

# DO ORGANIZATIONAL CLIMATE AND ORGANIZATIONAL JUSTICE ENHANCE JOB PERFORMANCE THROUGH JOB SATISFACTION? A STUDY OF INDONESIAN EMPLOYEES

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## ABSTRACT

*This study analyzed the effect of organizational climate and organizational justice on job performance of statistics district coordinators at Statistics Central Bureau, Yogyakarta. 75 samples consisted of statistics district coordinators who work in four regencies and the city of Yogyakarta. Structural Equation Modeling with Partial Least Square (PLS) 3.2 versions was employed to test the hypotheses. The results of the study revealed that organizational climate and organizational justice significantly affected statistics district coordinators' job satisfaction. Organizational climate also significantly affected statistics district coordinators' job performance whereas the organizational justice had no effect on statistics district coordinators' job performance. Job satisfaction significantly affected statistics district coordinators' job performance and also played a mediating role on the effect of organizational climate and organizational justice on statistics district coordinators' job performance. This study provides a theoretical contribution towards Fishbein and Ajzen theory which is also known as reasoned-action theory. Overall, this study could make important contribution to extant research in human resource management and organizational behavior crucially in the context of bureaucratic reform in Indonesia.*

**Keywords:** Organization Climate, Organizational Justice, Job Satisfaction and Job Performance.

## INTRODUCTION

According to Altman (2000), to remain competitive and maintain a competent workforce, management teams should focus on organizational climate. If the climate that exists in the organization provides positive benefits for their employees, job satisfaction will increase. Gibson (1998) argued that organizations can achieve effective and efficient performance if the employees stay within job satisfaction environment. A study by Hashemi & Sadeqi (2016) confirmed the relationship between organizational climate and job satisfaction.

Justice is also important element of job satisfaction and performance. Nkrumah & Atinga (2013) found that distributive justice, procedural justice and interactional justice predict job satisfaction of health professionals. Usmani & Jamal (2013) concluded that there is a positive and significant relationship between distributive justice, interactional justice, temporal justice and job satisfaction. However, few investigations pertaining job satisfaction as intervening variable have been conducted.

The purpose of the study was to empirically examine the mediating role of work satisfaction on the influence of organizational climate and organizational justice on the performance of Yogyakarta Central Bureau of Statistics district coordinators' performance. This study specifically investigated the influence of organizational climate and organizational justice on work satisfaction, the effect of organizational climate, organizational justice and work satisfaction on work performance. Theoretically, the result of this study would provide theoretical contribution towards the application of Fishbein & Ajzen Theory (2011) in the field of human resource management and organizational behavior. Practically, the insight obtained in this study could assist Yogyakarta's Central Bureau of Statistics in undertaking their organizational reformation in line with the bureaucratic reform currently taking place in Indonesia.

## **THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT**

The Theory of Reasoned Action (TRA) was developed by Fishbein & Ajzen (2011) and was derived from previous studies that began as the theory of attitude. The theory aims to explain the relationship between attitudes and behaviors within human action. TRA is used to predict how individuals will behave based on their pre-existing attitudes and behavioral intentions. Decision to engage in a behavior is based on the outcomes the individual expects will come as a result of performing the behavior.

Grote & Grote (1996) explains that employee performance is the result of synergies from several factors, namely the organization's internal environment, external environmental factors and internal factors of employees. Internal factors are behavioral aspects of employee job satisfaction among employees, as well as external factors such as organizational climate and organizational justice. All these factors affect the performance of employees who will ultimately affect the performance of an organization.

Organizational climate is defined as an embodiment of culture, combining feelings, attitudes, behavior which shape organizational life and an organizational fact with an objective concept (Ekvall, 1996). Organizational climate affects perception and sense of membership of staff and determines whether they experience the organization as rewarding and desirable (Mathieu & Farr, 1991).

Organizational justice is a theoretical concept about organization's treatment of employees. Three types of justice have been generally accepted by the scholars: distributive justice that deals with fairness about outcome distributions, procedural justice that addresses fairness with regards to the processes by which outcomes are allocated; and interactional justice that is related to fairness about interpersonal treatment (Cropanzano et al., 2001).

Job satisfaction is the basic requirement of individual's attendance and work with the organization because it plays the critical role in increasing productivity (Thakor & Joshi, 2005). A person with high satisfaction would have a positive attitude towards the job while a dissatisfied person would express a negative attitude towards the job.

## HYPOTHESIS DEVELOPMENT

### **The Relationship between Organizational Climate and Organizational Justice on Job Satisfaction**

Several studies conducted on the relationship between organizational climate and organizational justices on job satisfaction have found significant correlation between the two variables. For example, Ghanabari & Eskandari (2014) in their study indicated that there is a strong positive correlation between organizational climate and job satisfaction. Certain dimensions of organizational climate such as identity, conflict management and rewards were also found to have relationship with job satisfaction (Boateng et al., 2014).

Meanwhile, Thomas & Nagalingappa (2012) concluded that interactional justice is a stronger predictor of turnover intention as well as job satisfaction than procedural and distributive justice. Nkrumah & Atinga (2013) found that distributive justice, procedural justice and interactional justice predict job satisfaction and performance of health professionals. Finally, Usmani & Jamal (2013) also show that significant relationship exists between organizational justice and job satisfaction. Based on the above arguments, the hypotheses can be drawn as follows:

*H<sub>1</sub>: Organizational climate positively affects job satisfaction.*

*H<sub>2</sub>: Organizational justice positively affects job satisfaction.*

### **The Relationship between Organizational Climate, Organizational Justice and Job Satisfaction on Job Performance**

According to Balkar (2015) organizational climate characterized by support, fairness and pressure affects job performance. He examined the influence of organizational climate on teachers' job performance and showed that organizational climate is a significant factor that could affect teachers' job performance. Efanga et al. (2015) demonstrated that increased organizational justice leads to increased job satisfaction in performance evaluation. They concluded that organizational justice has positive and significant effect on job performance. Nkrumah & Atinga (2013) also explained performance-based pay significantly correlates with job satisfaction and performance. Finally, a study by Awan & Asghar (2014) reported that job satisfaction has direct significant effect on the performance of lecturers. Javed et al. (2014) also showed significant positive association of employee empowerment, workplace environment, job loyalty and job performance with job satisfaction. Based on the above arguments, the hypotheses can be drawn as follows:

*H<sub>3</sub>: Organizational climate positively affects job performance.*

*H<sub>4</sub>: Organizational justice positively affects job performance.*

*H<sub>5</sub>: Job satisfaction positively affects job performance.*

*H<sub>6</sub>: Organizational climate positively affects job performance through job satisfaction.*

*H<sub>7</sub>: Organizational justice positively affects job performance through job satisfaction.*

## RESEARCH METHODOLOGY

This study employed quantitative research, and the unit analysis of this study was district coordinators at the Central Bureau of Statistics, Yogyakarta. Job performance was measured with five indicators: quality of work, quantity of work, promptness, effectiveness, self-initiated (Grote & Grote, 1996). Organizational climate was measured with four indicators: structure, responsibility, supports and commitment (Ekvall, 1996). Organizational justice was measured with two indicators: distributive justice and procedural justice (Cropanzano et al., 2001). Job satisfaction is the feelings that individuals have about their jobs, and was measured with five indicators: monthly salary, promotion perceived by the employee, co-worker, and supervision perceived by the employee and work it-self (Locke, 2009). All the variables were measured with questionnaire using 1-5 Likert scale.

## RESULTS AND DISCUSSION

64 (82%) of the respondents were male and only 11 (18%) were female. 25 (33%) of them possessed bachelor qualification while the remaining 50 (67%) are either with a diploma or high school qualification. In terms of age, 19 (25%) of the respondents are above the age of 50, 23 (31%) are between the age of 41 to 50, 26 (34%) are between the age of 31 to 40 and the remaining seven (10%) are below 30 years old. Majority of the respondents, 27 (36%) have less than 10 years working experience, 20 (27%) have between 11 to 20 years working experience, 16 (21%) have between 21 to 30 years working experience and the remaining 12 (16%) have more than 30 years working experience.

Structural Equation Model (SEM) with Smart-PLS 3.2 version was employed to analyse the data gathered in this study. PLS is a technique also known as a “*soft modelling*” technique. It was developed to address the challenges posed by “*hard modelling*” technique such as obtaining large enough samples, finding empirical support for nascent theory, and meeting a rigid assumption of the statistical techniques. All the items, except one item which was removed from the final analysis, show loading factors greater than 0.5, and are considered as having adequate reliability (Hair, 2013). The indicators were also determined to satisfy the requirement of Fornell and Larcker’s (1981) internal consistency of 0.7. Finally, the Average Variance Extracted (AVE) of all the indicators were above 0.5 except for Job Satisfaction at 0.490 but were accepted for further analysis. Table 1 presents the composite scale reliabilities and average variance extracted (AVE) for indicators of the constructs that contained two or more items.

<b>Construct</b>	<b>CR</b>	<b>AVE</b>
Organizational Climate	0.89	0.54
Organizational Justice	0.87	0.64
Job Satisfaction	0.90	0.49
Job Performance	0.90	0.53

Structural model test aimed to measure the relationship between latent variables and the significant value of  $R^2$ . The  $R^2$  of structural model tested of job satisfaction was 0.680 and job performance was 0.713.

The path coefficient is illustrated on Table 2. It shows the direct effect results which revealed that organizational climate and organizational justice positively affected job satisfaction ( $H_1$  and  $H_2$  were accepted), and organizational climate positively affected job performance ( $H_3$  was accepted), job satisfaction positively affected job performance ( $H_5$  was accepted), but organizational justice had no effect on job performance ( $H_4$  was rejected). Meanwhile, the indirect effect results showed both organizational climate and organizational justice significantly affected organizational climate and organizational justice toward job performance through job satisfaction ( $H_6$  and  $H_7$  were accepted).

Hypothesis	Structural Path	Original Sample	t value	Results
<b>Direct Effect</b>				
$H_1$	Org. Climate → Job Satisfaction	0.565	6.887	Significant
$H_2$	Org. Justice → Job Satisfaction	0.333	3.831	Significant
$H_3$	Org. Climate → Performance	0.398	3.559	Significant
$H_4$	Org. Justice → Performance	0.048	0.426	Not-Significant
$H_5$	Job Satisfaction → Performance	0.462	4.210	Significant
<b>Indirect Effects</b>				
$H_6$	Org. Climate → Performance	0.261	3.174	Significant
$H_7$	Org. Justice → Performance	0.154	2.767	Significant

## CONCLUSION

These findings have empirically found that organizational climate and organizational justice significantly affected statistics district coordinators' job satisfaction. Organizational climate positively affects job performance, organizational justice has no effect on job performance and job satisfaction positively affects job performance. The findings also yield that job satisfaction has significant mediating role on the influence of organizational climate and organizational justice on job performance. This overall result has indicated that job performance can be improved by increasing job satisfaction. Job satisfaction can also be improved by increasing organizational climate and organizational justice. Future research agenda will need to assess further on more internal and external factors that affect performance, so it will be easier to detect the strengths and weaknesses of the factors that influence performance. By knowing these factors, the strategy to increase employee performance can be formulated.

This study has also verified the theory from Fishbein & Ajzen (1980) which is commonly known as reasoned-action theory.

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