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# Interaction among Social Capital, Distributive and Procedural Justice and Its Consequences to Individual Satisfaction in Performance Appraisal Context

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**Abstract:** This study examined the influences of distributive justice and procedural justice on individual satisfaction in performance appraisal context. Social capital as moderating variable that influences the relationship among them. The relationship between distributive and procedural justice and individual satisfaction based on the two factor model. The two factor model is a concept introduced by Sweeney and McFarlin (1993) who explained that distributive justice and procedural justice have a different influences on outcomes. In this research, focus on individual satisfaction. Distributive justice will be stronger to predict individual satisfaction compared to procedural justice. In fact that model is not always supported. This research explained that this model should be considered social capital as moderating variable, because social capital reflects subjective perspective.

**Keywords:** social capital, distributive justice, procedural justice and individual satisfaction.

## I. INTRODUCTION

Based on the two-factor model, distributive and procedural justice has specific influence on the employees' attitude and reaction. The model explains that distributive and procedural justice have different predicting ability to their consequences. The consequences are the results which are referred as personal outcomes, which, in turn, can be proxied with individual satisfaction. According to the theory, distributive justice has stronger predicting ability to individual satisfaction rather than procedural justice.

The model offers two important issues. **The first issue** is that there are several empirical results showing that prediction of distributive and procedural justice towards individual satisfaction do not always get empirical supports (Barling & Philips, 1993; Tang & Sarsfield-Baldwin, 1996; Colquitt, 2001). It is important to consider the subjective aspects in justice models (Skarlicky, 2001; Harris *et al*, 2004).

**The second issue** of this research is related to the field phenomena. In various policies and practices of human resources management in business, performance appraisals are practices which are considered to have strategic roles in providing warranty the running of the business strategies and companies' competitive values. The performance appraisals have important functions in the implementations of effective practices of human resource management. In practice, the performance appraisals are practices of resource management which are conducted regularly by the companies because they are considered to contribute on the organizations' effectiveness. This is interesting because many people think that performance appraisals are paradoxes in nature. Paradoxes are related with the performance appraisals which are considered meaningless towards employee's attitude and apparently it is true. One of the objectives of this research is to find out the effectiveness of performance appraisal in organizations by exploring how the influence of justice of performance appraisals to satisfactions of the employees. The underlying reasons of the research are (1) attitudes and reactions of the employees representing their interests assessed with performance appraisal carried out by their organizations; (2) the fact that, theoretically, the perception of justice is related with factors of acceptance and success of performance appraisals (Keeping & Levy, 2000).

### **Problem Formulation**

Based on the abovementioned background, the research questions are formulated as follows:

1. Does social capital play a role in moderating the model of the influence of organizational justice on its consequences? Specifically, do different social capitals play a role in elaborating the model of the influence of distributive and procedural justice towards the individual satisfaction?



2. Does the particular model explain the justice phenomena of performance appraisals in banking industry?

## II. LITERATURE REVIEW AND HYPOTHESIS FORMULATION

### *Predictions of organizational justice on individual satisfaction*

Why is the influence of distributive justice more dominant to individual satisfaction than procedural justice in performance appraisal setting? Sweeney and McFarlin (1993) in the two-factor model maintain that distributive justice tends to have positive influences on the results which is related with personal evaluation such as individual satisfaction. Conceptually, it is caused by distributive justice which is related with the results gained by the employees from the organization (Folger & Konovsky, 1989).

### *Roles of Moderating of Social Capital on the influence of organizational justice on individual satisfaction in Performance Appraisal Setting*

Social capital means individual ability in mobilizing the potentials through networks of friends, groups or organization (Akdere, 2005; Nahapiet & Ghosal, 1998). Social capital is personal property prescribed on someone and not on the social interaction. The self potentials are called as bonding and mobilizing ability as bridging perspectives. They can create patterns of individual's psychological interaction with his/her social environment. Moreover, Kostova and Roth (2003) cite that social capital will make an individual tend to work harder to maintain their social relationship or focus on financial factors. Those who have low social capital will tend to work on their financial factors. They will be less motivated to get involved in social system, do not prioritize on their social interests and do not strongly identify themselves with their groups (Chua, 2002 and Primeaux, 2003). Hence, low social capitalized people will be more sensitive compared to high social capitalized people in facing their financial problem.

From distributive justice point of view, the low social capitalized people take the focus on their short term needs, i.e., financial. They will be upset easily if the direct results are not as good as they have expected. Thus, the change on perception of distributive justice will receive more sensitive response in forms of change of satisfaction.

Similarly, in procedural justice, the people with low social capital will try to make their interests protected by the procedures of a policy, such as policy of performance appraisal. The phenomena are described in the model of personal interests that people will care more about procedural justice because the procedures accommodate their interests. If the procedures are considered as less fair, the low social capitalized people will be more sensitive in

terms of the level of satisfaction change because they focus on their financial aspects.

Based on the literature above, the hypothesis are as follows:

- H1. Social capital moderates the influence of the distributive justice towards the individual satisfaction. The influence of distributive justice towards the individual satisfaction is stronger in low social capitalized people.
- H2. Social capital moderates the influence of procedural justice towards individual satisfaction. The influence of procedural justice towards individual satisfaction is stronger in low social capitalized people.

## III. RESEARCH METHODOLOGY

### *Sample*

Respondents were employees of 11 branch offices of several banks in Yogyakarta Special Province, i.e., Bank Mandiri, Bank BRI, Bank BTN, Bank Bukopin, Bank Danamon, Bank BII, BRI Syariah, BTN Syariah, BNI Syariah, Bank BSM and Bank Muamalat Indonesia.

The number of the questionnaire distributed were 467 and 334 were returned (response rate 71,52%). The questionnaire which fulfilled the requirements were 319.

### *Definitions of Operational and Measurement Variables*

#### *Distributive Justice*

The measurement of distributive justice was carried out by modifying 4 items developed by Leventhal (1976) which were also used Colquitt (2001) after exploring them.

#### *Procedural justice*

The measurement of procedural justice was conducted by using 7 items developed by Colquitt (2001).

#### *Social Capital*

The measurement of social capital was based on Chua (2002) who developed the measurement of social capital on individual level. The researcher used 12 items.

#### *Individual satisfaction (performance appraisal)*

The measurement was done using the 8 items developed by Roberts and Reed (1996).

#### *Organizational commitment*

The measurement was developed by Allen and Meyer (1990) and was later modified by Meyer et al (1996). This measurement consisted of 6 items.



**Validity and reliability tests**

Validity is the ability of a tool to measure and explain the construct. It is related to the accuracy of the tools to achieve the target. All items of each variable were valid, however the variables of the social capital had three invalid items, i.e., item number 3, 8, and 12.

Reliability tests aimed to see the consistency of the results of the measurement, rule of thumb 0.70 (Sekaran, 2000). The results showed that all items were reliable to measure the intended variables.

**IV. RESULTS AND DISCUSSION**

**Descriptive Statistics**

TABLE I. DESCRIPTIVE STATISTICS

Variable	N	Minimum	Maximum	Mean	Std Deviation	Cut Off
K. Distributive (X1)	319	11	20	15.74	1.943	12
K. Distributive (X2)	319	17	35	27.28	3.885	21
Social Capital (X3)	319	28	45	36.48	4.473	27
Satisfaction (Y)	319	12	30	23.50	3.715	18

**Hypothesis examination**

To identify the effect of moderating in the correlation among the variable, the examination by using the hierarchical multiple regression analysis was conducted. Referring to the research by McFarlin and Sweeney (1992), the hypothesis examination applying the hierarchical multiple regression analysis, with the reason that this method is able to examine the effects of control variables, main effect, moderating effect (interaction effect) of the independent variable towards the dependent ones at once.

The analysis examined two effect correlation, that is, (1) the effect of organizational justice types on the performance assessment satisfaction and (2) the effect of organizational justice types on the individual satisfaction.

**The Role of the Social Capital Moderating towards the Effects of Justice on the Individual Satisfaction**

The first step, put the control variable into the model to see the effect of the variables on the model. The result showed that the control variables did not have any prediction to the model.

The second step, put in the main effect. The result showed that ( $\beta$ ) distributive justice was higher than ( $\beta$ ) procedural justice (0.624 > 0.203).

TABLE II. THE ROLE OF THE SOCIAL CAPITAL MODERATING TOWARDS THE EFFECTS OF JUSTICE ON THE INDIVIDUAL SATISFACTION

INDEPENDENT VARIABLE	INDIVIDUAL SATISFACTION		
	$\beta$	( $\Delta R^2$ )	P
Step 1: Control Variable (sex, age, education, length of work and profession) ( $\Delta R^2$ )	0.185	0.030	Ns
Step 2: Main Effect Distributive justice Procedural justice Social capital ( $\Delta R^2$ )	0.303 0.199 0.395	0.581	0.001 0.001 0.001
Step 3: Interaction Effect Distributive justice interaction x social capital Procedural justice interaction x social capital ( $\Delta R^2$ )	0.039 -0.844	0.005	ns ns
Step 4: Continued Interaction Effect Distributive justice interaction x procedural justice x social capital ( $\Delta R^2$ )	-1.033	0.004	Ns

On the other side, step 3 and 4, the interaction effect and continued interaction were not significant, meaning that it was unable to improve the prediction power significantly, so that the moderating role of the social capital was not supported. Therefore, hypotheses 1 and 2 did not have empirical supports.

**Discussion**

**The Effect of Distributive and Procedural Justice on Its Consequences**

The model conception of the two types of justice gained the empirical support on the banking setting in the Special Province of Yogyakarta (DIY). The distributive and procedural justice play a role in explaining the consequences. The effects of the two justice types are specific. This research found that the distributive justice was more dominant than the procedural justice in explaining satisfaction. In the theoretical perspective of economic exchange, when interacting with the organization, people would tend to maximize the desired result allocation. The view can also be seen from the Tyler's thought (1994) in the theory perspective of resources, stating that those people expect the result the organization would give. The management practices in the companies running in banking sector, have generally applied the more modern management concepts, such as the practice of scoring the staffs' working performance. The practice has been conducted regularly in each bank. In that context, the staffs expect a fair assessment system so that it will create a healthy working environment. A fair assessment system on the working performance will result in the distribution of other prosperity, such as compensation, career, and others.



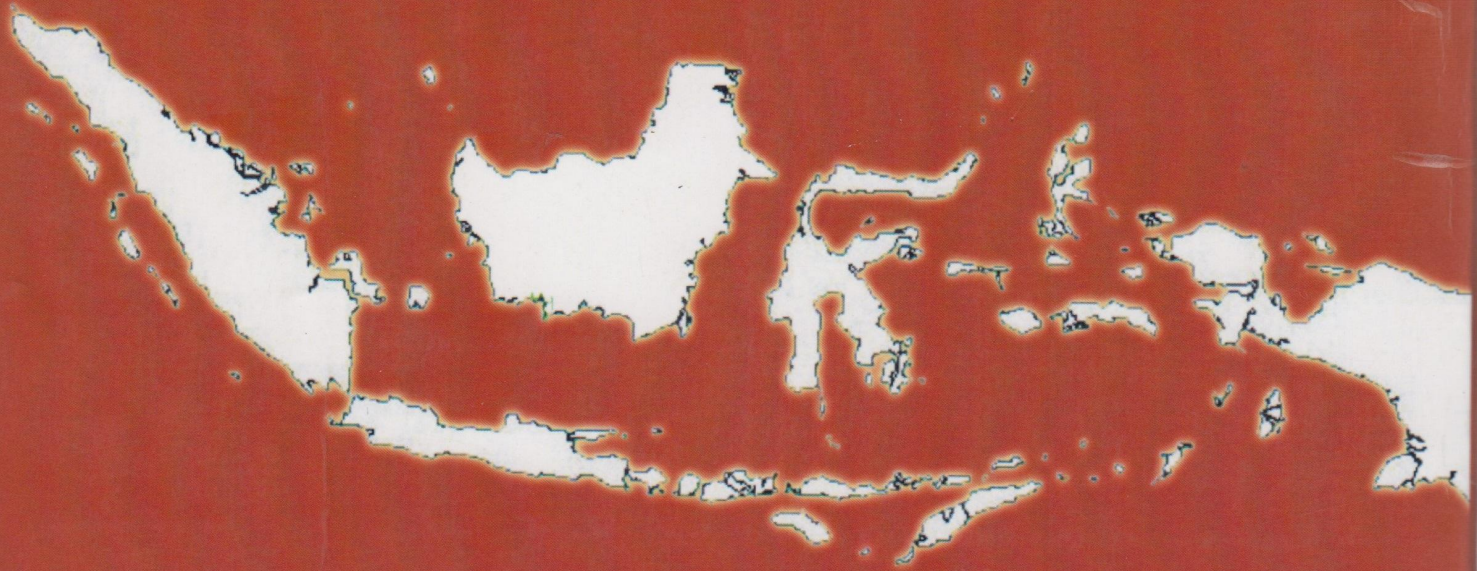
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