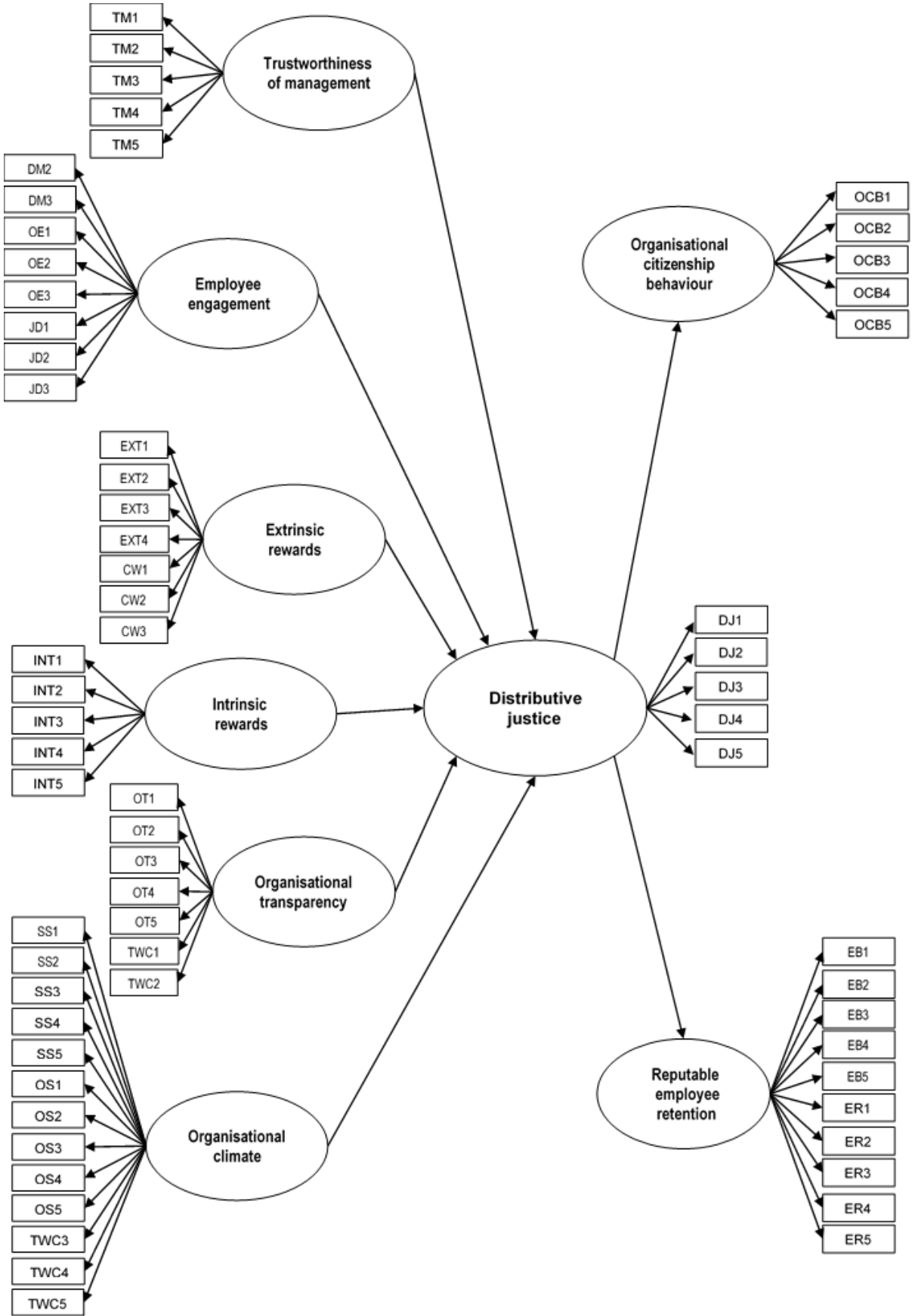


Figure 7.2b: The adapted model of the relationships among variables based on employee views regarding distributive justice (DJ)



7.7 DESCRIPTIVE STATISTICS

Table 7.7 shows the descriptive statistics of the new adapted and renamed study variables. A seven-point Likert-type scale was used.

Table 7.7: Descriptive statistical analysis

Variable	Mean	Standard deviation
Trustworthiness of management (TM)	5.13	1.17
Employee engagement (EE)	5.10	1.02
Extrinsic rewards (EXT)	5.10	1.14
Intrinsic rewards (INT)	5.23	1.10
Organisational transparency (OT)	5.25	1.09
Organisational climate (OC)	5.21	1.03
Procedural -interactional justice (PIJ)	5.26	1.13
Distributive justice (ODJ)	5.19	1.19
Organisational citizenship behavior (OCB)	5.00	1.29
Reputable employee retention (RER)	5.36	1.03

It appears that the mean values of all the variables cluster around point five (agree somewhat). Respondents thus agree to a certain extent that these five independent variables impact on two types of organisational justice (procedural interactional and distributive) and resulting in these two outcomes (OCB and reputable employee retention). Reputable employee retention (RER) obtained the highest mean value and OCB the lowest mean value. It also appears that there is some variability around the mean scores (all above one). OCB obtained the highest standard deviation score.

As a result of the formulation of the adapted models, the original hypotheses had to be reformulated.

7.8 REFORMULATION OF HYPOTHESES

7.8.1 The hypotheses related to procedural interactional justice which were subjected to empirical verification (Figure 7.3a)

7.8.1.1 *First set of hypotheses: Relationships between the independent variables and procedural interactional justice (mediating variable)*

- H0₁: Trustworthiness of management does not influence organisational justice in the financial service industry.

H0¹ is modified into H0^{1.1}

H0^{1.1}: Trustworthiness of management does not influence procedural-interactional justice in the financial service industry.

- *H0₂: Employee engagement does not influence organisational justice in the financial service industry.*

H0² is modified into H0^{2.1}

H0^{2.1}: Employee engagement as measured by decision making, expression of opinion and job development does not influence procedural-interactional justice in the financial service industry.

- *H0₃: Reward systems do not influence organisational justice in the financial service industry.*

H0³ is modified into H0^{3.1} and H0^{3.2}

H0^{3.1}: Extrinsic rewards do not influence procedural-interactional justice in the financial service industry.

H0^{3.2}: Intrinsic rewards do not influence procedural-interactional justice in the financial service industry.

- H0₄: Organisational transparency does not influence organisational justice in the financial service industry.

H0⁴ is modified into H0^{4.1}

H0^{4.1}: Organisational transparency does not influence procedural-interactive justice in the financial service industry.

- *H0⁶: Organisational climate does not influence organisational justice in the financial service industry.*

H0⁶ is modified into H0^{6.1}

H0^{6.1}: Organisational climate (as measured by supervisory style, organisational support and two-way communication) does not influence procedural-interactive justice in the financial service industry.

7.8.1.2 Second set of hypotheses: Relationships between procedural interactive justice and the dependent variables (outcomes)

- *H0₇: Organisational justice does not influence organisational citizenship behaviour in the financial service industry.*

H0⁷ is modified into H0^{7.1}

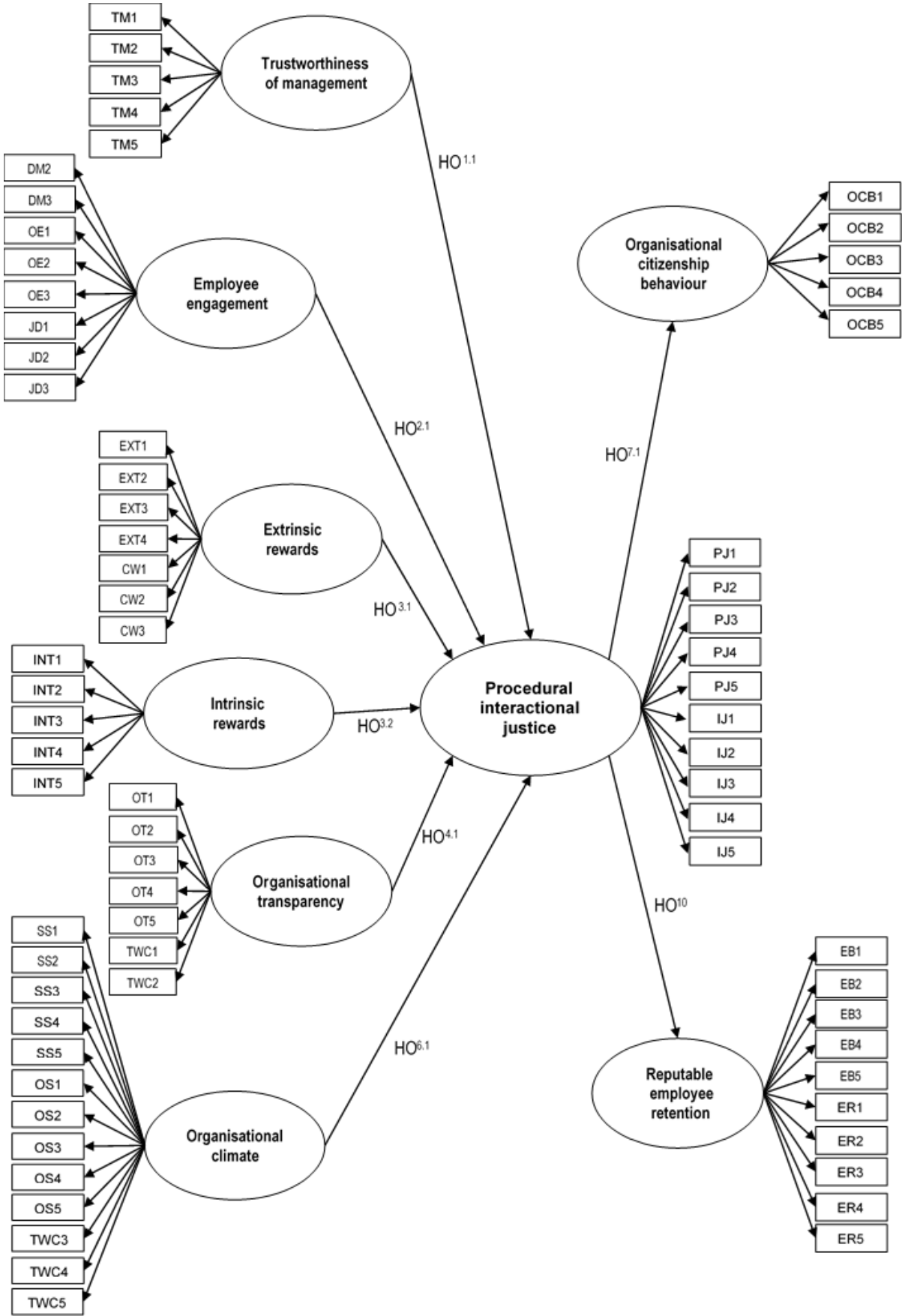
H0^{7.1}: Procedural-interactive justice does not influence organisational citizenship behaviour in the financial service industry.

- *H0⁸: Organisational justice does not influence ethical behaviour in the financial services industry.*
- *H0⁹: Organisational justice does not influence employee retention in the financial services industry.*

H0⁸ and H0⁹ were modified into H0¹⁰

H0¹⁰: Procedural-interactive justice does not influence reputable employee retention in the financial services industry.

Figure 7.3a: The hypothesised model of employee perceptions regarding procedural interactional justice (PIJ)



7.8.2 The hypotheses related to distributive justice which were subjected to empirical verification (Figure 7.3b)

7.8.2.1 First set of hypotheses: Relationships between the independent variables and distributive justice (mediating variable)

- H0₁: Trustworthiness of management does not influence organisational justice in the financial service industry.

H0¹ is modified into H0¹¹

H0¹¹: Trustworthiness of management does not influence distributive justice in the financial service industry.

- H0₂: Employee engagement does not influence organisational justice in the financial service industry.

H0² is modified into H0¹²

H0¹²: Employee engagement (as measured by decision making, expression of opinion and job development) does not influence distributive justice in the financial service industry.

- H0₃: Reward systems do not influence organisational justice in the financial service industry.

H0³ is modified into H0^{13.1} and H0^{13.2}

H0^{13.1}: Extrinsic rewards do not influence distributive justice in the financial service industry.

H0^{13.2}: Intrinsic rewards do not influence distributive justice in the financial service industry.

- H0₄: Organisational transparency does not influence organisational justice in the financial service industry.

H0⁴ is modified into H0¹⁴

H0¹⁴: Organisational transparency does not influence distributive justice in the financial service industry.

- H0⁶: Organisational climate does not influence organisational justice in the financial service industry.

H0⁶ is modified into H0¹⁵

H0¹⁵: Organisational climate (as measured by supervisory style, organisational support and two-way communication) does not influence distributive justice in the financial service industry.

7.8.2.1 Second set of hypotheses: Relationships between distributive justice and the dependent variables (outcomes)

- H0⁷: Organisational justice does not influence organisational citizenship behaviour in the financial service industry.

H0⁷ is modified into H0¹⁶

H0¹⁶: Distributive justice does not influence organisational citizenship behaviour in the financial service industry.

- H0⁸: Organisational justice does not influence ethical behaviour in the financial services industry.
- H0⁹: Organisational justice does not influence employee retention in the financial services industry.

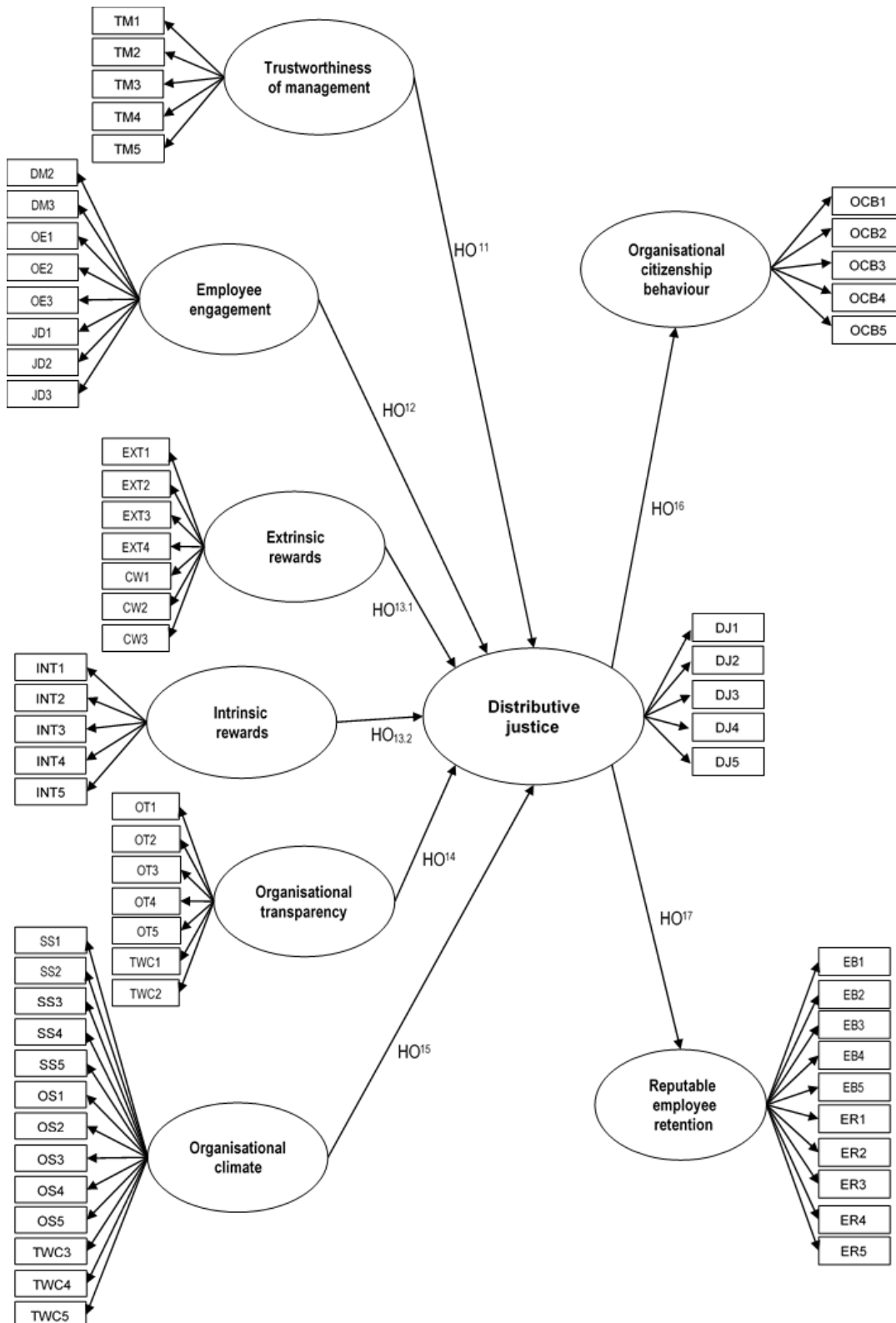
H0⁸ and H0⁹ were modified into H0¹⁷

H0¹⁷: Distributive justice does not influence reputable employee retention in the financial service industry.

Since Employee Engagement (EE) and Two-way Communication (TWC) did not load as factors, the two hypotheses, H0² and H0⁵ were not tested as the modified model

(Figure 8.2) did not include EE and TWC variables. In this chapter the hypothesised relationships are assessed in a modified theoretical model.

Figure 7.3b: The hypothesised model of employee perceptions regarding distributive justice (DJ)



7.9 REGRESSION ANALYSIS

Regression analysis illustrates a statistical association or correlations amongst the variables, rather than a causal relationship amongst variables. The regression analysis is utilised to measure and calculate the proximity of unknown effects of changing one variable over another (Stock & Watson 2003:549). The relevant sets of hypotheses were formulated in establishing the causal relationships by means of linear regression analysis. Linear regression analysis is an instrument to measure the linear associations between independent variables and dependent variables. The first set of regression analysis examined the relationship between the independent variables provided in the model of the study and the mediating variables. The second set of analysis tested the influence of the mediating variables on the outcomes (dependent) variables.

7.9.1 The influence of trustworthiness of management, employee engagement, extrinsic and intrinsic rewards, organisational transparency and organisational climate on procedural interactional justice in the financial service industry

Table 7.8 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 7.8 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 respondents believe that they should have the freedom to use their own judgement to complete their jobs and they are offered sufficient flexibility to reconcile their personal 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 7.8. This means that management in the financial services industry need to pay more attention in being considerate on how employees are affected by their decisions and be held accountable for all their actions. Table 7.8 further indicates R^2 of 0.579 explains the 58% of variability in the

model explained by the moderating variable (procedural-interactional justice). Yet Table 7.8 also shows that trustworthiness of management ($r = 0.059$, NS) 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.

Table 7.8 shows the regression analysis results of the influence of the independent variables on procedural interactional justice in financial service industry.

Table 7.8: Regression analysis: The influence of trustworthiness of management, employee engagement, extrinsic 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	R²	F	Std Error of estimate P			
76%	0.57981177	98.662	0.73598	p< .00000		
* = p < 0.05						
** = p < 0.01						
*** = p < 0.001						

7.9.2 The influence of trustworthiness of management, employee engagement, extrinsic and intrinsic rewards, organisational transparency and organisational climate on distributive justice

Table 7.9 indicates that trustworthiness ($b = 0.180$, $p < 0.001$), is positively related to distributive justice in the financial service industry. This indicates that management should make decisions in a fair manner in the organisation. Furthermore, extrinsic rewards ($b = 0.213$, $p < 0.001$) is positively related to distributive justice in the financial service industry. This indicates that management should ensure that each employee's status in the hierarchical structure is satisfactory and is within the stage of their individual career. Table 7.9 shows that organisational climate as measured by supervisory style, organisational support and two-way communication ($b = 0.386$, $p < 0.001$) is positively related to distributive justice in the financial service industry. This indicates that respondents feel that management should involve employees when decisions that affect them are made in their organisations. Also, respondents feel that management should commit themselves towards the career development of the employees.

Table 7.9 further indicates R^2 of 0.456 and it explains 46% of variability in the model as explained by the moderating variable (distributive justice). Employee engagement as measured by decision making, expression of opinions and job development ($r = -0.037$, NS), intrinsic rewards ($r = 0.039$, NS) and organisational transparency ($r = -0.090$, NS) do not exert a significant influence on distributive justice in the financial service industry.

Table 7.9 shows the regression analysis results of the influence of the independent variables on distributive justice in financial service industry.

Table 7.9: Regression analysis: The influence of trustworthiness of management, employee engagement, extrinsic and intrinsic rewards, organisational transparency and organisational climate on distributive justice

REGRESSION SUMMARY FOR DEPENDENT VARIABLE: DISTRIBUTIVE JUSTICE (DJ)						
Parameter	Beta b*	Std. Error	B	Std Error	T value	P-value
Trustworthiness of management (MT)	0.176	0.044	0.180	0.045	3.963	0.001***
Employee engagement (EE)	-0.037	0.055	-0.043	0.065	-0.670	0.5032
Extrinsic rewards (EXT)	0.205	0.056	0.213	0.058	3.656	0.001***
Intrinsic rewards (INT)	0.039	0.059	0.043	0.064	0.671	0.5024
Organisational transparency (OT)	0.090	0.062	0.098	0.068	1.452	0.147
Organisational climate (OC)	0.336	0.059	0.386	0.067	5.707	0.001***
R	R²	F	Std Error of estimate P			
68%	0.45588017	59.905	0.88362	p< .00000		
* = p < 0.05						
** = p < 0.01						
*** = p < 0.001						

7.9.3 The influence of procedural interactional justice (PIJ) on organisational citizenship behaviour and reputable employee retention (outcomes)

Although Table 7.10 shows that procedural-interactional justice (b = 0.120, p < 0.05) has a positive relationship with organisational citizenship behaviour and the R² of 0.010 indicates that only 1% of the variability in the model is explained by the variable 'organisational citizenship behaviour'. This indicates that this relationship is not sufficiently significant. Furthermore, procedural-interactional justice is practised

effectively in the financial service industry, when employees attend social functions that are not required but could enhance organisational image.

Table 7.10: Regression analysis: The influence of procedural-interactive justice (PIJ) on organisational citizenship behaviour

REGRESSION SUMMARY FOR DEPENDENT VARIABLE: ORGANISATIONAL CITIZENSHIP BEHAVIOUR						
Parameter	Beta b*	Std. Error	B	Std Error	T-value	P-value
Procedural-interactive justice (PIJ)	0.104	0.048	0.120	0.055	2.173	0.030*
R	R ²	F	Std Error of estimate P			
10%	0.01076391	4.7224	1.2884 p<0 .00000			
* = p < 0.05						
** = p < 0.01						
*** = p < 0.001						

Table 7.11 shows that the R² of 0.492 indicates that 49% of the variability in the model is explained by the variable ‘reputable employee retention’. This indicates that procedural-interactive justice has a positive relationship with reputable employee retention (b = 0.643, p < 0.001). This indicates that respondents feel that procedural interactive justice is effectively practised when all employees strictly follow rules and policies in their organisations.

Table 7.11 indicates the regression analysis of the influence of procedural interactive justice on reputable employee retention in the financial service industry.

Table 7.11: Regression analysis: The influence of procedural-interactive justice (PIJ) on reputable employee retention

REGRESSION SUMMARY FOR DEPENDENT VARIABLE: REPUTABLE EMPLOYEE RETENTION						
Parameter	Beta b*	Std. Error	B	Std Error	T value	P-value
Procedural-interactive justice (OPIJ)	0.702	0.034	0.643	0.031	20.521	0.001***
R	R²	F	Std Error of estimate P			
70%	0.49245465	421.10	.73714 p<0 .00000			
* = p < 0.05						
** = p < 0.01						
*** = p < 0.001						

7.9.4 The influence of distributive justice (DJ) on organisational citizenship behaviour and reputable employee retention (outcomes)

Table 7.12 shows that the R² of 0.014 indicates that 1% of the variability in the model is explained by the variable ‘organisational citizenship behaviour’. Although distributive justice has a positive relationship with OCB (b = 0.124, p < 0.05), this relationship is weak. This indicates that distributive justice is effectively practised when employees are more prepared to work extra time to complete urgent tasks in their jobs.

Table 7.12 shows the regression analysis results of the influence of distributive justice (DJ) on organisational citizenship behaviour in the financial service industry.

Table 7.12: Regression analysis: The influence of distributive justice (DJ) on organisational citizenship behaviour

REGRESSION SUMMARY FOR DEPENDENT VARIABLE: ORGANISATIONAL CITIZENSHIP BEHAVIOUR						
Parameter	Beta b*	Std. Error	B	Std Error	T value	P-value
Distributive justice (ODJ)	0.114	0.048	0.124	0.052	2.400	0.017*
R	R²	F	Std Error of estimate P			
12%	0.01308712	5.7551	1.2869 p<0 .05			
* = p < 0.05						
** = p < 0.01						
*** = p < 0.001						

Table 7.13 shows the regression analysis results of the the influence of distributive justice (JD) on reputable employee retention in the financial services industry.

Table 7.13 shows that the R² of 0.379 indicates that 38% of the variability in the model is explained by the variable 'reputable employee retention'. This indicates that distributive justice has a positive relationship with reputable employee retention (b = 0.533, p < 0.001). This means that distributive justice is effectively practised in the financial service industry when all employees are treated with respect and recognised and rewarded for their integrity in the organisations.

Table 7.13: Regression analysis: The influence of distributive justice (JD) on reputable employee retention

REGRESSION SUMMARY FOR DEPENDENT VARIABLE: REPUTABLE EMPLOYEE RETENTION						
Parameter	Beta b*	Std. Error	B	Std Error	T value	P-value
Distributive justice (ODJ)	0.613	0.038	0.533	0.033	16.181	0.001*
R	R²	F	Std Error of estimate P			
61%	0.37628616	261.83	.81716 p<0 .00000			
* = p < 0.05						
** = p < 0.01						
*** = p < 0.001						

The t-values reported in Tables 7.8 and Table 7.9 indicated that the higher the t-values, the stronger the impact of the independent variables on 'organisational justice'. Table 7.9 revealed a moderate impact of both trustworthiness of management with a t-value (t = 3.964) and extrinsic rewards with a t-value (t = 3.656) on distributive justice. Table 7.8 further reveals a moderate impact of both extrinsic rewards with a t-value (t = 3.450) and intrinsic rewards with a t-value (t = 3.213) on procedural-interactional justice. In addition, organisational transparency with a t-value (t = 2.352) has a low impact on procedural-interactional justice as shown in Table 7.8. Table 7.8 indicates that organisational climate (as measured by supervisory style, organisational support and two-way communication dimensions) has moderate impact on both procedural-interactional justice with the moderate t-value (t = 6.385) and distributive justice with a t-value (t = 5.707) as depicted on Table 7.9.

Table 7.10 to Table 7.13 indicated that the higher the t-values, the stronger the impact of the mediating variables on the dependent variables (outcomes). Procedural interactional justice has a strong impact on reputable employee retention with the highest t-value (t = 20.521), as indicated in Table 7.11, followed by the notable impact of distributive justice on reputable employee retention with a high t-value (t = 16.181) as shown in Table 7.13. Table 7.12 reveals a low impact of distributive justice on organisational citizenship behaviour with a t-value (t = 2.400), followed by a weak

impact of procedural interactional justice on organisational citizenship behaviour with a t-value ($t = 2.173$) as depicted in Table 7.12.

Figure 7.4a: Summary of the regression analysis results: Procedural interactional justice in the financial service industry

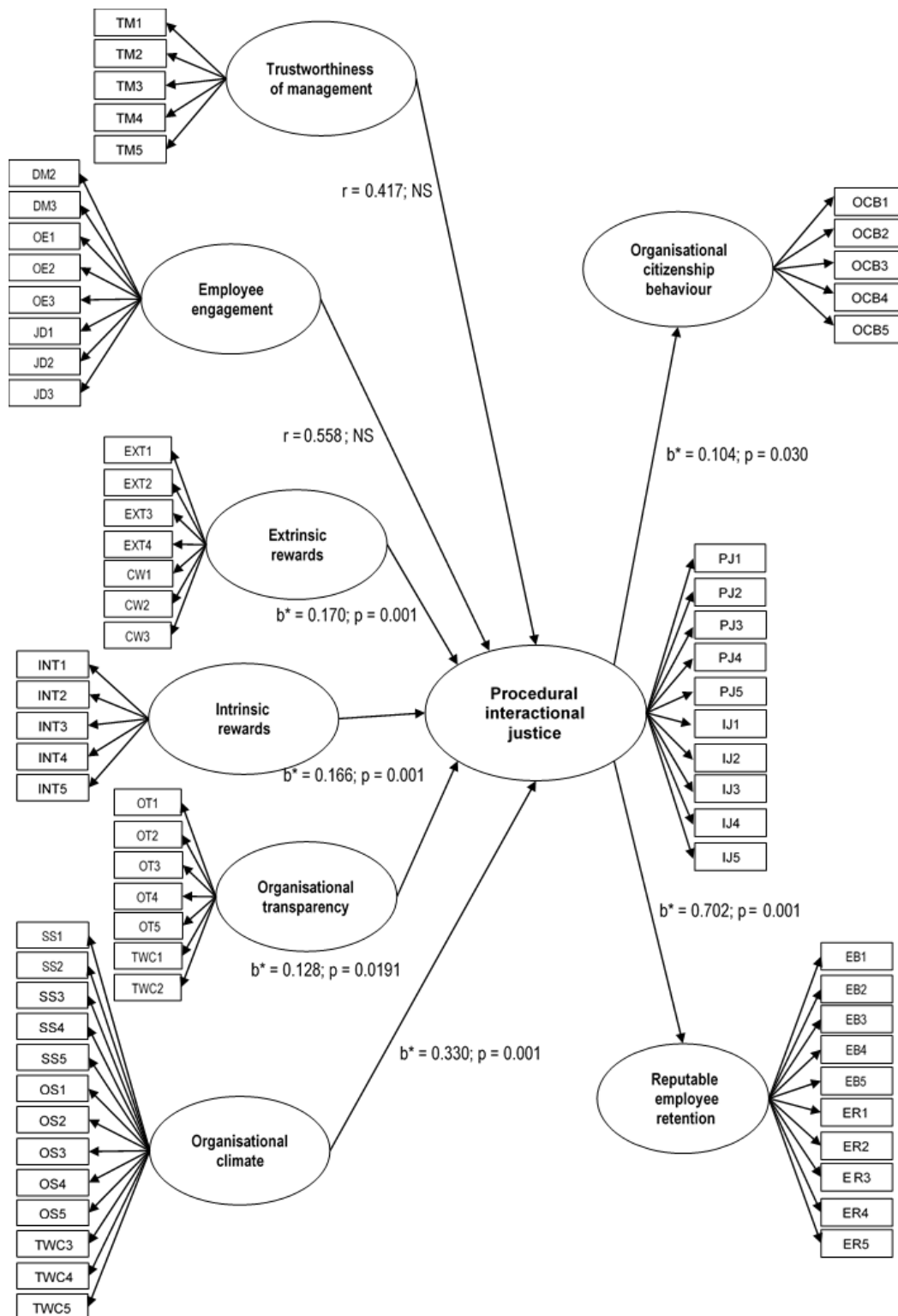
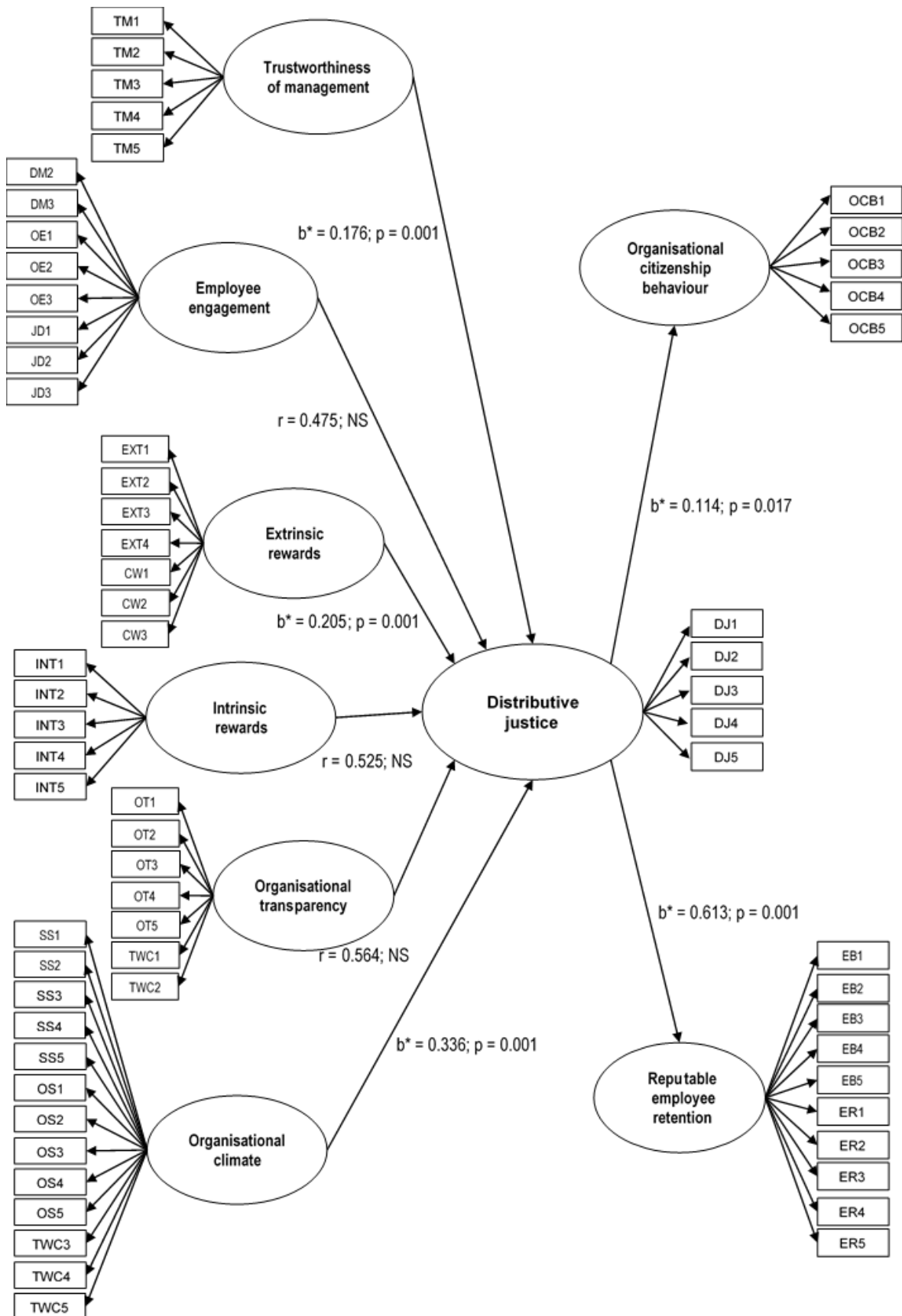


Figure 7.4b: Summary of the regression analysis results: Distributive justice in the financial services industry



7.10 CORRELATION ANALYSIS TABLE

Correlation analysis is a valuable practise that can be utilised to analyse the relationship between a single dependent variable and several independent variables (Hair et al. 2006:99). The strength of the relationship is clearly provided by the size of the correlation coefficient. In other words, the relative strength of the relationship is indicated by the absolute value of the correlation coefficient. Table 7.14 indicates the correlation coefficients of the variables of the study.

Table 7.14: Correlation matrix of variables of the study

	FACT OC	FACT TM	FACT EXT	FACT EE	FACT OT	FACTI INT	FACT OPIJ	FACT OCB	FACT RER	FACT ODJ
OC	1.000	0.413	0.667	0.582	0.754	0.685	0.701	0.173	0.734	0.620
TM	0.413	1.000	0.433	0.591	0.423	0.423	0.417	0.107	0.462	0.437
EXT	0.667	0.433	1.000	0.650	0.678	0.676	0.640	0.167	0.603	0.570
EE	0.582	0.591	0.650	1.000	0.591	0.639	0.558	0.120	0.549	0.475
OT	0.754	0.423	0.678	0.591	1.000	0.730	0.662	0.225	0.683	0.564
INT	0.685	0.423	0.676	0.639	0.730	1.000	0.651	0.148	0.599	0.525
OPIJ	0.701	0.417	0.640	0.558	0.662	0.651	1.000	0.104	0.702	0.722
OCB	0.173	0.107	0.167	0.120	0.225	0.148	0.104	1.000	0.278	0.114
RER	0.734	0.462	0.603	0.549	0.683	0.599	0.702	0.278	1.000	0.613
ODJ	0.619	0.437	0.569	0.475	0.564	0.525	0.722	0.114	0.613	1.000

Organisational climate (OC)
 Trust worthiness of management (TM)
 Extrinsic rewards (EXT)
 Employee engagement (EE)
 Organisational transparency (OT)
 Intrinsic rewards (INT)
 Procedural-interactional justice (OPIJ)
 Organisational citizenship behaviour (OCB)
 Reputable employee retention (RER)
 Distributive justice (ODJ)

Table 7.14 indicates that organisational climate is positively correlated to procedural-interactive justice with a coefficient of 0.701 and distributive justice with a coefficient of 0.620. This denotes that supervisory style, organisational support and two-way communication promote procedural-interactive and distributive justice in the organisation. Furthermore, organisational justice creates an environment where both management and employees can socially interact as colleagues. Table 7.14 further reveals that extrinsic rewards is positively correlated to procedural-interactive justice with a coefficient of 0.640 and distributive justice with a coefficient of 0.570. This implies that when employees believe that their remuneration is rewarding, therefore, organisational justice prevails.

Trustworthiness of management is positively correlated to distributive justice with a coefficient of 0.437, as depicted in Table 7.15. This implies that employees believe that when management ensures that their work schedule is in accordance with their job description, distributive justice is practiced effectively in the financial service industry. Table 7.14 indicates that organisational transparency is positively related to both procedural-interactive justices with a coefficient of 0.662. This indicates that there is a need for organisations to have and implement effective negotiation practices to reach consensus regarding work related matters. Table 7.14 further reveals that intrinsic rewards, strongly correlates with procedural-interactive justice with a coefficient of 0.651. This indicates that employees feel procedural interactive justice is effectively practiced when employees are afforded an opportunity to be creative in using their own methods in doing their jobs.

Table 7.14 also indicates that procedural-interactive justice is highly correlated to organisational reputable employee retention with a coefficient of 0.702. This implies that, an organisation that widely distributes the code of conduct throughout the organisation, successfully retain reputable employees. Furthermore, distributive justice has a positive relationship with reputable employee retention with a coefficient of 0.613. This indicates that when employees find their work interesting, stimulating and challenging, they are motivated to remain with their organisations until retirement. Table 7.14 shows that organisational citizenship behaviour has a weak relationship with both procedural-interactive justice with a coefficient of 0.104 and distributive justice with a coefficient of 0.114. This means that when employees feel that

organisational justice is not sufficiently practiced in the financial service industry, they are not prepared to do any kind of work without payment and nor willing to spend extra hours to complete their task, they rather perceive the unfairness and lack of appreciation of their work.

7.11 FINDINGS ON HYPOTHESISED RELATIONSHIPS

7.11.1 Findings of hypotheses: Relationship between independent variables and procedural interactional justice

- H0^{1.1}: Trustworthiness of management does not influence procedural-interactional justice in the financial service industry.

Tables 7.8 indicates that trustworthiness of management is not significantly related to procedural-interactional justice ($r = -0.059$, NS). This means that there is no significant correlation between trustworthiness of management and procedural-interactional justice. Therefore, H0^{1.1} is accepted.

- H0^{2.1}: Employee engagement (as measured by decision making, expression of opinion and job development) does not influence procedural-interactional justice in the financial service industry.

Tables 7.8 indicates that employee engagement (as depicted by decision making, expression of opinion and job development) is not significantly related to procedural-interactional justice ($r = -0.037$, NS). This means that there is no significant correlation between employee engagement and procedural-interactional justice. Therefore, H0^{2.1} is accepted.

- H0^{3.1}: Extrinsic rewards do not influence procedural-interactional justice in the financial service industry.

Table 7.8 reports a statistically significantly positive relationship between extrinsic rewards and procedural-interactional justice ($p < 0.001$). This means that there is a significant positive correlation between extrinsic rewards and procedural-interactional justice ($r = 0.170$ and $t = 3.450$). Therefore, H0^{3.1} is rejected and the alternative hypothesis is accepted.

- H0^{3.2}: Intrinsic rewards do not influence procedural-interactional justice in the financial service industry.

Table 7.8 reveals a statistically significant positive relationship between intrinsic rewards and procedural-interactional justice ($p < 0.001$). This means that there is a significant positive correlation between the intrinsic rewards and procedural-interactional justice ($r = 0.166$ and $t = 3.213$). Therefore, H0^{3.2} is rejected and the alternative hypothesis is accepted.

- H0^{4.1}: Organisational transparency does not influence procedural-interactional justice in the financial service industry.

Table 7.8 reveals a statistically significant positive relationship between organisational transparency and procedural-interactional justice ($p < 0.05$). This means that there is a significant positive correlation between organisational transparency and procedural-interactional justice ($r = 0.128$ and $t = 2.351$). Therefore, H0^{4.1} is rejected and the alternative hypothesis is accepted.

- H0^{6.1}: Organisational climate (as measured by supervisory style, organisational support and two-way communication) does not influence procedural-interactional justice in the financial service industry.

Table 7.8 reports a statistically significant positive relationship between organisational climate and procedural-interactional justice ($p < 0.001$). This means that there is a significant positive correlation between organisational climate and procedural-interactional justice ($r = 0.330$ and a high $t = 6.385$). Therefore H0^{6.1} is rejected and the alternative hypothesis is accepted.

7.11.2 Findings of hypotheses: Relationship between procedural interactional justice and outcomes

- H0^{7.1}: Procedural-interactional justice does not influence organisational citizenship behaviour in the financial service industry.

Table 7.10 reports a statistically significant positive relationship between procedural-interactional justice and organisational citizenship behaviour ($p < 0.05$). This means

that there is a significant positive correlation between procedural-interactive justice and organisational citizenship behaviour ($r = 0.104$ and $t = 2.173$). Therefore, $H0^{7.1}$ is rejected and the alternative hypothesis is accepted.

- $H0^{10}$: Procedural-interactive justice does not influence reputable employee retention

Table 7.11 reports a statistically significant positive relationship between the procedural-interactive justice and reputable employee retention ($p < 0.001$). This means that there is a significant positive correlation between procedural-interactive justice and reputable employee retention ($r = 0.702$ and a high t value = 20.521). Therefore $H0^{10}$ is rejected and the alternative is accepted.

7.11.3 Findings of hypotheses: Relationships between independent variables and distributive justice

- $H0^{11}$: Trustworthiness of management does not influence distributive justice in the financial service industry

Table 7.9 reports a statistically significant positive relationship between trustworthiness of management and distributive justice ($p < 0.001$). This means that there is a significant positive correlation between trustworthiness of management and distributive justice ($r = 0.176$ and t value = 3.963). Therefore, $H0^{11}$ is rejected and the alternative hypothesis is accepted.

- $H0^{12}$: Employee engagement (as measured by decision making, expression of opinion and job development) does not influence distributive justice in the financial service industry.

Tables 7.19 indicates that organisational engagement is not significantly related to distributive justice ($r = - 0.037$, NS). This means that there is no significant correlation between organisational engagement and distributive justice. Therefore, $H0^{12}$ is accepted.

- H0^{13.1}: Extrinsic rewards do not influence organisational justice related to distributive in the financial service industry.

Table 7.9 reports a statistically significantly positive relationship between extrinsic rewards and distributive justice ($p < 0.001$). This means that there is a significant positive correlation between extrinsic rewards and distributive justice ($r = 0.205$ and t value = 3.656). Therefore, H0^{13.1} is rejected and the alternative hypothesis is accepted.

- H0^{13.2}: Intrinsic rewards do not influence distributive justice in the financial service industry.

Tables 7.9 indicates that intrinsic rewards is not significantly related to distributive justice ($r = 0.039$, NS). This means that there is no significant correlation between intrinsic and distributive justice. Therefore, H0^{13.2} is accepted.

- H0¹⁴: Organisational transparency does not influence distributive justice in the financial service industry.

Tables 7.9 indicates that organisational transparency is not significantly related to distributive justice ($r = 0.090$, NS). This means that there is no significant correlation between organisational transparency and distributive. Therefore, H0¹⁴ is accepted.

- H0¹⁵: Organisational climate (as measured by supervisory style, organisational support and two-way communication) does not influence distributive justice in the financial service industry.

Table 7.9 reports a statistically significant relationship between organisational climate and distributive justice ($p < 0.001$). This means that there is a significant positive correlation between organisational climate and distributive justice ($r = 0.336$ and t value = 5.707). Therefore, H0¹⁵ is rejected and the alternative hypothesis is accepted.

7.11.4 Findings of hypotheses: Relationship between distributive justice and outcomes

- H0¹⁶: Distributive justice does not influence organisational citizenship in the financial service industry.

Table 7.12 reports a statistically positive relationship between distributive justice and organisational citizenship behaviour ($p < 0.05$). This means that there is a significant positive correlation between distributive justice and OCB ($r = 0.114$ and t value $=2.400$). Therefore, H_0^{16} is rejected and the alternative hypothesis is accepted.

- H_0^{17} : Distributive justice does not influence reputable employee retention in the financial service industry.

Table 7.13 reports a significant statistically positive relationship between distributive justice and reputable employee retention ($p < 0.001$). This means that there is a significant positive correlation between distributive justice and reputable employee retention ($r = 0.613$ and $t = 16.181$). Therefore, H_0^{17} is rejected and the alternative hypothesis is accepted.

7.12 SUMMARY

This chapter discusses and analyses empirical results on the perceptions of employees regarding organisational justice in the financial services industry. The Data was presented and analysed through five phases. In the first phase, descriptive analysis was discussed and conducted using the mean and the standard deviation. The reliability of the measuring instrument was tested in the second phase and Cronbach Alpha values of each instrument were calculated to confirm the reliability of the measuring instrument, and to evaluate the internal consistency between the items measuring each construct in the theoretical model, using STATISTICA (version 13).

The third phase involved testing the validity of the measuring instrument to gauge the extent to which the measure captures what it is supposed to capture. Exploratory factor analysis (EFA) was used to test the validity of the measuring instrument. Three sets of EFA were carried out and latent variables were determined. The fourth phase of data analysis involved calculation of regression analysis, where an estimating equation was developed that related a known variable to an unknown variable. Multiple regression analysis was used to provide information about the relationship between two variables, in order to estimate or predict the behaviour of one variable from the other. The correlation analysis was presented using Pearson r and resultant hypothetical models were presented. In the fifth and last phase of data analysis, the

hypothesized relationships were examined and resultant hypothetical models were presented.

The empirical results reveal that trustworthiness of management; extrinsic rewards organisational transparency and organisational climate are positively related to procedural-interactional justice and organisational distributive justice while employee engagement, intrinsic rewards and organisational transparency were found to have no significant influence on both procedural interactional justice and distributive organisational justice. Furthermore, the empirical results show that procedural-interactional justice have a positive influence on both organisational citizenship behaviour and reputable employee retention, while organisational distributive justice have a positive influence on organisational citizenship behaviour and reputable employee retention.

The next chapter elaborates more on the interpretation of the empirical findings of this chapter, the managerial implications of the study, as well as the limitations of this study.

CHAPTER 8

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

8.1 INTRODUCTION

This study aimed to investigate the perceptions of employees regarding organisational justice in the financial services industry in South Africa and to recommend strategies to practice organisational justice. Literature on the subject shows that organisational justice is effective for the successful functioning of the organisation. This chapter summarises all previous chapters, discusses the findings of the empirical results, and provide conclusions and recommendations based on the findings. It also provides managerial implications and limitations of the study, while suggesting potential areas for further research.

8.2 SUMMARY OF OBJECTIVES AND FINDINGS OF THE STUDY

Chapter One outlined the background of the study, the problem statement, the research objectives and the brief overview of organisational justice, the research design and methodology applied in this study. The development of a hypothetical model and hypotheses of the study as well as how the study is contextualised.

Chapter Two provided an analysis of the financial services industry in South Africa and the business environment in which the study was conducted. The aspects covered included the business environment in general, types of service industries, characteristics and functions of financial services industry, challenges and trends in the financial services industry, comparison of the financial services industry with other BRICS countries and the financial services industry.

Chapter Three provided theories of organisational justice. This chapter included a discussion of theories of organisational justice such as leader-member exchange, equity theory, social exchange theory, psychological contract theory, action theory, expectancy theories, stakeholder management theories, stage theories of trust.

Chapter Four provided an overview of organisational justice. This chapter included a discussion on the nature of organisational justice in terms of its definitions, evolution, dimensions, antecedents and the benefits and challenges of OJ, as well OJ in various settings. The chapter concluded with a discussion on the importance of organisational justice in the financial services industry in South Africa.

Chapter five presented a hypothetical model representing the various relationships or factors influencing organisational justice in the financial services industry in South Africa and the perceived outcomes of organisational justice. Six independent variables namely trustworthiness of management, employee engagement, reward system, organisational, transparency, two way communication and organisational climate were perceived to influence organisational justice (the intervening variable) which in turn, was perceived to lead to three dependent variables (outcomes), namely organisational citizenship behaviour, ethical behaviour and employee retention.

Chapter six presented the research methodology adopted in this study. The chapter began by defining the research questions, followed by a discussion on the research design and methodology, population studied and the sampling technique adopted in this study. A discussion on the data collection method, measuring instrument design, and data analysis was also offered in this chapter. The chapter concluded with a discussion on the reliability and validity of the measuring instrument. Structured questionnaires were selected as the data collection tool. In order to increase the reliability and validity of the measurement instrument, a pilot study was conducted before the finalisation of the measurement instrument and necessary changes were made.

Chapter seven presented the reports on the results of empirical assessment and analysis of organisational justice in the financial services industry in South Africa. The chapter focused on the results of reliability and validity assessment of the questionnaires used to gather data in this study. Descriptive statistics, regression analysis and correlations were also outlined.

Chapter eight presented the main conclusions, summary and recommendations of the study. It further highlights the contributions of the study, limitations and suggestions for future research.

8.3 INFERENCES TO THE RESEARCH QUESTIONS

Based on the purpose and objectives of the study, a summary of answers gathered for the research questions are outlined in Table 8.1.

Table 8.1: Conclusions based on research questions of the study

RESEARCH QUESTIONS	ATTEMPT MADE/SOLUTIONS
<p>RQ1 <i>Does trustworthiness of management effectively impact on organisational justice?</i></p>	<p>The results of this study revealed that respondents perceived trustworthiness of management as a major influence on distributive justice in the financial services industry. This means that if management is trustworthy, employees perceive management decisions as being fair. Furthermore, respondents perceived that management are responsible for being honest to them, in order to ensure that fairness prevails. Thus without effective implementation of openness and honesty, employees perceive the organisation as not being fair in its practices. This view is supported by Banerjee and Banerjee (2013:36-43) who show that organisational justice and trustworthiness are two variables that are related to each other and have an effect on the performance of the organisation. Seok and Chiew (2013:20-29) also showed that employees tend to trust their supervisors more if they perceived fairness in the outcomes that they receive from their jobs such as rewards, evaluations, promotion and fairness in interpersonal treatment from their supervisors. It however appears that there is no relationship between trustworthiness of management and procedural-interactive justice in the financial services industry.</p>
<p>RQ2 <i>Does employee engagement impact on organisational justice?</i></p>	<p>The results of this study indicated that employee engagement (as measured by decision-making, expression of opinion and job development) is not related to distributive and procedural-interactive justice in the financial services industry.</p>
<p>RQ3 <i>Does the reward system regarding extrinsic and intrinsic rewards impact on</i></p>	<p>Respondents of this study viewed remuneration as a two-dimensional construct, namely extrinsic and intrinsic rewards. The results revealed that extrinsic rewards are positively related to both procedural-interactive and distributive justice in the financial services industry. This implies that when employees are provided with</p>

RESEARCH QUESTIONS	ATTEMPT MADE/SOLUTIONS
<i>organizational justice?</i>	<p>remuneration in accordance with their job requirements and expectations they are more likely to be motivated and perceive the organisation as being fair in its practices. This means that when rewards are unevenly distributed this may create a perception where unfair practices lead to demotivated and demoralised employees. This view is supported by Baer, Oldman and Cummings (2003:569) who shows that when extrinsic rewards are fairly reimbursed to employees this will create a situation where fairness is perceived as distributive justice, which eventually leads to increased motivation and organisational commitment amongst the workforce. Ajmal, Bashir, Abrar, Khan and Saqib (2015:461-470) concur that extrinsic rewards could lead to job satisfaction, organisational commitment and increased employee attitudes that are instrumental in organisational performance.</p> <p>The results further revealed that intrinsic rewards are positively related to procedural-interactional justice but not to distributive justice in the financial services industry. The respondents perceived job autonomy and personal development as being related to procedural-interactional justice. This means that when employees are praised for their performance and are granted freedom to pursue their careers and become inspired. This view is supported by Rian and Deci (2000) who demonstrates that intrinsic rewards are closely related to organisational justice when employees are praised, promoted and developed to meet job challenges and this could eventually lead to an organisational culture that is conducive to positive perceptions of organisational justice in the workplace. Non-financial rewards contribute extensively in creating employee perceptions where the organisation is perceived as a supporting and caring organisation. Ajmal <i>et al.</i> (2015) confirmed that intrinsic rewards contribute in creating perceptions of organisational justice where job satisfaction emanates from positive perceptions of fairness in the workplace.</p>
RQ4 <i>Does organisational transparency impact on organisational justice?</i>	<p>The results of this study indicated that organisational transparency is positively related to procedural-interactional justice in the financial services industry but not to distributive justice. Sturges (2007) argues that the revelation of pertinent information creates a balanced workforce contributing to perceived organisational justice that eventually increases employee performance. Norman, Avolio and Luthans (2010:350-364) concur that the level of organisational transparency creates a positive</p>

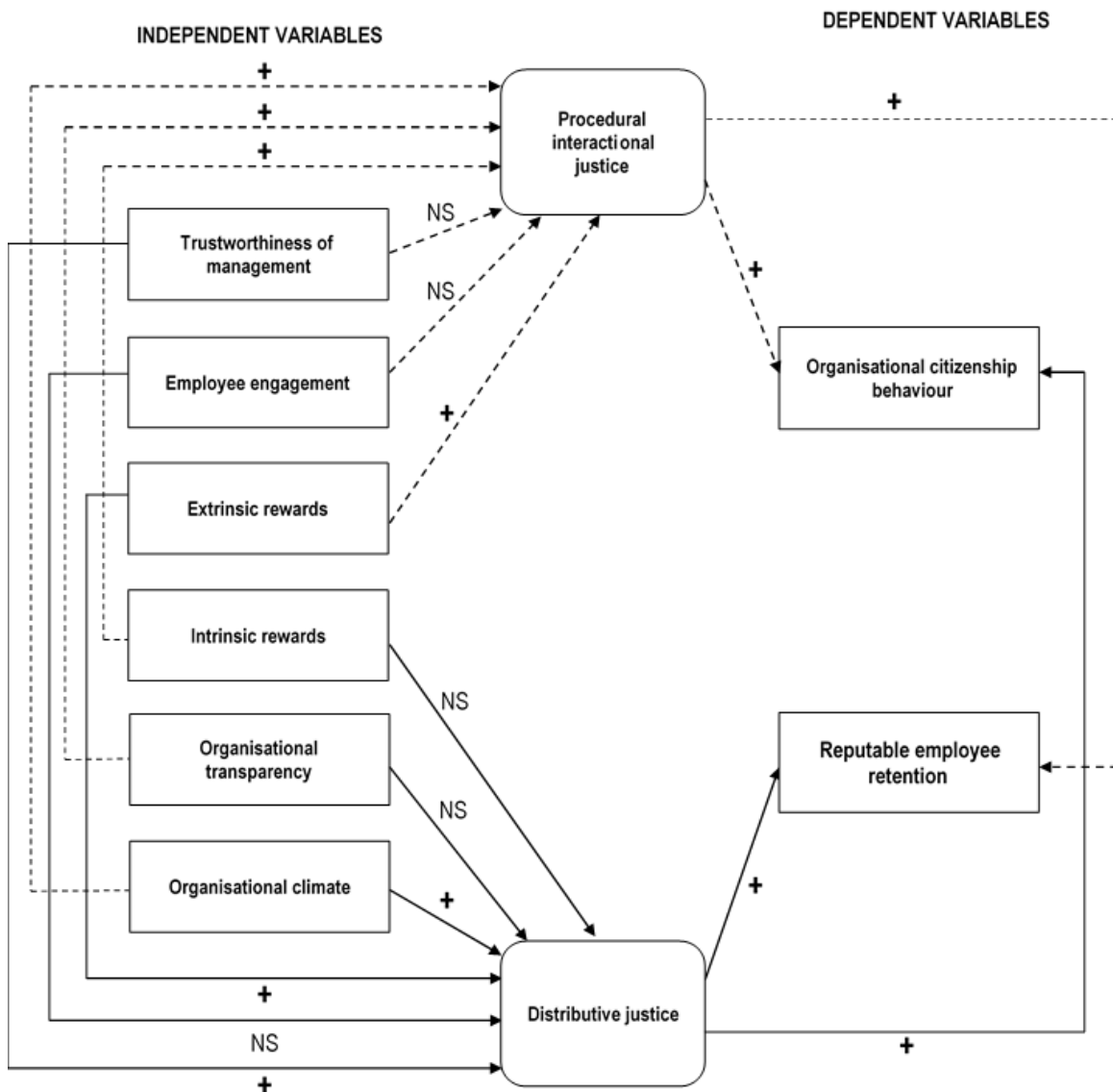
RESEARCH QUESTIONS	ATTEMPT MADE/SOLUTIONS
	<p>impact on both the participant's rated trust and perceived effectiveness of their leaders. This means that expressed positive psychological capacity and transparency play an important role in the trust and effectiveness attributed to leaders attempting to deal with organisational challenges.</p>
<p>RQ5 <i>Does two-way communication positively influence organisational justice</i></p>	<p>Two-way communication was not perceived by respondents as an independent variable that could possibly influence justice in the financial services industry. Some attributes of this variable loaded onto organisational transparency and organisational climate during the exploratory factor analyses.</p>
<p>RQ6 <i>Does organisational climate with regard to supervisory style and organisational support impact on organisational justice?</i></p>	<p>The results of this study found that organisational climate (as measured by supervisory style, organisational support and two-way communication) is positively related to both procedural-interactional and distributive justice. This view is supported by Gyekye and Haybatolli (2014) who shows that organisational justice and organisational climate are closely related when management sufficiently provides safety and a supportive climate which are being perceived by employees as fair. Aquinas (2007) concurs that supervisory style is a form of interactional justice exerted by the supervisor towards his subordinates. Cooper, Cartwright and Early (2001) also alleges that supervisory styles entail antecedents of conflict management, developing team membership, and dealing with subordinates in a fair manner. Wayne, Shore, Bommer and Tetrick (2002) have found distributive justice and procedural justice relate significantly with perceived organisational support. Employees perceive that the organisation cares when decisions are based on accurate and unbiased information and when employees have the ability to raise their concerns.</p>
<p>RQ7 <i>Does organisational justice impact on OCB?</i></p>	<p>The empirical results clearly reveal that respondents perceived both procedural-interactional justice and distributive justice related to OCB. This means that respondents perceived fairness as the cause of organisational citizenship behaviour. This view is supported by Cohen-Charash and Spector (2001) who shows that organisational justice leads to employees' willingness to engage in behaviour that is helpful to the organisation, as a result of positive perceptions of fairness that exist within the organisation. The research findings by Akbar, Daraei, Rabiei and Salam Zadeh (2012:22-31) also support that fair organisational practices could positively influence organisational citizenship behaviour.</p>

RESEARCH QUESTIONS	ATTEMPT MADE/SOLUTIONS
<p>RQ8 <i>Does organisational justice increase ethical behaviour?</i></p>	<p>Respondents of this study did not view ethical behaviour as an independent variable (outcome) of organisational justice, but rather as being part of a new redefined variable, namely reputable employee retention in the financial services industry. Crawshaw, Cropanzano and Nadisic (2013:885) have found that organisational justice practices could lead to ethical behaviour in the organisation. Weiss (2003:294-295) concur that ethical behaviour is primarily embedded within various actions when organisational justice is fully implemented within the organisation.</p>
<p>RQ9 <i>Does organisational justice increase employee retention?</i></p>	<p>Respondents of this study did not view employee retention as an independent variable (outcome) of organisational justice, but rather as being part of a new redefined variable, namely reputable employee retention in the financial services industry. The empirical results reveal that respondents perceived the concept of ethical behaviour and employee retention as one concept termed “reputable employee retention”. Both procedural-interactive justice and organisational distributive justice were found to increase reputable employee retention. This is supported by the views and findings of Maccain, Tsai and Bellino (2010) who indicated that distributive and procedural justice could lead to ethical behaviour and employee retention if policies and procedures are seen as fair within the workplace. Busssin (2002) concurs that organisational justice and employee retention are closely related that could improve employee performance and decreased employee turnover.</p>

8.4 CONCLUSIONS OF THE FINDINGS OF THE STUDY

In this study, the variables highlighted in Figure 8.1, below, show that there are six (6) influences on perceptions of organisational justice in the financial services industry. The influences are classified into six (6) influences, namely, trustworthiness of management; employee engagement; extrinsic rewards; intrinsic rewards; organisational transparency; organisational climate. Figure 8.1 also shows two outcomes of organisational justice, namely organisational citizenship behaviour and reputable employee retention.

Figure 8.1: Empirical evaluation of the proposed influences and outcomes on perceptions regarding organisational justice



8.4.1 The empirical findings based on employees' perceptions of procedural-interactional justice

The empirical results indicated that employees perceive procedural-interactional justice as good practice and is more effective when all their concerns are heard before final decisions are made and employees are allowed to challenge or appeal job decisions made by their supervisors. This implies that employees feel that decisions are made by their supervisors in an unbiased manner. Employees believe that all employees are treated with kindness and consideration, when management collects and provide accurate information when requested by employees and before job

decisions are made. This indicates that all employees are treated with respect and dignity. Therefore, procedural-interactional justice is effectively practised and appreciated in the financial service industry. Empirical findings also reveal that employees believe that it is important for management to show concern for the rights of their employees and be sensitive to their personal needs. This implies that employees find it necessary for management to offer adequate justification for decisions made regarding all aspects about their job.

8.4.1.1 *The influence of extrinsic rewards on procedural-interactional justice*

For the purpose of this study, reward system refers to all monetary and non-monetary compensation and incentives provided by the organisation to employees in return for their contributions in terms of their physical and mental efforts. This includes both extrinsic and intrinsic rewards (Ajmal, Bashir, Abrar, Khan and Saqib (2015); Giancola, 2014:25 and Robbins, Judge, Odendaal & Roodt (2009:437). In this study, it was hypothesised that extrinsic rewards significantly influence procedural-interactional justice in the financial service industry. Empirical results reported in Chapter seven found there is statistically significant relationship between extrinsic rewards and employees' perceptions of procedural-interactional justice. Researchers such as Howard and Dougherty (2004) concur with these findings of this study that if employees are rewarded appropriately with salaries, bonuses and increment for their hard work then they will be more motivated towards the achievements of their objectives and this leads to positive perceptions of procedural justice and interactional justice.

Based on the empirical finding, employees further believe that when they are offered the possibility of flexible working hours, procedural-interactional justice is perceived to be practised in the financial services industry. The empirical results also indicated that employees believe that when a variety of wellness programmes are offered and employees are referred for counselling and provided support when they experience any problems, procedural-interactional justice is effectively implemented. This implies that when compliance with health and safety regulations to minimise harm to employees is implemented, procedural-interactional justice is also improved.

8.4.1.2 *The influence of intrinsic rewards on procedural-interactional justice*

In this study, it is hypothesised that intrinsic rewards exert a significant influence on procedural-interactional justice. The empirical results validate that there is a significant relationship between intrinsic rewards and procedural-interactional justice. The findings of the study indicated that employees feel that procedural-interactional justice is effectively implemented when they are afforded the opportunities to experiment with new ideas regarding aspects of their jobs and to be creative in using their own methods in doing their jobs. This implies that employees are given a chance to do something that makes use of their abilities and they also get a feeling of accomplishment for successful job completion.

8.4.1.3 *The influence of organisational transparency on procedural-interactional justice*

In this study, organisational transparency refers to an organisational ability to divulge information to its employees in order to create an effective understanding between the organisation and its employees (Dando & Swift, 2003); Schnackenberg & Tomlinson 2014; and Sturges 2007). For the purpose of this study, it was hypothesised that there is a relationship between organisational transparency and procedural-interactional justice. Although the empirical results reported in Chapter seven concur with this contention, this relationship needs to be strengthened. This indicates that employees feel that procedural-interactional justice will improve when they are updated about financial performance of the organisation on a regular basis and when management ask for feedback regarding their understanding of the information shared with them. This also implies that employees feel that it is necessary for them, to be provided with useful information to make informed decisions. The findings of this study are consistent with the study of Schackenberg and Tomlison (2014) that clearly postulated that there is a positive relationship between organisational transparency and organisational justice.

8.4.1.4 *The influence of organisational climate on procedural-interactional justice*

For the purpose of this study, organisational climate is defined as the conditions within an organisation as viewed by its employees and usually describes practices involved

in communication, conflict, leadership and rewards (Schneider, Erhart & Macey 2013:361; and Verbeke, Volgering & Hessels 2002). Empirical results of this study found that there is significant relationship between organisational climate and procedural-interactional justice. Employees believe procedural-interactional justice is appropriately and effectively practised in the financial service industry when management shows confidence in their subordinates to work independently. The empirical findings also revealed that employees believe that it is important for them to receive guidance whenever they need to complete difficult tasks. This implies that employees perceive management as reliable to guide them to solve conflict effectively and this will promote the practise of procedural-interactional justice in the financial service industry.

Empirical findings also revealed that employees believe that the practise of constructive criticism should be allowed regarding work-related matters amongst all stakeholders. This implies that employees believe that procedural–interactional justice will be promoted when they are allowed to share their opinions before final decisions are made and when they are provided with unbiased information to make informed decisions regarding their work.

This study's findings is consistent with the findings of Noordin, Omar and Idrus' (2010) research findings where the organisational climate is strongly linked to procedural justice and interactional justice which leads to increased organisational performance. Another research finding that concurs with the study is the research by Castro and Martins (2009) which suggests that supervisory style as part of organisational climate is strongly related to organisational justice which leads to organisational sustainable performance.

8.4.2 The empirical findings and implications based on employees' perceptions of distributive justice

The empirical findings revealed that employees believe that distributive justice is effectively practised when their work schedule is fair in accordance with their job description and they are compensated according to the skills required for their jobs. This implies that employees believe that distributive justice is properly practised in the financial service industry when management is making decisions in a fair manner.

Furthermore, employees believe that distributive justice is properly and meaningfully practised when recognition is based on the merit of each employee's performance and when promotion criteria are consistently applied equally to all employees.

8.4.2.1 The influence of trustworthiness of management on distributive justice

In this study trustworthiness of management refers to a socially confirmed expectation to deal with expectations and to deal with all pertinent issues and strategic goals of the organisation (Cropanzano, Bowen & Gilliland 2007:39 and Korsgaard, Pitariu & Jeong 2008). The results of this study are consistent with the study by Saunders and Thornhill (2003) who suggest that there is a strong relationship between trustworthiness of management and the nature of distributive justice. Chory and Hubbell (2008) 's research study is consistent with the findings of this study in the sense that it perceives a strong correlation between trustworthiness of management and distributive justice since it is associated with the allocation of work and distributional outcomes that are embedded in the work completed and done by the employees.

The empirical results of this study represented in chapter seven revealed that there is a significant relationship between trustworthiness and distributive justice in the financial service industry. This indicates that trustworthiness of management exerts a substantial influence on employees' perceptions of distributive justice. It implies that when management fulfils its promises made to all employees and deals with them in an honest manner, distributive justice is effectively practised in the financial service industry. This implies that management does not mislead employees and this promotes distributive justice in the financial service industry. The empirical results also indicated that employees feel that it is important for management to use sound principles to guide their behaviour and this will promote distributive justice in the financial service industry.

8.4.2.2 The influence of extrinsic rewards on distributive justice

In this study, it was hypothesised that there is a relationship between extrinsic rewards and distributive justice. The empirical results presented in Chapter seven support this affirmation, implying that extrinsic rewards exert a significant influence on distributive

justice. The empirical findings indicated that employees believe that distributive justice is acceptably practised in the financial service industry when management ensures that each employee's status in the hierarchical structure is satisfactory and is within the stage of their individual career. Furthermore, the study findings further revealed that employees feel that distributive justice is fairly practised in the financial service industry when they receive rewarding remuneration. These findings are consistent with a study by Baer, Oldham and Cummings (2003:567) who found extrinsic rewards to be positively related to with distributive fairness which eventually leads to increased motivation and organisational commitment, employee satisfaction and employee effectiveness. Ajmal, Bashir, Abrar, Khan and Saqib (2015:470) envisaged that lower levels such as administrators and foremen perceive extrinsic rewards as effective contributors of how fairness practices are affected to create a motivated workforce.

8.4.2.3 *The influence of organisational climate on distributive justice*

It was hypothesised in this study that there is a relationship between organisational climate and distributive justice. The study findings concur that organisational climate exerts a significant influence on distributive justice. The results of this study are consistent with the study of Cooper, Cartwright and Early (2001) where organisational climate as measured by supervisory style is strongly correlated with organisational justice, which means the extent to which a manager can successfully exercise his role as supervisor in a fair manner determines the extent of organisational distributive justice. The perceived employee centred manager is perceived to be distributively fair in terms of the allocation of work and rewards. Furthermore, Wayne, Shore, Bommer and Tetrick (2002) have found distributive justice to relate significantly with organisational support which means when employees perceive that the organisation cares when decisions are based on accurate and unbiased information.

The study findings indicated that financial service industry employees believe that when management involves employees when decisions that affect them are made, distributive justice is successfully practised. Empirical findings further revealed that employees believe that when collaboration between departments is encouraged in order to achieve the stated objectives, distributive justice is more appreciated in the financial service industry. Employees also feel that it is important for management to acknowledge the employees' contribution towards the achievement of the stated

objectives. This implies that management is committed towards their career development.

8.4.3 The empirical findings based on outcomes of organisational justice

8.4.3.1 The influence of perceptions of procedural-interactional and distributive justice on organisational citizenship behaviour

Organisational citizenship behaviour is described as the voluntary commitment within an organisation that is not part of employee contractual tasks and is usually discretionary in nature (Berber & Rofcanin, 2012 and Williams, Pitre & Zainuba, 2002). Procedural justice is influential in affecting the perceptions of the individual employee beyond distributive justice. According to Nandan and Azim (2015), organisational justice enhances organisational citizenship behaviour. According to Karriker and Williams (2009), the interactional justice is the strong predictor of organisational citizenship behaviour in the organisational setting.

In this study, it was hypothesised that there is a relationship between procedural-interactional justice and organisational citizenship behaviour. Although the empirical findings support this premise, procedural-interactional justice exerts a weak influence on organisational citizenship behaviour. This implies that employees believe that when procedural–interactional justice is consistently practised in the financial service industry, employees find it necessary to take time to coach and mentor other co-workers, attend social functions that are not required but could enhance organisational image. This implies that their organisational citizenship behaviour is heightened when procedural–interactional justice is consistently practised and perceive it necessary for instance, defending a co-worker who was spoken ill of by other co-workers.

In this study, it was also hypothesised that there is a relationship between distributive justice and organisational citizenship behaviour. The empirical findings revealed that when distributive justice is effectively practised in the financial service industry, employees are willing to stay late without pay to complete their tasks and to work during lunch breaks to complete an urgent task at hand. This implies that when distributive justice is effectively practised, organisational citizenship behaviour increases in the financial service industry. The results demonstrate a support for the

relationship between procedural-interactional justice and organisational citizenship behaviour as well as distributive justice and organisational citizenship behaviour.

8.4.3.2 The influence of perceptions of procedural-interactional and distributive justice on reputable employee retention

The study findings revealed that employees perceived ethical behaviour and employee retention as a single construct hence the two were combined and termed *reputable employee retention*. Reputable employee retention is the integration of ethical behaviour and employee retention and is defined as the manner in which the ethical code of conduct is fully aligned with organisational practices that retain the talent within the organisational setting. Previous research by Coldwell *et al.* (2007:611-622) indicates that the employees are more satisfied with fairness practices that include management that keeps its promises to ensure the effectiveness of the organisation. Furthermore, the study indicates that employees that perceive ethical behaviour in the organisation are more likely to stay for a very long time since ethical behaviour is perceived as a fundamental conduit of fairness practices that are followed within the organisation. Therefore, when the organisation is perceived as being fair in its actions, reputable employee retention is promoted.

For the purpose of this study, it was hypothesised that there is positive relationship between procedural-interactional justice and reputable employee retention. The empirical findings support this premise; procedural-interactional justice exerts a high influence on reputable employee retention. This indicates that employees believe when procedural-interactional justice is consistently practised in the financial service industry, employees need to be encouraged to be actively concerned about stakeholders' interest; comply with the law and professional standards over and above other considerations. The empirical findings also reveal that it is important for management to ensure that the code of conduct is widely distributed throughout the financial service industry to promote the practise of procedural–interactional justice. This implies that, for employee retention to increase, it is important for management to consistently practise procedural–interactional justice effectively, by ensuring that all employees strictly follow rules and policies in the financial service industry.

The empirical findings in this study suggested that there is a positive relationship between distributive justice and reputable employee retention. This indicates that when distributive justice is effectively practised in the financial service industry, employees with integrity are recognised and rewarded by management. This implies that distributive justice promotes reputable employee retention. The empirical findings also indicated that employees believe that when distributive justice is perceived as good practice in the financial service industry they find their work interesting and challenging, feel that they have invested a lot to build a solid career and take pride to a favourable organisational image that has earned a high respect in the society. This implies that effective practice of distributive justice in the financial service industry increases reputable employee retention.

8.5 RECOMMENDATIONS REGARDING ORGANISATIONAL JUSTICE IN THE FINANCIAL SERVICE INDUSTRY

8.5.1 Distributive and procedural-interactional justice

The organisations that apply procedural-interactional justice promote the effective practice of fairness within the organisation and amongst all employees. Thus, the employees' complaints about organisational problems decrease and this leads to effective utilisation of organisational policies and procedures to execute the working operations of the organisation. Employees become more acquainted with the effective implementation of fair practices within the organisation when professional standards and procedures are used to execute tasks.

Furthermore, trustworthiness of management is increased among the employees when they consistently implement distributive justice such as, fair work allocation, payment of salaries and promotion as well as employee performance management systems in an honest manner in the workplace.

Additionally, Cropanzano and Ambrose (2001:138) found the following three rules that could be applied as strategies in the distribution that could all be considered as fair:

- An equity rule suggests that everyone should receive the same reward on their contribution;

- The equality rule states that all are equal and should have an equal chance of receiving a particular outcome or reward;
- Some individuals can quite fairly receive more favourable treatment than other if it is used to address an imbalance. Distribution could be allocated to meet the employee who has the most need;

Thus, it is recommended that for distributive justice to be effective in the organisation, management should:

- Ensure that the work schedule of each employee is fair in accordance with individual job descriptions;
- Employ and compensate employees according to the skills required and acquired for their jobs;
- Make decisions, for example pertaining to allocation and performance of work, in a fair manner;
- Base recognition on the merit of each employee's performance; and
- Consistently apply promotion criteria equally to all employees.

For procedural–interactional justice to be effective in the organisation, management should:

- Make decisions in an unbiased manner;
- Ensure that all employees' concerns are heard before final decisions are made;
- Collect accurate information before job decisions are made;
- Provide complete information when requested by employees;
- Allow employees to challenge or appeal job decisions made by their supervisors;
- Treat all employees with respect, dignity, kindness and consideration;
- Be sensitive to employees' personal needs and show concern for their rights; and
- Offer adequate justification for decisions made regarding their jobs.

8.5.2 Trustworthiness of management

The study findings indicate that there is a positive relationship between trustworthiness of management and organisational distributive justice. The results of this study are consistent with previous studies that suggest that openness and honesty of management are the fundamental strategy which encourages mutual trust between employees and management to reinforce justice in the organisation. Therefore, management is accountable to gain employee trust to reinforce fairness within the organisation. Thus, it is recommended that management should:

- Ensure that integrity, loyalty, receptivity and value congruence are implemented within the organisation.
- Effectively practice ethical leadership in executing its work with the organisational setting.
- Always fulfils its promises made to all employees.
- Deals with employees in an honest manner.
- Apply and implement authority with fairness and compassion.
- Apply the principles of openness for successful execution of work in the organisation.
- Follow organisational principles and procedures for successful execution of the job.

8.5.3 Extrinsic rewards

The results indicate that there is a positive relationship between extrinsic rewards and organisational justice (distributive and procedural-interactional justice). This means that when employees are rewarded in accordance with their job requirements and expectations they are more likely to perceive the organisation as being fair in its practices and this concur organisational justice research findings. Thus, it is recommended that for justice to be practiced effectively in terms of extrinsic rewards, management should:

- Provide all employees equally rewarding remuneration such as cash based rewards and benefits;

- Follow all the policies of the organisation in providing the salaries to all its employees;
- Actively interact with all employees regarding the increment and performance bonuses;
- Abide by policies and principles of the organisation regarding the payment of employee salaries;
- Ensure that employees' work positions or ranks in the hierarchical structure are satisfactory for individual career levels;
- Offer sufficient flexibility to reconcile personal life with their jobs;
- Offer sufficient flexible working hours;
- Equally offer support and refer employees for counselling when they experience problems;
- Offer a variety of effective wellness programs for their employees; and
- Ensure that there is effective presence or practice compliance with health and safety regulations to minimise harm to employees.

8.5.4 Intrinsic rewards

The results of this study indicate that intrinsic rewards are positively related to procedural-interactional justice. Previous research found that intrinsic rewards are positively related to procedural justice when management provides intrinsic rewards based on the procedures and policies of the organisation. This is in accordance with the findings of this study which indicates that positive perceptions of procedural–interactional justice regarding fairness is effectively practiced when intrinsic rewards are fairly awarded to employees within the organisation.

Thus it is recommended that for procedural–interaction justice to be effectively implemented in terms of intrinsic rewards, management should:

- Afford employees the opportunity to try-out and test new ideas from time to time, regarding aspects of their jobs;
- Give employees a chance to perform duties that stimulate their abilities;
- Afford employees the opportunities to be creative in using their capabilities in doing their jobs;
- Afford employees freedom to use their own judgement in completing their jobs;

- Ensure that employees get the feeling of accomplishment for successful job completion; and
- Provide opportunities for professional growth of its employees by following all principles and policies of the organisation.

8.5.5 Organisational transparency

The results of this study indicate that there is positive relationship between organisational transparency and procedural-interactive justice. The research findings of this study reveal that employees believe that procedural–interactive justice is effectively practiced when management divulges information to its employees in order to create an effective understanding between the organisation and its employees. This supports the research findings that suggest that disclosure of relevant information give rise to a stable labour force, which employees perceive as effective implementation of organisational justice in the workplace. Thus, for organisational justice to be effectively practiced in the organisation in terms of transparency, it is recommended that management should:

- Understand that divulging information is a fundamental task of management;
- Ensure that it follows all the rules when information is distributed to all levels of employees;
- Be openly when communicating with its subordinates regarding any form of misunderstanding;
- Be considerate on how employees are affected by management decisions;
- Ensure that employees are provided with information that is useful to make informed decisions;
- Update employees about the financial performance of the organisation on a regular basis;
- Advertise vacant posts internally and externally to the organisation for anyone to apply;
- Be held accountable to all stakeholders of the organisation regarding the sharing of crucial information pertaining to the organisation and parties involved;

- Asks for feedback from employees to ensure that they understand information shared with them; and
- Ensure that there are effective negotiation practices to reach consensus regarding work-related matters.

8.5.6 Organisational climate

The results showed that there is a positive relationship between organisational climate and organisational justice (procedural-interactional and distributive justice). These relationships can possibly be explained by means of organisational support and supervisory styles as well as two-way communication. This indicates that the organisational climate, including support, two-way communication as well as supervisory style of management, influence how employees perceive justice within their organisations.

Thus, for effective organisational justice to be practiced in terms of organisational climate, it is recommended that management should:

- Involve employees when decisions that affect them are made;
- Encourage collaboration between departments in order to promote the achievement of the stated objectives;
- Acknowledge the employees' contribution towards the achievement of the stated objectives;
- Show confidence in their subordinates by allowing them to work independently;
- Be approachable when employees are experiencing problems;
- Be reliable to guide employees to resolve conflict effectively;
- Create a favourable environment for employees to socially interact with other colleagues;
- Commit themselves towards the employees' career development;
- Provide guidance to employees whenever they need to complete difficult tasks;
- Provide unbiased information to make informed decisions regarding their work;
- Provide and allow constructive criticism regarding work-related matters amongst all stakeholders;

- Ensure that there is open discussion between them and their employees regarding their performance appraisal;
- Allow employees to share their opinions before final decisions are made; and
- Provide employees with developmental programmes to assist them to execute their tasks successfully executing.

8.5.7 Organisational citizenship behaviour

The results of this study indicate that there is a positive relationship between organisational citizenship behaviour and organisational justice (procedural- interactional and distributive justice). This means that the practice of fairness which is the fundamental element of all types of organisational justice, successfully promotes citizenship behaviour amongst employees in the organisation. The findings of this study support the notion of other organisational justice researchers that suggests that employees have positive attitudes towards their work when they are treated fairly in their organisations. Various research findings of organisational behaviour support that when employees are treated fairly they are more likely to perform extra role behaviours that benefits the organisations.

Thus it is recommended that management should practice fairness when interacting with their employees and this will inspire employees to:

- Stay late and working after hours without pay to complete tasks;
- Attend social functions that are not required but could enhance the organisation's image;
- Defend co-workers who are spoken ill of by other workers or supervisors;
- Be prepared to work during lunch breaks to complete urgent tasks at hand; and
- Take time to coach and mentor other co-workers to excel in successfully completing their tasks.

8.5.8 Reputable employee retention

The results of this study indicate that there is a positive relationship between reputable employee retention and organisational justice (procedural- interactional and distributive justice). This means that the employees' retention and ethical behaviours are strongly influenced by consistent practice of procedural–interactional and

distributive justice in the financial service industry. The effective practice of organisational justice it is important to promote reputable employee retention in the organisation. It is thus recommended that management should:

- Recognise and reward employees with integrity;
- Encourage employees to be actively concerned about stakeholders' interests;
- Ensure that the code of conduct is widely distributed throughout the organisation;
- Ensure that all employees understand the importance of strictly following rules and policies;
- Train employees to comply with law and professional standards strictly when executing their jobs;
- Offer sufficient flexibility to allow employees to reconcile their personal lives with their jobs;
- Assist employees to invest a lot to build a solid career in the organisation;
- Create awareness of and make employees feel that they are part of the favourable organisational image that has led to high respect in the society;
- Offer various advancement opportunities to further employees' careers;
- Promote the moral development amongst its employees by practicing fairness all aspects of the workplace and in doing expected tasks; and
- Create an environment where employees can find their work interesting and challenging.

8.6 CONTRIBUTIONS OF THE STUDY

The following contributions of the study are identified below:

- 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 of organisational justice in financial service. The model can be used as a foundation for other studies investigating employee's perceptions regarding organisational-justice across various settings and industries in South Africa.
- The public sector can utilise the findings of this study to scrutinise and successfully utilise measures and strategies that will motivate management to

exercise fairness in the organisation for effective service delivery across sectors and industries in South Africa.

- This study provides an effective understanding of some key organisational behaviour relationships in financial services firms. These findings contribute to the studies of OJ in extant literature and challenges the financial services to selectively implement tactics to enhance OJ in order to achieve high levels of performance among the financial services firms and its employees which eventually leads to organisational effectiveness.
- The antecedents of OJ in the financial services industry are not well documented and represent a significant gap in OJ literature. Findings of this study could contribute towards closing this gap in literature.
- The study made a unique contribution 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. This is a new contribution to the existing literature that could lead to better understanding of OJ phenomenon.
- 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. Yet recognising systematic difference in the relationship between these practices and OJ is also crucial.
- Given the stringent criteria and professional conventions of the financial services industry with technological innovation and sophisticated employees that require complex financial facilities as well as the lack of research attention given to the behaviour of employees in the financial services firms in South Africa, this study could assist financial services strategists to develop appropriate strategies and programmes to instil a culture of fairness in organisations.
- This study could create an awareness of the importance of encouraging management in various organisational settings to exercise fairness for the benefit of both employees as individuals and the organisation in totality.
- It is envisaged that the results and recommendations of this study will be used to implement fairness in organisations to create effective functioning through ethical behaviour and employee retention.

- The results of this study could also be replicated by other industries so as to ensure successful implementation of fairness in the workplace.
- The findings of this study can inform financial services firms about financial services policy formulation so as to assist with the implementation of organisational justice programmes.
- The study used a sound and well developed research design and methodology which have been justified and applied. This can be utilised by other similar studies to conduct empirical research in the field of organisational justice.
- The measuring instrument and hypothetical model developed can also be used by organisations in other industries to investigate organisational justice.
- This study provided useful and very practical guidelines to organisations as to ensure effective strategising and management of OJ that could enhance their local and global competitiveness and long term survival.

8.7 LIMITATIONS OF THE STUDY

The following limitations of the study are acknowledged:

- The limited sample is a limitation focused on four provinces in South Africa. Further studies can be expected to other provinces in the country.
- Due to insufficient time amongst the financial services employees the number of respondents is a limitation.
- The closed ended questionnaire as administered, limit the views and opinions of the respondents.
- The study is conducted on good financial services firms. The public financial services, such as Auditor General was not considered.
- The cross sectional nature precludes assessment of causality.
- Participation in this study was voluntary, and the employees that advocate fairness may have responded more readily than others, thus resulting in a sample bias.

8.8 RECOMMENDATIONS FOR FURTHER STUDIES

The conceptualisation and measurement of organisational justice are recognised as issues for open debate in management literature. Past research clearly shows that

organisational justice can be sample specific. Future research might attempt to identify the dimensions of organisational justice that exist across settings. This study focused on the perceptions of organisational justice in the financial services industry in South Africa. Future research could conduct a comparative analysis of professional and ordinary employees and compare top management and low level management perceptions against employee perceptions. Future research could also explore different research methodologies such as phenomenological, qualitative research where focus group interviews are conducted. The structured interviews could yield a different response rate to that of self-administered questionnaires.

Another point of departure from current practice would be to explore a formative rather than a reflective measure of organisational justice. Research that develops and examines formative measures of organisational justice may be successful in resolving many of the outstanding measurement issues. The negative relationship between employee engagement and OJs poses important managerial implications. These findings will contribute to studies that will further investigate the causal relationship between these two constructs. Furthermore, future studies can extend the study by investigating the influence job satisfaction on reputable employee behaviour.

8.9 CONCLUDING REMARKS

The primary aim of this study was to investigate the perceptions regarding organisational justice in the financial services firms. The empirical results reveal that trustworthiness of management, intrinsic and extrinsic rewards, organisational transparency and organisational climate have positive influence on procedural-interactive justice and organisational distributive justice. Employee engagement is founded to have no significant influence on both procedural-interactive justice and organisational distributive justice. Likewise, the empirical results show that procedural-interactive justice have a positive influence on both organisational citizenship behaviour and reputable employee retention, while organisational distributive justice also have a positive influence on organisational citizenship behaviour and reputable employee retention. Grounded on the summary of the chapter, as well as the practical implications and recommendation derived from empirical study as discussed in these chapters, it can be acknowledged that the primary and secondary objectives of this study have been achieved. It is therefore, fitting to confirm that the results of this study

contribute to the body of knowledge on organisational behaviour, business management, strategic management and the South African financial services industry.

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APPENDIX A

COVER LETTER

Nelson Mandela Metropolitan University

for tomorrow



DEPARTMENT OF BUSINESS MANAGEMENT

Summerstrand South Campus

+27 (0)41 504 2033 +27 (0)41 504 4840

Elroy.smtih@nmmu.ac.za

June 2017

Dear Respondent

Mr V. Mrwebi is a registered PhD student in the Department of Business Management at the Nelson Mandela Metropolitan University in Port Elizabeth. His empirical study focuses on a critical analysis of organisational justice in the financial services industry in South Africa. This study is expected to provide useful insights into the extent of fair business practices in financial services institutions.

All data sources will be treated confidentially and will be used solely for research purposes. Individual respondents will not be identified, and respondents will remain anonymous throughout the study.

Thank you very much for your willingness and time to complete this questionnaire.

Kind regards

Supervisor:

Handwritten signature of Prof EE Smith in black ink.

Prof EE Smith

Co-supervisor:

Handwritten signature of Prof NE Mazibuko in black ink.

Prof NE Mazibuko

Researcher:

Handwritten signature of Mr V Mrwebi in black ink.

Mr V Mrwebi

APPENDIX B

QUESTIONNAIRE

QUESTIONNAIRE

Please indicate by means of a cross (X) the extent to which you agree or disagree with the following statements:

- | | |
|-----------------------|--------------------|
| (1) Strongly disagree | (5) Agree somewhat |
| (2) Disagree | (6) Agree |
| (3) Disagree somewhat | (7) Strongly agree |
| (4) Neutral | |

Section A

Perceptions regarding factors impacting on organisational justice

	IN MY ORGANISATION, MANAGEMENT	Strongly disagree	Disagree	Disagree somewhat	Neutral	Agree somewhat	Agree	Strongly agree
1	Always fulfils its promises made to all employees.	1	2	3	4	5	6	7
2	Deals with people like me in an honest manner.	1	2	3	4	5	6	7
3	Treats all employees fairly.	1	2	3	4	5	6	7
4	Does not mislead people like me.	1	2	3	4	5	6	7
5	Uses sound principles to guide their behaviour.	1	2	3	4	5	6	7
	IN MY ORGANISATION ...							
6	Decisions are made through consultation with all staff members.	1	2	3	4	5	6	7
7	I am given an opportunity to solve problems related to my work.	1	2	3	4	5	6	7
8	I am allowed to use my discretion regarding job-related matters.	1	2	3	4	5	6	7
9	I am brave enough to express my views about work-related matters.	1	2	3	4	5	6	7
10	I am allowed to question the ideas of management.	1	2	3	4	5	6	7
11	I am allowed to convince my supervisor regarding the exploitation of job opportunities.	1	2	3	4	5	6	7
12	My supervisor will find a way to give me additional responsibilities that match my capabilities.	1	2	3	4	5	6	7

	IN MY ORGANISATION, MANAGEMENT	Strongly disagree	Disagree	Disagree somewhat	Neutral	Agree somewhat	Agree	Strongly agree
13	I have regular meetings with my supervisor to discuss how I can increase the scope of my job (number and variety of tasks).	1	2	3	4	5	6	7
14	I have control over the planning/execution of tasks that need to be accomplished.	1	2	3	4	5	6	7
15	I am referred for counselling/support when I experience any problems.	1	2	3	4	5	6	7
16	There is compliance with health and safety regulations to minimise harm to employees.	1	2	3	4	5	6	7
17	A variety of employee wellness programs are offered.	1	2	3	4	5	6	7
18	I believe my remuneration (salary/benefits) to be very rewarding.	1	2	3	4	5	6	7
19	My status in the hierarchical structure is satisfactory for this stage of my career.	1	2	3	4	5	6	7
20	I am offered the possibility of flexible working hours.	1	2	3	4	5	6	7
21	I am offered sufficient flexibility to reconcile my personal life with my job.	1	2	3	4	5	6	7
22	I am praised for doing a good job.	1	2	3	4	5	6	7
23	I am given a chance to do something that makes use of my abilities.	1	2	3	4	5	6	7
24	I get a feeling of accomplishment for successful job completion.	1	2	3	4	5	6	7
25	I have the freedom to use my own judgment in completing my job.	1	2	3	4	5	6	7
26	I am afforded the opportunity to experiment with new ideas, from time to time, regarding aspects of the job.	1	2	3	4	5	6	7
27	I am afforded the opportunity to be creative in using my own methods in doing the job.	1	2	3	4	5	6	7
28	There is consideration of how employees are affected by management decisions.	1	2	3	4	5	6	7
29	I am provided with information that is useful to make informed decisions.	1	2	3	4	5	6	7
30	I am updated about the financial performance of the organisation on a regular basis.	1	2	3	4	5	6	7
31	Vacant posts are advertised internally and externally for anyone to apply.	1	2	3	4	5	6	7

	IN MY ORGANISATION, MANAGEMENT	Strongly disagree	Disagree	Disagree somewhat	Neutral	Agree somewhat	Agree	Strongly agree
32	Management is held accountable for all their actions.	1	2	3	4	5	6	7
33	Management asks for feedback from people like me about whether I understand the information shared with me.	1	2	3	4	5	6	7
34	There are effective negotiation practises to reach consensus regarding work-related matters.	1	2	3	4	5	6	7
35	Constructive criticism is allowed regarding work-related matters amongst all stakeholders.	1	2	3	4	5	6	7
36	There is open discussion with management regarding my performance appraisal	1	2	3	4	5	6	7
37	I am allowed to share my opinions before final decisions are made.	1	2	3	4	5	6	7
38	Management involves employees when decisions that affect them are made.	1	2	3	4	5	6	7
39	Collaboration between departments is encouraged in order to achieve the stated objectives.	1	2	3	4	5	6	7
40	Management shows confidence in their subordinates by allowing them to work independently.	1	2	3	4	5	6	7
41	Management is approachable when I am experiencing any problems.	1	2	3	4	5	6	7
42	Management can be relied upon to guide employees to resolve conflict effectively.	1	2	3	4	5	6	7
43	Management acknowledges my contribution towards the achievement of the stated objectives.	1	2	3	4	5	6	7
44	An environment is created where I can socially interact with my colleagues.	1	2	3	4	5	6	7
45	There is commitment towards my career development.	1	2	3	4	5	6	7
46	I receive guidance whenever I need to complete a difficult task.	1	2	3	4	5	6	7
47	I am provided with unbiased information to make informed decisions regarding my work.	1	2	3	4	5	6	7

Section B

Perceptions regarding organisational justice

	IN MY ORGANISATION, MANAGEMENT	Strongly disagree	Disagree	Disagree somewhat	Neutral	Agree somewhat	Agree	Strongly agree
1	My work schedule is fair in accordance with my job description.	1	2	3	4	5	6	7
2	Employees are compensated according to the skills required for their job.	1	2	3	4	5	6	7
3	Decisions are made by management in a fair manner.	1	2	3	4	5	6	7
4	Recognition is based on the merit of each employee`s performance.	1	2	3	4	5	6	7
5	Promotion criteria are consistently applied equally to all employees.	1	2	3	4	5	6	7
6	Decisions are made by my supervisor in an unbiased manner.	1	2	3	4	5	6	7
7	All employee concerns are heard before final decisions are made.	1	2	3	4	5	6	7
8	Management collects accurate information before job decisions are made.	1	2	3	4	5	6	7
9	Complete information is provided when requested by employees.	1	2	3	4	5	6	7
10	Employees are allowed to challenge or appeal job decisions made by their supervisors.	1	2	3	4	5	6	7
11	All employees are treated with kindness/ consideration.	1	2	3	4	5	6	7

	IN MY ORGANISATION, MANAGEMENT	Strongly disagree	Disagree	Disagree somewhat	Neutral	Agree somewhat	Agree	Strongly agree
12	All employees are treated with respect/dignity.	1	2	3	4	5	6	7
13	Management is sensitive to my personal needs.	1	2	3	4	5	6	7
14	Management shows concern for my rights as an employee.	1	2	3	4	5	6	7
15	Adequate justification is offered for decisions made regarding my job.	1	2	3	4	5	6	7

Section C

Perceptions regarding outcomes of organisational justice

	IN MY ORGANISATION, MANAGEMENT	Strongly disagree	Disagree	Disagree somewhat	Neutral	Agree somewhat	Agree	Strongly agree
1	I stay late (working after hours) without pay to complete a task.	1	2	3	4	5	6	7
2	I attend social functions that are not required but could enhance the organisation's image	1	2	3	4	5	6	7
3	I defend a co-worker who was spoken ill of by other workers or a supervisor.	1	2	3	4	5	6	7
4	I am prepared to work during lunch breaks to complete an urgent task at hand.							
5	I take time to coach /mentor other co-workers.							

	IN MY ORGANISATION, MANAGEMENT	Strongly disagree	Disagree	Disagree somewhat	Neutral	Agree somewhat	Agree	Strongly agree
6	Employees with integrity are recognised/rewarded by management.	1	2	3	4	5	6	7
7	Employees are encouraged to be actively concerned about stakeholders' interests.	1	2	3	4	5	6	7
8	The code of conduct is widely distributed throughout the organisation.	1	2	3	4	5	6	7
9	It is important for all employees to strictly follow rules/policies.	1	2	3	4	5	6	7
10	Employees are expected to comply with the law/ professional standards over and above other considerations.	1	2	3	4	5	6	7
11	I am offered sufficient flexibility to reconcile my personal life with my job.	1	2	3	4	5	6	7
12	I have invested a lot to build a solid career.	1	2	3	4	5	6	7
13	A favourable organisational image has led to high respect in society.	1	2	3	4	5	6	7
14	There are various advancement opportunities to further my career.	1	2	3	4	5	6	7
15	I find my work very interesting and challenging.	1	2	3	4	5	6	7

SECTION D

BIOGRAPHICAL INFORMATION

Please indicate your responses to the statements by means of a cross (X) in the appropriate numbered box.

1. Age

Years	≤20	21-30	31-40	41-50	51-60	60+
	1	2	3	4	5	6

2. Gender

Female	1
Male	2

3. Ethnic classification

Group	African	Coloured	Indian	White	Other
	1	2	3	4	5

4. Highest qualification

Grade 11 and Lower	Grade 12	Diploma or National certificate	Bachelor's degree	Postgraduate degree/diploma (e.g. Honours/Masters)	Other (Please specify)
1	2	3	4	5	6

5. Position in the organisation

CEO/Owner	Manager/Supervisor	Employee	Professional	Other (Please specify)
1	2	3	4	5

6. Length of current employment

1 – 5 years	6 – 10 years	11 – 15 years	16 – 20 years	21 years +
1	2	3	4	5

7. Employment size of organisation

Small (≤ 50 employees)	Medium (51-199 employees)	Large (200+ employees)
1	2	3

8. Years in existence of organisation

1-5 years	1	6-10 years	2	11-15 years	3	16 years +	4
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9. Type of financial service industry

Banking	Insurance	Accounting/Auditing	Other (Please specify)
1	2	3	4

Thank you for your time and cooperation

APPENDIX C

ETHICS CLEARANCE: FORM E

ETHICS CLEARANCE FOR TREATISES/DISSERTATIONS/THESES

Please type or complete in black ink

FACULTY: Business and Economic Sciences

SCHOOL/DEPARTMENT: Department of Business Management

I, Prof EE Smith the supervisor for Mr V Mrwebi (50408372) a candidate for the degree of PhD (Business Management) with a thesis entitled: **A critical analysis of organisational justice in the South African financial service industry**, considered the following ethics criteria (*please tick the appropriate block*):

	YES	NO
1. Is there any risk of harm, embarrassment of offence, however slight or temporary, to the participant, third parties or to the communities at large?		X
2. Is the study based on a research population defined as 'vulnerable' in terms of age, physical characteristics and/or disease status?		X
2.1 Are subjects/participants/respondents of your study:		
(a) Children under the age of 18?		X
(b) NMMU staff?		X
(c) NMMU students?		X
(d) The elderly/persons over the age of 60?		X
(e) A sample from an institution (e.g. hospital/school)?		X
(f) Handicapped (e.g. mentally or physically)?		X
3. Does the data that will be collected require consent of an institutional authority for this study? (An institutional authority refers to an organisation that is established by government to protect vulnerable people)		X

	YES	NO
3.1 Are you intending to access participant data from an existing, stored repository (e.g. school, institutional or university records)?		X
4. Will the participant's privacy, anonymity or confidentiality be compromised?		X
4.1 Are you administering a questionnaire/survey that:		
(a) Collects sensitive/identifiable data from participants?		X
(b) Does not guarantee the anonymity of the participant?		X
(c) Does not guarantee the confidentiality of the participant and the data?		X
(d) Will offer an incentive to respondents to participate, i.e. a lucky draw or any other prize?		X
(e) Will create doubt whether sample control measures are in place?		X
(f) Will be distributed electronically via email (and requesting an email response)?		X
<p>Note:</p> <ul style="list-style-type: none"> • If your questionnaire DOES NOT request respondents' identification, is distributed electronically and you request respondents to return it <i>manually</i> (print out and deliver/mail); AND respondent anonymity can be guaranteed, your answer will be NO. • If your questionnaire DOES NOT request respondents' identification, is <i>distributed via an email link and works through a web response system (e.g. the university survey system)</i>; AND respondent anonymity can be guaranteed, your answer will be NO. 		

Please note that if **ANY** of the questions above have been answered in the affirmative (**YES**) the student will need to complete the full ethics clearance form (REC-H application) and submit it with the relevant documentation to the Faculty RECH (Ethics) representative.

and hereby certify that the student has given his/her research ethical consideration and full ethics approval is not required.



SUPERVISOR(S)

23 November 2017

DATE



HEAD OF DEPARTMENT

23 November 2017

DATE


Mr V Mrwebi

STUDENT(S)

DATE

Please ensure that the research methodology section from the proposal is attached to this form.

Please note that by following this Proforma ethics route, the study will NOT be allocated an ethics clearance number.

APPENDIX D

LETTER: LANGUAGE EDITOR



One Stop Solution
24 Firenze Gardens
Warbler Road
Cotswold Ext
Port Elizabeth
6045

www.onestopsolution.co.za

TO WHOM IT MAY CONCERN

I, Simoné Ferreira, declare that I have done the language editing for the research paper of:

Name: Viwe Mrwebi

entitled:

CRITICAL ANALYSIS OF ORGANISATIONAL JUSTICE IN THE FINANCIAL SERVICES INDUSTRY IN SOUTH AFRICA

Submitted in fulfilment of the requirements for the degree of Philosophy Doctor Commercii (Business Management) in the Faculty of Business and Economic Sciences at the Nelson Mandela University.

I cannot guarantee that the changes that I have suggested have been implemented nor do I take responsibility for any other changes or additions that may have been made subsequently.

Any other queries related to the language and technical editing of this treatise may be directed to me at 076 481 8341.

Signed at Port Elizabeth on 17 November 2017

.....
Simoné Ferreira

APPENDIX E

TURNITIN REPORT

A CRITICAL ANALYSIS OF ORGANISATIONAL JUSTICE IN THE SOUTH AFRICAN FINANCIAL SERVICES FIRMS

ORIGINALITY REPORT

18%	10%	4%	10%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	Submitted to Mancosa Student Paper	6%
2	www.sakhalinenergy.ru Internet Source	1%
3	Submitted to Sheffield Hallam University Student Paper	1%
4	www.myjurnal.my Internet Source	1%
5	repository.up.ac.za Internet Source	1%
6	Governance and Citizenship in Asia, 2016. Publication	1%