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The influence of organizational justice on salesperson responses to merit pay decisions: an empirical investigation

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The influence of organizational justice on salesperson responses to merit pay decisions: An empirical investigation

by

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INTRODUCTION

Merit pay is the most important component of extrinsic rewards received by sales employees. Its importance derives from the fact that satisfaction with merit pay has been linked to a number of important attitudinal and behavioral outcomes such as job satisfaction, organizational commitment, instrumentality and expectancy beliefs, and job performance (Dubinsky and Levy 1989).

It is not surprising, therefore, that researchers have attempted to delineate the antecedent factors to merit pay satisfaction. A large number of antecedents have been identified in the literature thus far. These include individual differences, job characteristics, leadership characteristics, organizations structure, and other organizational climate factors (Tyagi 1985). Only recently, however, have researchers begun to examine issues relating to fairness of merit pay decisions (Folger and Konovsky 1989; Dubinsky and Levy 1989; Moorman 1991). These researchers have identified several facets of fairness, namely, procedural, distributive, and interactional, and have suggested that all these fairness aspects will influence how employees may evaluate the merit raises they get.

No single study in the marketing literature has thus far attempted to evaluate the relevance of fairness factors for pay outcome evaluations of sales employees. The purpose of this study will be to fill this void. The study not only investigates the relationships between fairness dimensions and evaluation of pay outcome, it also examines whether fairness also determines global attitudes of employees toward their supervisors and the organization. Both normative and instrumental views of organizational justice are considered.

BACKGROUND REVIEW

Importance of Merit Pay

The psychological contract between an employee and an organization requires that the employee becomes a part of the organization as long as she or he receives certain rewards. However, just because a person is a member of the organization does not mean that the person is contributing toward the goals of the organization. For example, pay may motivate people to come to work, but it doesn't automatically make them perform effectively. Realizing this, organizations have instituted merit systems that relate pay to performance. These systems create conditions where people's reward levels are a function of how they perform. In general, researchers have identified three major purposes of merit pay systems.

Controlling individual's behaviors and attitudes   Merit pay systems are used in attempts by organizations to achieve its strategic goals and objectives by controlling individual behavior - directing individual's to act in the best interests of the organization. Merit pay is a specific reward system, that when implemented and utilized effectively, can manage individual behavior towards fulfilling organizational goals. Additionally, merit pay can be used by management to govern employees' beliefs and expectations regarding fairness judgments of allocations and the procedures used to make allocations decisions in reward situations.

Reward systems afflict organizational performance and individual behavior largely through the impact that they have on people's beliefs and

expectations about how they are and will be rewarded. Expectations are particularly important in influencing motivation, but they also have an important influence on organizational culture and the ability of the organization to attract and retain the right members, and organization structure. In order to be effective, a pay system must impact perceptions and beliefs in ways that produce the desired organizational behavior (Lawler, 1990, p. 38).

Motivating employees Management has a desired interest in employee motivation. In order for merit pay to be used effectively as a motivational tool by management, the employee must understand how the merit pay system matches pay with corresponding individual performance. The emphasis is on communicating the methods and measures that will be used by the pay for performance reward structure to each employee.

Motivational power is an attractive feature of a merit pay system. The motivational element of merit pay is attributed to basing rewards on pay for performance and distinguishing the top performers from the marginal performers; the top performers must be able to differentiate and distinguish pay for performance relative to a referent other "peer" if the organization's reward systems is to be an effective motivator. Additionally, in regards to using pay as a motivator, Lawler states:

> In most instances, the crucial issue is whether a perceived relationship exists between a significant change in pay and performance; in other words, significant changes in compensation must be clearly related to performance. The emphasis here is on significant changes in compensation rather than on total compensation because changes are what can produce a motivating link between current performance and pay (Lawler, 1990, p. 70).

Under such conditions, when merit pay is administered effectively,

> it can be an important part of a total management system that is designed to create a highly motivating work environment...More than ever, organizations need the performance motivators that can be generated when pay is successfully tied to performance. Many organizations are faced with tough international competition, and they need the motivation that pay can produce (Lawler, 1990, p. 79).

Attracting and retaining top employees There is another important strategic advantage available to a corporation using a merit pay system - attracting and retaining top personnel during critical times of corporate down-sizing as well as in prosperous times of growth.

> Merit pay can play a major role in attracting and retaining particular employees....total compensation levels influence people's decisions about where they work. There is no secret to what is the key here: total compensation relative to the market. Individual's who are well paid relative to what they can receive elsewhere are particularly likely to stay with an organization. Those who are poorly paid are likely to leave...Overall, then pay for performance can lead to the right kind of turnover - good performers staying, poor performers leaving (Lawler, 1990, p. 70-71).

Therefore, top performers will require that they be compensated above and beyond their peers and if an organization wants to attract and retain such performers, the organization will have to pay them a distinguishable amount greater than what other employees are paid.

THEORY OF JUSTICE

Distributive Justice

In most organizational settings, managers typically would have a fixed amount of pooled resources from which to allocate pay raises. This presents them with a salary allocation challenge. If managers have the attitude of "taking care of everyone" or a central tendency in allocating rewards, the merit increases given to superior and outstanding performers may diminish. This will reflect, in turn, in their motivation because they may no longer perceive their merit increase as fair, just and adequate or reflective of their performance. Dodge (1973), for example, theorized that a salesperson who feels his/her previous effort has resulted in fair rewards will be more likely to expect that increased future efforts will lead to increased future rewards.

According to Greenberg (1986) the individual receiving the reward evaluates the outcome based on the appropriate distribution of rewards allocated within an organization (comparison of rewards) and that the appropriateness is determined by the individual receiving the reward, not by management - evaluators or allocators, or group members - peers.

In doing this evaluation, equity theory suggests that employees would compare their ratio of inputs to outputs to the ratios of some referent others (Adams 1965). If a person's input-output ratio does not compare favorably with those of others, inequity is perceived. This inequity perception, in turn, may lead to negative attitudes toward the job and the organization.

The notion of distributive justice is rooted in the tradition of balance theories (Festinger 1957; Heider 1958). Unequal balances exist when employees are

either overpaid or underpaid relative to another person with equal contributions. Such situations are supposed to be unpleasant and to result in changes in job satisfaction and/or performance.

Procedural Justice

In equity theory, perceived fairness is defined solely on the basis of distribution of reward and the social system which generates that distribution is not considered (Leventhal 1980). However, work by Freidland, Thibaut and Walker (1973), Thibaut, Freidland, and Walker (1974), and Rawls (1971) indicate that process aspects of the allocative process are important determinants of perceived fairness. The concept of procedural fairness or justice can be traced to the legal literature which has studied how the procedures used to make judicial decisions will have a profound influence on the public's acceptance of those decisions.

Thibaut and Walker's (1975) theory of procedural justice distinguished between three parties: two disputants and an intervening third party; and two stages of the dispute-resolution process: the process stage during which evidence is presented, and the decision stage, during which the evidence is used to resolve the dispute (Greenberg 1987a, 1987b). The ability to control the selection and presentation of the evidence is called "process control," and the ability to determine the outcome of the dispute is called "decision control."

While the work of Thibaut and Walker may be more appropriate in dispute resolution situations, the allocation preference theory may be more appropriate for allocation decisions. Proposed by Leventhal (1976), this theory identifies procedures that people use to achieve justice in allocation situations. Procedures high on justice are expected to allow use of consistent standards and rules, are

based on accurate information, employ safeguards against bias, allow for appeals to be heard, and are based on prevailing moral and ethical standards.

In a study of middle managers, Greenberg (1986) found that the following factors influenced employee perceptions of fairness of performance evaluations: soliciting of workers' input prior to evaluations, two-way communication during the appraisal interview, the opportunity to challenge the evaluation received, familiarity with ratee's work, and consistent application of evaluation standards. Similarly, in another study, Sheppard and Lewicki (1987) found that subjects identified consistency, bias suppression, correctability and ethicality, all elements of procedural justice proposed by Leventhal et al. (1980).

The two views of procedural justice discussed above could be classified as normative versus instrumental. Which of these views is relevant is open to debate. In a study aimed at addressing this question, Tyler (1990) found that people react to their experiences based on normative rather than instrumental judgments. Normative components such as consistency, neutrality, representation, and ethicality had direct links to outcome favorability, explaining 47 percent of the total variability in judgments of procedural justice. On the other hand, the variables reflecting the instrumental view were insignificant.

Procedural justice was consistently found to be more important than distributive justice in employees' evaluations of their organization and authority figures when these evaluations were normative in nature (Alexander and Ruderman, 1987). Tyler (1990) offers the following explanation of why people focus on procedures when evaluating justice issues:

> Such complex decisions can be avoided by making organizational evaluations based on the procedures of allocations and resolution of

disputes. If the procedures are fair, people will believe that over time their intentions are reasonably protected by membership within a group...Another reason to focus on procedure is that procedure reflects the diverse values of distributive justice found in such a pluralistic society in the United States...Because there is no single commonly accepted set of moral values against which to judge the fairness of outcomes or policies, such evaluations are difficult to make (Tyler 1990, p. 109).

Interactional Justice

Recent work by Bies and Moag (1986) and Bies (1987) has separated the interpersonal treatment aspect out of the traditional definition of procedural justice and named it as "interaction justice." Bies (1987) relates the concept of interaction justice to the quality of interpersonal treatment received by employees during the implementation of a procedure. For instance, Bies (1986) found that job candidates felt fairly treated when recruiters were open and honest about their job and their chances for employment. Sheppard and Lewicki (1987) found that providing vital information and communicating expectations were important "interactional" concerns of employees.

A primary focus of this study would be to examine the relationship between the three dimensions of justice described above- distributive, procedural, and interactional- on employee attitudes toward the outcome, organization, and the supervisor. These relationships are described in the next section.

Distributive Justice and Pay Outcome Favorability

The term pay means "the money, fringe benefits, and other commodities that have financial value which organizations give to employees in return for their services" (Lawler 1971, p. 1). Pay raises therefore reflect organizational assessment of an employee's incremental worth to the organization. Because of

the finite nature of resources available for distribution toward pay raises, the incremental worth of an employee is typically evaluated relative to the worth of other employees within a work group or organization. "Judgments of fairness only arise only when a problem of allocation is involved. Judgments of fairness typically involve comparisons between the lots of two or more parties, and an evaluation of the rightness of the difference" (Leventhal, 1980, p. 193).

It is no surprise therefore that employee evaluation of pay raise outcomes are also influenced by relative comparisons. Equity theory suggests that individuals compare the ratio of their respective outcomes (i.e. raises) to inputs (i.e. effort, skills) with the corresponding ratio of other peer individuals within or outside the organization. If the input-output relationships are equitable, employees may perceive pay outcomes as favorable. However, if individuals feel they are under-compensated, the result may be feelings of inequity, stress, and anxiety, leading to lower evaluations of the outcome. Outcome evaluation may, in turn, be related positively to satisfaction. For example, Berkowitz et al. (1987) found that the more strongly employees believed their pay was fair, the more satisfied they were with their earnings. In fact, they found that pay equity was a stronger predictor of pay satisfaction than was the magnitude of the material benefits received.

H_1: The greater the distributive fairness perceptions associated with a pay raise decision, the more favorable will be the evaluation of the outcomes of that decision.

Procedural Justice and Pay Outcome Favorability

An outcome will be perceived as favorable if it either meets or exceeds one's expectations. Equity theory suggests that one's expectations are formed on the

basis of input-output evaluations of self compared to those of referent others. While one may have complete knowledge about one's inputs and outputs, the same will not be true of one's knowledge of inputs and outputs for others. In most organizational settings, such information will not be readily available to employees. This implies that the individual will have to make inferences on input-output data for others. An alternative method that may be used by the individual then would be to evaluate instead the procedures used in arriving at the outcome decisions. If the procedures used are considered as fair, the individual could infer that the input-output ratio for self and others may be accurate and used in a fair and just manner. If the procedures used are viewed as tainted, then even if appropriate measures were used in outcome decisions, there is a high probability that the outcomes of that decision may be viewed as unfair.

Leventhal (1980) suggests that procedures are usually compared to a fairness standard that is based on six general procedural justice rules. The first rule, consistency, refers to provision of equal treatment for all affected by the procedure. This rule closely parallels Rawls' (1971) equality of opportunity concept. Second, the decision-maker should be unbiased. Third, procedures ought to base their decisions on accurate information. Fourth, opportunities should be available to those affected by a procedure to correct bad decisions. Fifth, the procedures should reflect the basic values of individuals affected by the process. Finally, procedures should conform to personal standards of ethics and morality.

If the above rules are adhered to in decision-making, those affected will be aware of the bases used for the outcome decision, that accurate information was used in making the decision, that the decision was not biased toward any single individual, and that if outcomes did not result the way one expected, they will have

the opportunity to appeal and possibly correct the decision. Except for the last-mentioned factor, for reasons cited earlier, all the others should lead to more favorable evaluations of the outcome itself. In general, employees can be expected to perceive a given outcome as more favorable when the procedures used in the reward allocations are perceived as being credible and fair.

It has been empirically substantiated that the greatest amounts of resentment, outcome dissatisfaction, and perceived injustice occurred when employees were led to believe that they would have received higher outcomes had a poorly justified procedure not been used in the reward allocation decision. If the procedure is seen as a sham, there will tend to be negative perceptions about the outcome itself (Cropanzano and Folger 1989).

H2: The greater the procedural fairness perceptions associated with a pay raise decision, the more favorable will be the evaluation of the outcomes of that decision.

Interactional Justice and Pay Outcome Favorability

Early researchers did not differentiate between the instrumental and non-instrumental aspects of procedures used in making organizational decisions. The instrumental aspect reflects the use of procedures as means to the ends of distributive justice. For example, procedures used for pay raise allocation decisions should include ways of accurately measuring performance. Additionally, procedures should be designed to promote consistency, bias suppression, correctability, and ethicality (Moorman 1991). The non-instrumental aspect of procedures reflects their use as symbols of dignity and respect. Use of fair procedures indicate the degree to which a supervisor respects the dignity of

employees. Philosophers of justice (Rawls 1971; Dworkin 1977) see the use of fair procedures as treating employees as ends rather than the means, whereby supervisors show their concern with how a decision is implemented Folger and Konovsky (1989). This aspect of procedures has been termed as "interactional justice" by Moorman (1991) and other researchers.

Interactional justice therefore reflects an employee's perceptions as to the manner of treatment he/she receives in (1) the enactment of formal organizational procedures, and (2) the explanation of such procedures (Moorman 1991). Equity theory assumes that employees act as "intuitive accountants" who not only have a high concern for proper procedures and the manner in which they are carried out, but also actually evaluate outcomes in terms of inputs and outputs. Further, any error in procedure is expected to give rise to feelings of injustice. This characterization of employees, however, ignores the fact that they may want to know "why" a certain outcome occurred. There is growing empirical evidence that an employee could claim a "moral basis" for demanding to know the reasons for an outcome decision. The failure to provide such explanations only increases the feelings of moral outrage and uncertainty, which in turn can raise questions about the favorability of outcomes received. Bies (1987) calls employees who behave this way as "intuitive jurists" and not "intuitive accountants."

In essence, if an employee believes he/she is treated fairly, then he/she will be more likely to hold a favorable attitude regarding outcome decisions.

H3: The greater the interactional justice perceptions associated with a pay raise decision, the more favorable will be the evaluation of the outcomes of that decision.

Justice and Attitudes toward Authorities/Organizations

In addition to outcomes, employees are also concerned about their long-term social relationships with authorities (i.e., supervisors) and the organization. In other words, they do not consider these relationships as a one-shot deal. The underlying assumption is that because membership in groups is an important aspect of a employee's social life, procedures that enhance group solidarity will be potent determinants of their affective attitudes (Brewer and Kramer 1986; Kramer and Brewer 1984; Lind and Tyler 1988). Discussing the importance of both procedural justice and interaction justice, Tyler (1989) states:

> people expect an organization to use neutral decision-making procedures ... so that, over time, all group members will benefit fairly from being members of the group. They also expect the group and its authorities to treat them in ways that affirm their self-esteem by indicating that they are valued members of the group who deserve treatment with respect, dignity, and politeness (p. 837).

In other words, Tyler suggests that employees value promotion of within-group relationships. Supporting this argument, Miller et al. (1987) found in an empirical study that decision fairness was more strongly associated with the extent to which the decision represented the interests of all group members than the extent to which it favored themselves.

In the case of distributive justice, Adams (1965) argues that affective attitudes may be influenced primarily by beliefs that the allocation of benefits and costs within a group should be equitable. When the outcomes do not match the standard of equity, individuals in the group will experience "inequity distress," a motivational state that prompts actions to restore equity. One way by which they

can restore equity is by showing decreased trust in supervisors (particularly if they believe that the source of inequity is the supervisor) or decreased commitment to the organization (if they believe that the source of inequity is the organization). Based on the above arguments, we offer the following hypotheses:

H4: The greater the fairness perceptions (distributive, procedural, and interactional) of a decision, the more positive will be employees' attitudes toward supervisors and the organization.

Procedural versus Distributive Justice

According to Lind and Tyler (1988), organizational and leadership endorsement require the presence of employee loyalty, which is more likely to emerge when employees experience procedural justice, rather than distributive justice, in decision-making. In general, use of fair procedures generates expectations of fair treatment in the long run. These expectations, in turn, lead to a generalized sense of positive affect for, and attachment to, the organization and its leaders (Konovsky and Cropanzano 1991; Moorman 1991). In contrast, when fair outcomes are received on any particular occasion, it does not automatically mean that fair outcomes will always be forthcoming. The condition of loyalty needed for positive evaluations may not therefore emerge.

H5: Procedural justice will be more important than distributive justice in influencing employee attitude toward the organization and its authorities.

On the other hand, distributive justice perceptions may be a more important determinant of outcome evaluations than procedural justice perceptions. For

example, Tyler, Raisinski, and McGraw (1985) found that distributive justice accounted for almost twice as much variance in outcome satisfaction as did measures of procedural fairness. Similarly, Tyler (1984) found a significant relationship between distributive fairness and outcome satisfaction, whereas the relationship between procedural fairness and outcome satisfaction was not significant. In interpreting these findings, Lind and Tyler (1988) suggested that employees take a long-term perspective on membership within a group when making leadership or institutional evaluations, but may take a short-term perspective when reacting to a single decision. According to Greenberg (1990), these findings are logical because it is systems that employ procedures, but outcomes that form the basis for distributions. From a context perspective, support for these findings have come from a wide variety of settings - courtroom decisions, grievance systems, pay raise decisions, satisfaction with unions, and so forth.

H_6:   Distributive justice will be more important than procedural justice in influencing employee evaluations of the outcomes received.

Relative Importance of Interactional Justice

No single study has evaluated the relative importance of interactional justice vis-a-vis procedural and distributive justice for evaluation of outcomes or attitudes toward the organization. Because interaction justice can be considered as a dimension of procedural justice (Moorman 1991), however, its relationship to outcome evaluations and attitudes will be more similar to procedural justice than to distributive justice.

A closer look at the two concepts reveals interesting differences between

interaction justice and procedural justice. Procedural justice deals with whether fair procedures are available and used in the organization. Interaction justice, on the other hand, deals with how the procedures are implemented. The more agreeable the manner of implementation, the more effective the communication to employees that their services are valued by the organization. As such, this construct should have greater impact on variables relating to attitude toward the supervisor as compared to attitude toward the organization. For example, Greenberg (1988) found that supervisors were more likely to be seen as fair if they actively communicated that fairness through interactions rather than merely relying on providing fair outcomes. According to Moorman (1991), "of the three sources of fairness . . . interactional justice appears to be the one most likely to influence an appraisal of supervisor trust because it focuses on the actions of the supervisor specifically" (p. 852).

H7: Interactional justice will have a stronger influence on attitude toward supervisor and the organization compared to distributive justice.

H8: Interactional justice will have a stronger influence on attitude toward supervisor compared to procedural justice; the order of importance will be reversed for attitude toward the organization.

RESEARCH METHOD

Data Collection

Data for this study were obtained from a single international organization. Although this organization had operations in several foreign countries, data were collected only from sales personnel operating in the United States and Canada. The target population was defined as sales and service managers. This definition was not only based on population size consideration, but also on the fact that they performed boundary-spanning roles for the organization. The population size was two hundred forty two. Two hundred and twenty eight questionnaires were returned, providing a response rate of 96.5 percent.

The study received sponsorship support from senior management personnel within the marketing and human resource departments. A letter informing area managers (to whom the sales/service managers reported) about the study was mailed two weeks before the surveys were mailed. Additionally, these managers were kept informed at different stages of the study through the internal organizational communication system. After receiving approval to proceed with the data collection from the Human Subjects Review Committee at Iowa State University, a letter of confidentiality was sent to all potential respondents suggesting that their responses will not be revealed to anyone, particularly the top management personnel and that only a summary of responses would be made available. Respondents were instructed to seal the pre-addressed envelopes, provided by the researchers, on completion of the survey and mail the sealed envelope either directly or through their administrative office to the researchers at Iowa State University.

Measurement Scales

For all variables used in the study, measures used in previous studies were either directly used or modified slightly to suit the context in which the study was being implemented. The actual measurement scales are reported in Appendix A. These measures are explained below.

Justice dimensions   Distributive justice perceptions depend upon the degree to which outcomes received by employees are perceived as fair. Fairness itself is typically evaluated in terms of prior expectations held by the individual on inputs and outcomes of self versus inputs and outcomes of relevant others. This construct was measured using four items that evaluated the degree to which an employee felt that his/her pay raises were fair, gave him/her the full amount that he/she deserved, were related to his/her performance, and was more than what he/she expected.   These items were used in previous studies by Folger and Konovsky (1989), Greenberg (1986) and Dipboye and de Pontbriand (1981). The cronbach alpha test using the four items indicated a coefficient value of 0.89.

Procedural justice refers to perceptions of fairness of the process by which outcomes are determined within the organization.   In developing a scale for procedural justice, Tyler (1984) suggested that procedural fairness will be a function of the degree to which employees feel that they have been fairly treated by their supervisors and that fair procedures have been used by supervisors in making allocation decisions. Two items were developed to reflect these aspects.   The cronbach alpha for this two-item scale was found to be 0.78.

Interactional justice has been defined as fairness perceptions arising from the way in which procedures are carried out in the organization. Items for this factor focused on the interpersonal behavior of the supervisor.   Specific items

asked if the supervisor was sensitive to employee's needs, whether the supervisor considered employee's rights, and whether the supervisor dealt with the employee in a honest, dignified manner. These items were drawn from previous studies by Folger and Konovsky (1989) and Moorman (1991). The cronbach alpha coefficient for this six-item construct was 0.92.

Attitudinal outcomes The three attitudinal outcomes evaluated in this study include outcome favorability (pay raise evaluation), trust in supervisor, and commitment to the organization. Pay raise outcome was measured absolutely and relatively. The absolute quality of the outcome was determined by asking respondents to rate the outcome as better or worse than what they expected. Respondents also rated the unfavorability of the outcome in relation to two standards: what they had received in the past and what they thought others generally received. These items were drawn from outcome favorability scales developed by Folger and Konovsky (1989) and Tyler (1990). After removing one of the items because of poor correlation with the remaining two items, the cronbach alpha for this construct was found to be 0.68.

A scale to measure trust in supervisor was developed by Roberts and O'Reilly (1974). This scale was used in this study and found to have good reliability (alpha = 0.88). Similarly the reduced 9-item organizational commitment scale developed by Mowday, Steers, and Porter (1979) was used. This short version does not contain items relating to the willingness of an employee to stay with the organization. Because these items overlap with items measuring "intent to remain" with the organization, they recommended the shorter version to measure commitment. The cronbach alpha for this scale was found to be 0.87.

Table 1 reports descriptive statistics of and correlations among the variables

used in this study. It also includes the reliability coefficients on the diagonal. It should be noted that the correlation between procedural justice and the other two justice dimensions is above 0.40. To reduce the multicollinearity among the justice variables, values for distributive and interactional justice were modified by regressing procedural justice against each variable and taking the residuals to represent the two dimensions. This procedure enabled distributive and interactional justice to be orthogonal to the procedural justice variable.

Table 1
Descriptive Statistics and Correlations

	PJ	DJ	Correlations IJ	TR	OC	OF	$\bar{X}$	std dev
Procedural justice	.78[b]						14.34	4.46
Distributive justice	.45	.89					.00	3.53
Interactional justice	.44	.50	.92				.00	3.69
Trust in supervisor	.44	.49	.75	.88			1.33	2.83
Org. commitment	.20	.25	.35	.38	.87		16.18	4.16
Outcome favorability	.35	.58	.24	.23	.17[a]	.68	39.71	4.43

a $p < .05$; all other values in the table are significant at the $p < .01$ level.
b reliability coefficients are reported on the diagonal.

Analysis

Summated scores were computed for each of the six constructs used in the study. The effects of the three justice dimensions (H1 through H4) on the three outcome variables, pay outcome favorability, trust in supervisor and organizational commitment, were determined using regression analyses method. To test the hypotheses relating to relative importance of distributive and procedural justice

dimensions (H_5 and H_6), the following full and reduced models were compared:

Full model: $Y_i = B_0 + B_1 PJ_i + B_2 DJ_i + B_3 IJ_i + E_i$

Reduced model: $Y_i = B_0 + B_C (PJ_i + DJ_i) + B_3 IJ_i + E_i$

where Y_i refers to outcome favorability (H_6) and trust and organizational commitment (H_5); PJ, DJ, and IJ refer to procedural, distributive, and interactional justice dimensions; B_C refers to the common coefficient for B_1 and B_2 and $PJ_i + DJ_i$ is the corresponding new independent variable. The actual F-test statistic is a function of the error sum of squares in the reduced and full models, and is given by the following formula:

$$F = \{ (SSE(R)\text{-}SSE(F))/df_R\text{-}df_F\} / \{SSE(F)/df_F\}$$

where the F-statistic has 1 and (n-4) degrees of freedom (Neter, Wasserman, and Kutner 1983). Similar analyses were conducted to test H_7 and H_8, respectively.

RESULTS

Results from Testing Hypotheses H1 through H4

Results shown in Table 2 indicate that two of the three justice dimensions-distributive and procedural- are related positively to outcome favorability, while the third-interactional justice- is unrelated. These support H_1 and H_2, while not supporting H_3. All three justice dimensions were significantly related to trust in supervisor and organization commitment, supporting H_4.

Table 2
Relationship between Justice Dimensions and Sales Employees' Attitudes

	Outcome Favorability			Trust			Organizational Commitment		
	b	s.e.	t	b	s.e.	t	b	s.e.	t
Constant	1.79	0.39	4.60[a]	6.76	0.77	8.74[a]	35.96	1.23	29.35[a]
Distributive Justice	0.31	0.03	10.78[a]	0.26	0.06	4.53[a]	0.18	0.09	1.98[b]
Procedural Justice	0.24	0.03	8.79[a]	0.68	0.05	12.58[a]	0.27	0.09	3.17[a]
Interactional Justice	0.01	0.03	0.30	0.63	0.05	11.73[a]	0.34	0.08	4.06[a]

a   p< .01
b   p< .05

Results from Testing Hypotheses H5 through H8

Results for hypotheses H5 through H8 are shown in Table 3. H5 suggested that procedural justice will be more important than distributive justice in influencing trust in supervisor and organization commitment. Results support this only partially,

with results in the expected direction for trust in supervisor and no difference for organization commitment. H6 suggested that distributive justice will be more important than procedural justice in influencing outcome favorability. While the coefficient values were in the expected direction, they were however statistically not significant.

H7 suggested that interactional justice will have a stronger influence on attitude toward supervisor and the organization compared to distributive justice. Results support this expectation for trust in supervisor, but not for organization commitment. H8 suggested that interactional justice will have a stronger influence on attitude toward supervisor compared to procedural justice, and that the order of importance will be reversed for attitude toward the organization. Results were not supportive of either expectation.

Table 3
Test of Relative Importance of Justice Dimensions
(based on comparison of unstandardized regression coefficients)

	Outcome Favorability	Trust	Organizational Commitment
	F-value	F-value	F-value
Distributive Justice vs. Procedural Justice			
H5	-	28.41[a]	0.54
H6	3.15	-	-
Distributive Justice vs. Interactional Justice H7	-	30.60[a]	2.44
Procedural Justice vs. Interactional Justice H8	-	0.45	0.36

a $p < .01$
b $p < .05$

DISCUSSION

The main effect hypotheses H1 through H4 were supported by the results, shown in Table 2, providing empirical support for several theoretical conceptualizations that fairness issues would be important determinants of employee attitudes. Perceptions of distributive fairness clearly influence outcomes, leadership and organizational evaluations, as suggested by equity theory. Results, however, indicate that these evaluations are also influenced by the way rewards are determined and implemented. The results are consistent with pervious research by Landy, Barnes-Farrell, and Cleveland (1980), Greenberg (1986), and Folger and Konovsky (1989) who found that the process used in performance appraisals was related to the perceived fairness of performance evaluations. The bottom line is that increased attention to psychological theories of justice would help sales managers to understand salesperson attitude toward the organization and its authorities.

Based on research in legal and political settings, one set of hypotheses tested in this study suggested that procedural justice would be more closely linked to the evaluation of institutional characteristics (i.e., H5), whereas distributive justice would be more highly related to the evaluation of specific outcomes (i.e., H6). The findings, shown in Table 3, provided partial support for these hypotheses. Procedural justice explained a larger amount of variance in trust in supervisor than did distributive justice. This result indicates that in making leadership evaluations, sales employees are taking a long-term perspective on membership within a group. Moreover, the fact that pay allocations distribution is considered as fair appears to be insufficient for enhancing trust in supervisors.

On the other hand, the results of the study suggest that distributive justice did not explain a greater amount of variance in evaluation of favorableness of the pay outcome compared to procedural justice. However, both these justice dimensions were found to be more important than the interactional justice dimension. In combination, these results suggest that sales employees are concerned about procedural issues in pay outcomes to a greater level than expected. It appears that the instrumental role of procedures as a means to the ends of distributive justice is considered salient. Moreover, use of appropriate procedures acts as a symbolic signal that supervisors respect the dignity and self-respect of employees (Folger and Konovsky, 1989).

Similar to the comparison with procedural justice, distributive justice was hypothesized to be less important than interactional justice in influencing attitude toward the organization and the supervisor. Results provided partial support for this hypothesis. Trust in supervisors was more a function of interactional justice; however, commitment to the organization was equally influenced by both distributive justice and interactional justice. The first results show that while outcomes are important, employees are more likely to trust supervisors who communicate openly about the decision process that they used and show sensitivity to employees' work concerns. The second result suggests that employees provide equal weightage to both economic and social exchange issues in evaluating the quality of their relationship with the organization.

When comparing procedural justice and interactional justice, results show that they are equally important in influencing organizational evaluations. Procedural justice related to the decision process used by supervisors in making employee evaluations, while interactional justice relates to how these decisions are

implemented. Both process and implementation issues are deemed to be important in making organizational evaluations. This is not surprising because knowledge of the process used is enhanced by the method of implementation. This result is consistent with early attempts by justice researchers to consider these two components of justice as a singular construct.

The value that sales employees place on procedural and interactional justice dimensions has two implications. First, to trust supervisors, employees look for evidence that suggests whether they will receive fair benefits from the organization in the long run; while they are concerned about the fairness of short-run outcomes, it is not the only or most important consideration. Use of fair procedures acts as a symbol to employees that employees can rely upon them and that the influence of individual judgment is minimized. Second, employees seem to value favorable social standing with the authorities.

LIMITATIONS OF THIS STUDY

While only one international sales organization was surveyed in this study, the focus of this research was to test relationships specified in the conceptual model. There was no attempt made to generalize the findings to the world at large. Moreover, the research conducted was based upon a cross-sectional design where data were collected at one point in time. In this research design causality cannot be directly measured, but may only be inferred.

CONCLUSION

Very few studies in the sales literature have incorporated justice issues in evaluations of specific outcomes, institutions, and their authorities. This study makes an initial attempt at examining the relevance of the three justice dimensions- distributive, procedural and interactional- in a sales setting. A major implication of the study results for organizational research is that theoretical conceptualizations focusing on organizational rewards, such as equity theory and expectancy theory, may need to be expanded to incorporate considerations of how outcomes are determined, as well as what they are. In particular, the need to explore organizational procedures and factors contributing to perceived fairness of these procedures is further emphasized.

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APPENDIX A: MEASUREMENT SCALES

Distributive Justice

We would now like you to think about the last merit increase that you received. The following statements may reflect your perceptions about this merit increase. Please indicate the degree to which you agree or disagree with each statement.

(5-point, 1-strongly disagree - 5-strongly agree)

1.   I consider the size of my last merit increase to be fair.
2.   My last merit increase gave me the full amount I deserved.
3.   The size of my last merit increase was related to my performance.
4.   The size of my last merit increase was more than what I expected.

Procedural Justice

(5-point, 5-a great deal of opportunity - 1-not much opportunity at all)

1.   How much of a chance or opportunity did your supervisor give you to describe your achievements and contributions to him/her before   making your merit increase decision? Did you have . . .

(4-point, 4-a great deal of consideration - 1-not much consideration at all)

2.   How much consideration did your supervisor give to   what you said when making merit increase decisions? Did he/she give your views . . .

(5-point, 5-very fair - 1-very unfair)

3.   Overall, how fair were the methods used by your supervisor to make your merit increase decision? Were they . . .

4.   Overall, how fairly were you treated by your supervisor? Were you treated . .

Interactional Justice

Indicate the extent to which you believe your supervisor(s) did each of the following during the last performance management cycle.

(5-point, 1-not at all - 5-very much)

1. Was honest and ethical in dealing with you
2. Was completely candid and frank with you
3. Showed a real interest in trying to be fair
4. Treated you with respect and dignity
5. Was sensitive to your personal needs
6. Showed concerns for your rights as an employee

Outcome Favorability

The following questions pertain to the merit increases you received most recently.

(4-point, 4-better than expected- 1-worse than expected)

1. Was the merit increase that you received this year what you thought it would be or was it better or worse than you expected?

(4-point, 4-better than others- 1-worse than others)

2. When you compare the merit increase people generally receive, did you receive about the same level of increase as others, or did you receive a better or worse increase than others usually receive?

(4-point, 4-better- 1-worse)
note: if worked less than one year and did not have a PA enter "9"

3. When you compare the merit increase that you received this year to the increases you have received in the past, was the raise about the same, better or worse than you have received in the past?

Trust in Supervisor

(7-point, 1-completely free - 7-very cautiously)

1. How free do you feel to discuss with your immediate supervisor the problems and difficulties in your job without jeopardizing your position or having it held against you later?

(7-point, 1-trust completely - 7-feel very distrustful)

2. Immediate supervisors at times must make decisions which seem to be against the interest of employees. When this happens to you as a employee, how much trust do you have that your immediate supervisor's decision was justified by other considerations?

(7-point, 1-completely - 7-very little)

3. To what extent do you have trust and confidence in your immediate supervisor regarding his general fairness?

Organizational Commitment

The following statements attempt to capture how you feel about your organization. There are no right or wrong answers. Please indicate the way you feel about each statement.

(5-point, 1-strongly disagree - 5-strongly agree)

1. I am willing to put in a great deal of effort beyond that normally expected to help this organization be successful.
2. I talk about this organization to my friends as a great place to work.
3. I would accept almost any type of job assignment in order to keep working for this organization.
4. I find that my values and the organization's values are similar.
5. I am proud to tell others that I am a part of this organization.
6. I am extremely glad that I chose this organization to work for over others I was considering at the time I joined.
7. This organization really inspires the very best in me in the way of job performance.
8. I really care about the fate of this organization.
9. For me, this is the best of all organizations for which to work.