

Assessing Organizational Justice and Job Satisfaction in Public Accounting Firms in Indonesia

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Abstract

This study attempted to examine some factors contributing to dysfunctional audit behavior by proposing the determinants of organizational justice in terms of distributive, procedural and interactional justice and job satisfaction as the intervening variables. The sample for the present study consisted of 392 employees, working as auditors and managers of public accounting firms in Jakarta, Indonesia. By using a structural equation modelling technique, the results of the study were able to prove the effect of the perceptions of organizational justice and job satisfaction on the occurrence and acceptance of dysfunctional audit behavior. Finally, a number of implications and limitations were discussed.

Keywords: *organizational justice, job satisfaction, dysfunctional audit behavior.*

1. Introduction

Justice has always fundamentally been perceived as a prerequisite for the existence of the order of social life throughout history. Nowadays, due to the pervasive role of multinational organizations in enhancing the welfare of global society, the role of justice in organization is more pronounced. Organization is widely considered as the miniaturization of a wider community, and justice in such context is demanded to realize to constitute the organizational order of behavior and commitment of both employees and employers. Justice, particularly in the behavioral management of staffs, can be implemented by the decisions of allocating organizational resource (Greenberg, 1987), in terms of resource distribution, supervisory relations, promotion and appointment of employees, to mention but a few. The process of fair treatment and, more importantly, of shaping individual sense of justice is important for the understanding of how the scale of justice, by measuring the degree of employee satisfaction, motivation and commitment influence organizational behavior and attitude.

In the context of public accounting firms, this process is overwhelmingly required the access proper understanding of the influence of organizational justice on various aspects of job satisfaction and auditing performance of employees. The basic assumption is that a lower organizational support in the terms of justice perceived by accountants will considerably trigger the reduced audit quality behaviors, such as the acceptance of dysfunctional auditing behavior (hereinafter commonly abbreviated as DAB) (Randall et al., 1999; Malone & Roberts, 1996), that highly affect the entire performance of public accounting firms (Donnelly, Quirin & O'Bryan, 2003). Therefore, the purpose of this study was to investigate some factors contributing to the differences in auditors' attitude in accepting DAB by considering the role of the basic value of justice and satisfaction.

2. Literature Review

2.1. Organizational Justice and Job Satisfaction

The employee perception of organizational justice constitutes an important effect on organizational decision making. Furthermore, it is able to overwhelmingly influence such organizational performance and individual behavior such as employee satisfaction, commitment, turn over, organizational citizenship, organizational leadership and performance, and even customer satisfaction and legal risk (Cohen-Charash & Spector, 2001; Tamošiūnienė & Savčuk, 2007). Kim (2009) found that employees having perceived that they are treated fairly by the company tend to develop and maintain a higher level of communal relationship with the organization. Thus, they are likely to show more commitment, satisfaction, and mutuality than those having the experience of unfair treatment. Organizational justice is often defined as the employee perception of the extent to which the organization treats them fairly (Moorman, 1991) and is associated with how such perception can influence organizational outcomes (Greenberg, 1996). Organizational justice in some previous studies generally focuses on only two models, namely distributive and procedural justice. The former refers to individual feeling of justice, fairness, and suitability of allocating organizational resource and making decision, while the later is described as the relevance of the procedures purposively used to distribute the outcome (Leventhal et al., 1980). Subsequent studies, however, investigated another noticeable factor of interactional justice being associated with employee perception of the attitude they receive during the procedural justice application within organization (Eskew, 1993). Individual perception has also been closely linked to such expected important outcomes as job satisfaction. Hence, most studies found that organizational justice in terms of distributive,

procedural and interactional forms is positively related to job satisfaction (Tortia, 2006; Ismail et al., 2009; Choi 2011; Gbadamosi & Nwosu, 2011).

- H1: Distributive justice positively influences job satisfaction
- H2: Procedural justice positively influences job satisfaction
- H3: Interactional justice positively influences job satisfaction

2.2. Organizational Justice and the Acceptance of DAB

Previous literatures are seemingly not able to conclusively state the interaction of organizational justice perceptions and acceptance of dysfunctional audit behavior. The equity theory of Adam (1965) suggests that the employees will be likely to feel unpleasant if rewards are not equally allocated to the others. A lower organizational justice perceived by employees highly leads to a lower commitment of employees to perform their job as set by industrial standards. Dysfunctional audit behavior is termed to describe such behavior contributing to reduce audit quality and ultimately, leading to audit failure. These behaviors are perceived to directly affect the results of audit quality including premature signing off of audit steps without any completion of the procedure (Outley & Pierce, 1995; Rhode, 1978; Alderman & Deitrick, 1982) and alteration of audit steps (Margheim & Pany 1986). Since auditing performance by public accountant has been measured tightly by international community, a low commitment can reduce the quality of auditing performance in terms of the acceptance of dysfunctional auditing behavior. This, eventually highly affects the entire performance of public accounting firms and customer satisfactions. In addition, the existing literatures have also identified such environmental factors as time pressure and supervisor style that contribute to dysfunctional behavior, including the moderating effects of the interaction between supervisor leadership style and auditor personality (Kelley & Margheim, 1990).

- H4: Distributive justice negatively influences the acceptance of DAB
- H5: Procedural justice negatively influences the acceptance of DAB
- H6: Interactional justice negatively influences the acceptance of DAB

2.3. The Roles of Mediating Variable of Job Satisfaction

Justice, together with morality, is theoretically regarded as an abstract construct that is somewhat difficult to exactly measure. The concept of justice is remarkably important in social life order, and the measurement has been conducted in several ways, especially in business context to adopt the standard of treatment between the employees and the organization. Many literatures have validated its measures by more tangible constructs in terms of satisfaction (e.g Moorman, Niehoff & Organ, 1993; Leung et al., 1996; McFarlin & Sweeney, 1992; DeConinck & Stilwell, 2004; Colquitt, 2001). The studies of organizational justice perceptions which focus on the role of fairness in the work place have shown that organizational justice perceptions strongly affect the attitude of employees' job satisfaction, turn over intentions and organization commitment (Colquitt et al., 2001). Adam (1965) suggested that employees are satisfied when they feel that the rewards have been proportionally given according to their input and there is no difference as compared to other employees. Unequal treatment is likely to be able to lead to unpleasant atmosphere and result in less motivated employees (Folger & Cropanzano, 1998). Hence, in the view of the theory of organizational behavior, DAB is the reflection of decreased motivation of employees (Sulistiyo & Ghazali, 2017). Conceptually, Locke (1969) stated that job satisfaction is individual emotional state resulted from appraisal of job experience, while Gbadamosi & Nwosu (2011) associated

job satisfaction with the degree of relationship of employee and organization. A low satisfaction will eventually result in less motivated employees (Folger & Cropanzano, 1998). Sijabat (2010) stated that job satisfaction is negatively related to the acceptance of DAB. Thus, job satisfaction is perceived to be able to mediate the effect between organizational justice and the acceptance of DAB.

- H7: Job satisfaction has significant mediating effect in the relationship between organizational justice and the acceptance of DAB.

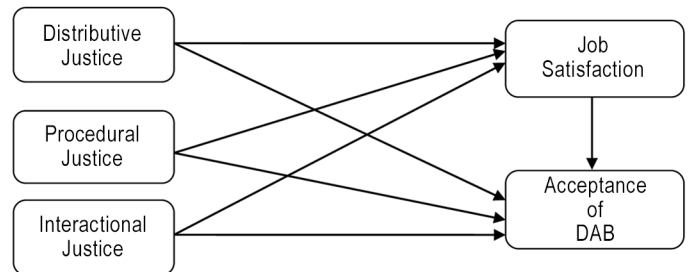


Figure 1. Conceptual Model

3. Methodology

The sample for the present study consisted of 392 employees, working as auditors and managers of public accounting firms in Jakarta, Indonesia. The response rate was 66.84 (N = 262 respondents). The gender composition of the sample was 66.8 percent male (N = 175) and 33.2 percent female (N = 87). The job position composition of the sample was 26.7% junior auditors (N = 70), 57.6% senior auditors (N = 151) and 15.6% managers (N = 41). In terms of gender, most of the respondents were male (66.8%). A majority of the respondents had a bachelor degree (87.4%), and served as senior auditor (57.6%). The respondents who had worked for 2-4 years (37%) were the majority group. The data collected were transferred to a computer for analysis after appropriate coding process. The path analysis method applying AMOS software was used to examine the two models proposed.

Three dimensions of perceived organizational justice measured in this study were distributive, procedural and interactional justice (Tang & Sarsfield-Baldwin, 1996). All of the measures of justice used a seven-point Likert scale with response categories (1= strongly disagree; 7 = strongly agree). All had the value of Cronbach's alpha score of 0.95. Job satisfaction was measured using job satisfaction scale developed by Kalbers and Cenker (2007). The normality testing revealed the value of Cronbach's Alpha score of 0.92. The construct of the acceptance of DAB was measured using the items developed by Donnelly et al. (2003). The value of Cronbach's Alpha score was 0.87. This construct used one dimension of premature signing off consisting of four parameters. In addition, based on the statistical tests, the variables were normally distributed and there were no problems of skewness or kurtosis. The items were loaded on the predicted factor, and the factor loading score was above 0.40.

4. Results

Table 1 shows the testing of goodness of fit by comparison to cut of value, aiming to assess the difference between the sample and population. The results showed that there was no difference among all items. Thus, all indexes are accepted. Later, the results of the structural equation model test on the research model is shown in Figure 1. Table 2 shows the association and impact of exogenous variables (distributive, procedural and interactional justice) on endogenous variables (job satisfaction and the acceptance of DAB).

Table 1. The Assessment Goodness of Fit Index

Goodness of Fit Index	Cut off Value	Results	Assessment
Chi-Square (df = 454)	< 504.675	500.675	Good
Probability	≥ 0.05	0.063	Good
CMIN/DF	≤ 2.00	1.103	Good
GFI	≥ 0.90	0.947	Good
AGFI	≥ 0.90	0.922	Good
TLI	≥ 0.95	0.961	Good
CFI	≥ 0.95	0.968	Good

The testing shows that hypothesis one, predicting that the employee perceptions of distributive justice is positively related to job satisfaction, is supported by the result of regression analysis. The value of critical ratio (C.R) of the relationship of distributive justice and job satisfaction was 6.010, and significant at 0.01 or below 0.05 significance level. Thus, hypothesis one is accepted. This means that auditors having high perceptions of distributive justice from their institutions tend to have high job satisfaction.

Table 2. The Assessment Goodness of Fit Index

Hypothesis	Std. Estimate	Estimate	S.E.	C.R.	p
JS ← DJ	.581	.595	.099	6.010	***
JS ← IJ	.101	.116	.076	2.524	.027
JS ← PJ	.090	.089	.069	2.289	.038
DAB ← JS	-.316	-.281	.092	-3.065	.002
DAB ← DJ	-.118	-.107	.085	-2.258	.041
DAB ← PJ	-.165	-.145	.062	-2.354	.019
DAB ← IJ	-.555	-.566	.100	-5.670	***

Hypothesis two, predicting that the perceptions of procedural justice are positively related to job satisfaction, is supported by the result of the regression analysis. The critical ratio of pro-

cedural justice and job satisfaction was 2.289, and significance level was 0.038 which was above the critical value in the level of significance 0.05 (5%) = 1.998, and F-value shows that the model is significant (p < 0.05). This means that auditors who have high perceptions of procedural justice towards their organization tend to have high job satisfaction.

Hypothesis three states that auditors' perception of interactional justice is positively related to job satisfaction. The testing revealed that this hypothesis is accepted, supported by the result of the regression analysis, in which the value of critical ratio of the relationship of interactional justice and job satisfaction was 2.524, and significant at 0.027. This means that a higher auditors' perception, that their organization provides interactional justice, significantly leads to a higher level of job satisfaction.

Hypothesis four states that auditors' perception of distributive justice is negatively related to the acceptance of DAB. This hypothesis is supported by the result of the regression analysis, in which the value of critical ratio of distributive justice and the acceptance of DAB was -2.258 and significant at 0.41 < 0.05. Thus, hypothesis four is accepted. This means that the higher the auditors' perception about the distributive justice from their organization, the lower the acceptance of DAB.

The testing result revealed that the value of critical ratio of the relationship between procedural justice and the acceptance of DAB was -2.354, and p value was 0.019 or significant at p<0.05. This means that hypothesis five stating that employees' perception of procedural justice is negatively related to the acceptance of DAB is accepted. This means that a higher number of the employees perceiving the procedural justice of the organization is more likely to decrease the negative behavior in auditing practices.

The testing revealed that hypothesis six, predicting that the higher the perceptions of interactional justice, the lower the acceptance of DAB, is accepted, supported by the value of C.R of -5.670, and p value of 0.01. This means that interactional justice undertaken by public accounting firms is more likely to be able to reduce auditors' acceptance of DAB.

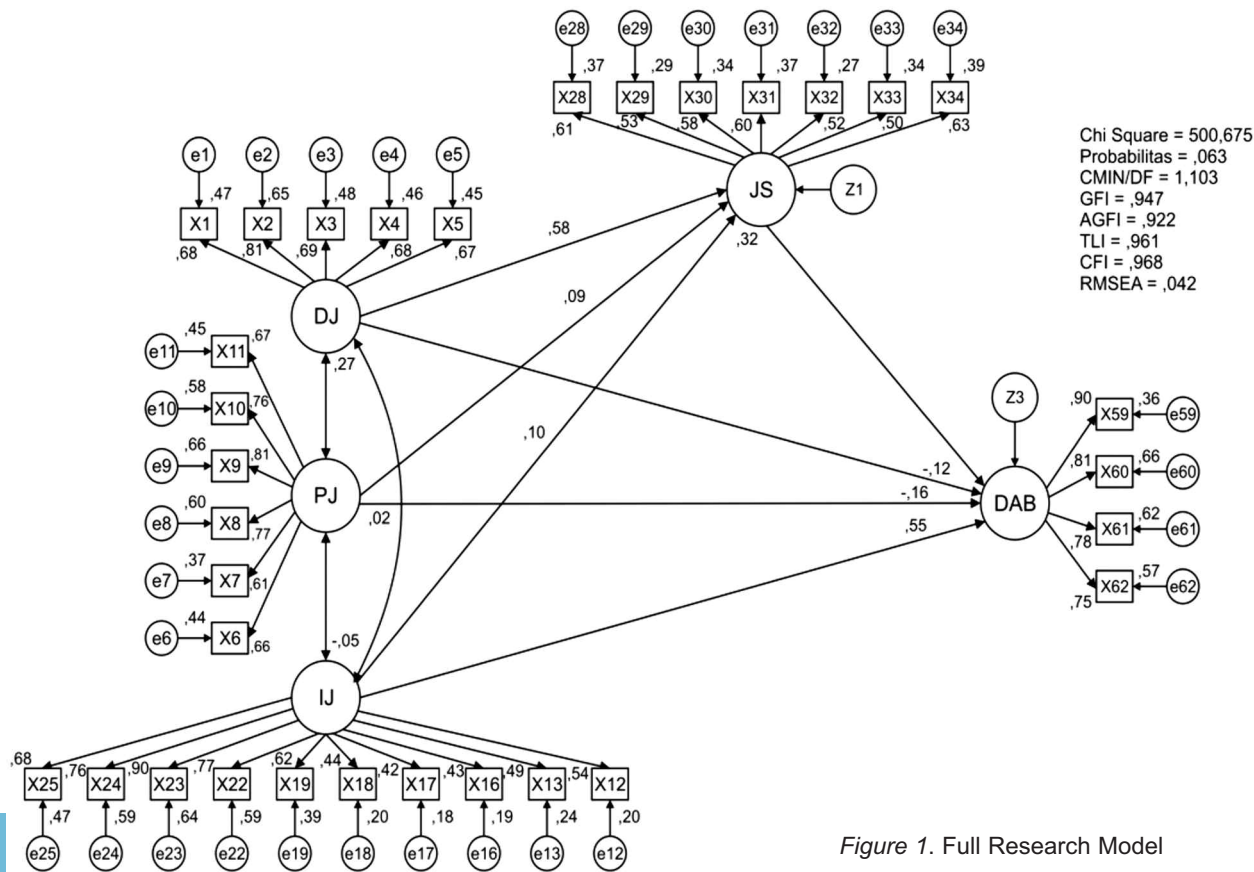


Figure 1. Full Research Model

Finally, hypothesis seven stating that auditors' perception of job satisfaction is negatively related to the acceptance of DAB is supported. The statistical testing revealed that the critical ratio of the relationship between job satisfaction and the acceptance of DAB was -3.065, and significance level of 0.002. This means that the job satisfaction experienced by auditors of public accounting firms is significantly able to strengthen the negative influence of the organizational justice on the acceptance of DAB. Moreover, the satisfaction is more likely to be able to reduce the detrimental behavior of auditors in performing auditing practices. Thus, the more the satisfaction of auditors, the less the dysfunctional auditing behavior of auditors.

5. Discussion

The theoretical model developed in this study significantly contributes to a more explanative understanding of the relationship between organizational justice and job satisfaction that both influence the acceptance of DAB. This model predicts that organizational justice, higher job satisfaction will be related to a lower acceptance of DAB. Most importantly, the study has remarkably proven that job satisfaction experienced by public accounting firms' auditors is one of the most valuable construct in measuring the degree of organizational justice. These above mentioned statistical results are able to validate the measures of justice by more tangible constructs in terms of employee satisfaction. This study henceforth strengthens the results of some previous studies such as DeConinck and Stilwell (2004), Colquitt (2001), Moorman, Niehoff and Organ (1993), Leung et al. (1996), McFarlin and Sweeney (1992).

6. Conclusion

This study identifies the influence of organizational justice on the acceptance of DAB. It is highly worth underlining that the organizational knowledge and understanding about auditors' perceptions of justice could be useful in improving auditing practice, and mitigating any deviant behaviors of auditors, leading to a low audit quality. The most noticeable thing is that the results of this study suggest that job satisfaction plays a very significant role in determining auditors' behavior. The findings indicate that a higher level of job satisfaction is very associated with a lower acceptance of DAB.

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