INTERACTIONAL JUSTICE: THE LINK BETWEEN EMPLOYEE RETENTION AND EMPLOYMENT LAWSUITS

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Abstract

Organizational justice is one of the least understood and underutilized tools to create a better and more effective workplace. In this article, we'll focus on interactional justice, look at its impact, and offer strategies for creating a climate that will help employers reap the rewards and reduce their risks of their human capital. There are three forms of organizational justice known as distributive, procedural, and interactional justice. Distributive justice refers to the "bottom line" of justice, i.e., was the outcome of a decision fair? This assessment of fairness generally involves a comparison between what an employee is experiencing to what is happening to others in the organization.

Interactional justice is up close and personal. It pertains to the behavior of the organization's leaders in carrying out their decisions, i.e., how they treat those who are subject to their authority, decisions, and actions. Interactional justice is a key to employee motivation, retention and organizational commitment. Organizations that create a sense of organizational justice will reap the human capital rewards in improved motivation, retention and fewer employment lawsuits. Unfortunately, companies who don't may find themselves limping while their competition sprints ahead.

Keywords: organizational justice, interactional justice, employer, employee, leadership, lawsuit

JEL Classification: A12, J53, K41

Introduction

Interactional Justice is a concept that was treated and has been tried to be exlpain for both sociologists as for psychologists starting with the 19th century. The first who attempted to study human behavior at work using a systematic approach was Frederick Winslow Taylor (1856-1915). Taylor studied human characteristics, social environment, task, physical environment, capacity, speed, durability, cost and their interaction with each other. His overall objective was to reduce and/or remove human variability. Taylor worked to achieve his goal of making work behaviors stable and predictable so that maximum output could be achieved. He relied strongly upon monetary incentive systems, believing that humans are primarily motivated by money. He faced some strong criticism, including being accused of telling managers to treat workers as machines without minds, but his work was very productive and

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laid many foundation principles for modern management study. Others, like: Elton Mayo, Mary Parker Follett, Douglas McGregor tried to explain the „something" that had going some of the bussinesses, but we believe that the best definition for the Interactional Justice is given by sociologist *John R. Schermerhorn* as the "...degree to which the people affected by decision are treated by dignity and respect". (John R. Schermerhorn, et al*., 8th ed., 2003, Organizational behavior). The theory focuses on the interpersonal treatment people receive when procedures are implemented.*

For some strange reason, organizational justice is one of the least understood and underutilized tools to create a better and more effective workplace. Of course, organizational justice in general – and interactional justice in particular – are complex concepts that require some serious work. Yet, without a sense of perceived fairness, employees judge financial rewards less positively, and multiply the negative impact of challenging events (layoffs, difficult project deadlines, organizational chaos).

In this article, we'll focus on interactional justice, look at its impact, and offer strategies for creating a climate that will help employers reap the rewards

The Facets of Organizational Justice

On the surface, organizational justice seems to be a pretty simple concept; was a company or management decision fair? However, it's not just the outcome of a decision that matters; it's also how the decision was made and communicated.

The three forms of organizational justice are known as distributive, procedural, and interactional justice.

Distributive justice refers to the "bottom line" of justice, i.e., was the outcome of a decision fair? This assessment of fairness generally involves a comparison between what an employee is experiencing to what is happening to others in the organization.

Procedural justice focuses on how the decision is made, i.e., were the procedures used to set goals, make decisions, or investigate a grievance fair? Determinants of procedural justice include consistency of application, unbiased decision-makers, information accuracy, avenues for appeal, input from affected parties, and prevailing moral standards.

Interactional justice is up close and personal. It pertains to the behavior of the organization's leaders in carrying out their decisions, i.e., how they treat those who are subject to their authority, decisions, and actions. Research shows that the effects of interactional justice are independent of individuals' evaluations of fairness regarding the outcomes they receive (i.e., distributive justice) or the procedures used in allocating those outcomes (i.e., procedural justice) and, in some contexts, may be more important.

Interactional justice, on the other hand, has come to be seen as consisting of two specific types of interpersonal treatment. The first labeled interpersonal justice reflects the degree to which people are treated with politeness, dignity, and respect by authorities or third parties involved in executing procedures or determining outcomes. The second, labeled informational justice, focuses on the explanations provided to people that convey information about why procedures were used in a

certain way or why outcomes were distributed in a certain fashion. Where more adequacy of explanation is prevalent, the perceived level of informational justice is higher.

It is important that a high degree of interactional justice exists in a subordinate/supervisor relationship in order to reduce the likelihood of counterproductive work behavior. If a subordinate perceives that interactional injustice exists, then the subordinate will hold feelings of resentment toward either the supervisor or institution and will therefore seek to "even the score." A victim of interaction injustice will have increased expressions of hostility toward the offender which can manifest in actions of counterproductive work behavior and reduce the effectiveness of organizational communication.

The importance of reactions to perceptions of unfair treatment in the workplace cannot be understated. As predicted by Adams (1963, 1965) in his equity theory, which has increased in importance over the last two decades (Miner, 2003), employees often respond to inequities in wage and other resource distributions by lowering performance or by increasing absenteeism, theft, and other retaliatory behaviors that are generally detrimental to organizational functioning (Greenberg, 1987, 1990, 1993b). In addition to Adam's work with *distributive justice*, attention has been directed towards the more subtle and long-range effects of *procedural justice*. Fair procedures, defined as those that are unbiased, based on accurate information, applied consistently, representative of all parties, correctable, and based on ethical standards (Leventhal, 1980) are associated with such positive organizational outcomes as organizational commitment and trust in supervision (Folger and Konovsky, 1989) and organizational citizenship behavior (Moorman et al., 1993).

The third aspect of organizational justice, *interactional justice*, or the perceived fairness of interpersonal treatment (Bies, 1987), appears to have a considerable but inadequately specified influence on perceptions of overall fairness. For example, the quality of interpersonal treatment is associated with acceptance of, and affect towards, authorities (Tyler, 1989), and appears to serve a heuristic value in determining the fairness of organizational procedures and the trustworthiness of decision makers (Lind, 2001). Although most researchers agree that interactional justice can have an impact on organizationally-relevant outcomes, there is considerable controversy regarding its position in the pantheon of organizational justice. While interactional justice is often considered a facet of procedural justice (Brockner and Wiesenfeld, 1996; Lind and Tyler, 1988), or a substitute for procedural justice (Skarlicki and Folger, 1997), Greenberg notes that "... attempts to fold interactional justice into procedural justice may be seen as a premature move toward parsimony" (1993b: 99). Manipulations of procedural justice that involve variations in interactional justice may be confounded, and "... some of the strongest effects attributed to procedural justice may have emerged when interactional justice rather than formal procedures were manipulated" (Barling and Phillips, 1993: 650).

Practical aspects – possible solutions

Getting back to the practical aspects, interactional justice seems to be the key to employee motivation, retention and organizational commitment. In a survey of 225 employees at two large U.S. paint manufacturing companies, for instance, researchers found justice trumped job satisfaction in motivating employees. However, it wasn't interactional justice in general that was the key; it was the employee's faith in their supervisor and the fairness implicit in day-to-day transactions. Employees, it seems, view the organization through their supervisor.

It is the supervisor who most often explains the organization to the employee and explains the employee to the organization. It is the personal assessment of a supervisor's honesty, impartiality and integrity that causes employees to go the extra mile past where they had to go to get their jobs done. In it simplest terms it is the answer to the question: Can I count on this person's integrity?

Supervisors with transformational leadership style are better able to influence employees to perform extra duties by creating more procedural justice and trust. Researchers think this is because transformational leaders are able to inspire and appeal to their employee's sence of fairness and trust, which compels employees to work harder and more conscientiously, make suggestions, perform extra duties, and help others.

Such *leadership styles* are characterized by:

Clarification of responsibilities and expectations

Explanation of tasks that must be performed and benefits to self-interest

A contingent reward system

Followers have a positively reinforcing relationship with the leader

The leader only intervenes when things go wrong

A lack of personalization of the working relationship

In addition to a transactional leadership style, *employees* judge their manager's sense of fairness on the following interpersonal skills:

Consistency – the extent to which a subject treats staff consistently and does not play favorites

Decision-making – the extent to which a subject is unbiased and impartial in making decisions

Empathy – the extent to which a subject can see things from the perspective of his or her staff

Equality – the extent to which a manager treats employees like equals rather than as inferiors

Relative fairness – how fair the manager is relative to other managers within his or her organization;

Supportiveness – the extent to which a manager provides substantive, symbolic and emotional support to employees

Transactional fairness – the extent to which a manager is fair and non-exploitative in resource exchanges with employees

Treatment – the extent to which a manager is respectful and sensitive in interactions with staff

Voice – the extent to which a manager is open to the advice and feedback of staff.

Organizations who hire or promote managers and supervisors strictly for their technical skills, or who fail to provide an interpersonally oriented management development program as part of the promotion process, are missing a critical opportunity to simultaneously increase employee retention, improve management effectiveness, and *reduce the risk of employment lawsuits.*

In a work environment, revenge occurs in response to violations of trust, i.e., when expectations concerned another person's behavior are not met, or when that person does not act consistent with one's values. Violations of interpersonal justice tend to evoke the strongest emotional responses, ranging from anger to moral outrage. There is evidence, for example, that dismissals or terminations do not provoke violence in and of themselves. Rather, vengeful attitudes and behaviors result from the humiliation that occurs when terminations are conducted in an abusive and insensitive manner. In fact, numerous studies have found a relationship between distributive justice (being terminated, for example) and retaliation only when there was low interactional and procedural justice.

In addition, various conditions in the workplace play a role in heating up tempers at work. Downsizing, layoffs, cutbacks in wages and benefits, and outsourcing all increase pressure at work; however, layoffs, disciplinary actions, or dismissals do not provoke violence by themselves; it is the wounded pride and loss of face that occurs when actions are conducted in a demeaning manner. It's the interaction between distributive, procedural and interactional justice that leads to retaliation; unfair or unjust treatment during the termination interview may be the "last straw" or the final "push" that moves the terminated employee from retaliatory thoughts to actual retaliation.

Retaliation at work doesn't just occur in response to interpersonal abuse or humiliation; it can also result from the perceived violation of a psychological contract, i.e., beliefs in paid-for-promises or reciprocal obligations. For example, unrealistic sales projections to a candidate during a hiring interview, for instance, can lead to a sense of betrayal and injustice. Violation of the psychological contract is a process that contains elements of unfulfilled promises that deprive employees of desired outcomes (distributive justice) and elements that affect the quality of treatment employee's experience (procedural justice).

Unfortunately, this happens all too often. In a study of 128 USA MBA students, who had already accepted an offer of employment, 54.8% of the subjects reported that their employer had violated their psychological contract. This violation was significantly related to low scores on a measure of the employee's trust in his or her employer and to low scores on a measure of employee satisfaction. The results also suggested that employees who left the company reported a greater degree of contract violation than those who had not left their employer.

Apparently, these violations spanned all areas of employment (e.g., training, compensation, promotion, nature of job, job security, feedback, management of change, responsibility).

Any organization that wishes to excel under these harsh circumstances of crisis must make sure that the employee-employer relationship is cast outside the economic relationship into the emotional arena. Human resources department can play a vital role in organizational justice by:

• Checking all policies and work rules to assure that there are procedures that create fairness. The important ones center on pay, diversity, etc. Look at decisions made in implementing these rules and general working practices to assure that fairness and equality is explicit in all supervisory and management decisions about employees and their work.

• Including leadership and interpersonal skills in your management development program, including 360-degree evaluations by subordinates, coworkers and management.

• Guard against unintentional psychological contract violations; making sure all candidates are provided with "realistic job previews" (i.e., providing an accurate description of the job, organization and opportunities, including both positive and negative features). The degree of honesty shown for employees during the selection process will shape perceptions of support and justice among those who are ultimately hired.

Because employees are most likely to engage in revenge either to restore equity or express feelings of outrage, a competitive company should provide multiple avenues for employees to deal with grievances (and the feelings associated with them). For example, in addition to formal grievance procedures, engage your HR team to give informal talks during corporate transitions and offer outplacement services during layoffs.

Conclusions

As a practical matter it is important that the assumption that employee/employer relationships are primarily economic in nature be de-bunked. Good management, that promotes cooperative and constructive behaviors over withdrawal and retaliatory ones, requires that managers recognize that the quality of interpersonal treatment in social exchange with employees, or interactional justice, matters. While the relationship between outcomes of each type of exchange remains unspecified, common sense, as well as empirical results, would indicate that both economic and social outcomes of exchange must be perceived as sufficient and fair to promote attitudes and behaviors that contribute to organizational functioning.

Columbian author Gabriel Garcia Marquez once said, "Justice limps along . . . but it gets there all the same." Organizations that create a sense of organizational justice will reap the human capital rewards in improved motivation, retention and

fewer employment lawsuits. Unfortunately, companies who don't may find themselves limping while their competition sprints ahead.

According to Andrew Sawers, in "Financial Director", 2008, companies find themselves in great difficulty not only in retaining employee, but also in recruiting them. Difficulties in *retaining high quality staff* are the biggest concern companies face through globalization an global economic crisis, according to a study by the Economist Intelligence Unit on behalf of business advisory firm EquaTerra. North American executives were found to be 12% more likely than European ones to cite globalization as a challenge to retaining skilled staff. Western European executives found their primary challenge was funding expansion into new markets.

Litigation risk. The increasing complexities of legislation make 39% of respondents to a report compiled in 2008 by Lloyds, the insurance underwriter, Directors in the Dock agree that companies expect the growing risk of litigation to increase costs of their products and services over the next three years. More than 50% also said that inadequate technology security created the highest risk of liability for the company, but 29% had not given it consideration at board level.

The solution lay in the complex relationship employer-employee and the degree of trust they give to each other. Interactional justice within an organisation can make the *real* difference. The ones that want to survive in actual crisis and globalizattion context has to take whatever measure necessary for thei business to "breath".

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