

Organizational Reputation as Economic Strength: Role of Justice Perception and Empowerment

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Abstract

This study focuses on the examination of the impact of Justice Perception and Employee Empowerment on the Organizational Reputation in the projectized organizations (NGOs) in Pakistan. The role of Employee Perception on the relationships between Justice Perception and Organizational Reputation & Employee Empowerment and Organizational Reputation has also been studied. Non-Governmental Organizations (NGOs) working in Federally Administered Tribal Areas (FATA) and Frontier Regions (FR) of Pakistan were targeted, including the executives and managers of thirty Nongovernmental Organizations. The result revealed that justice perception has a positive and significant relationship with organizational reputation and also employee empowerment has a positive and significant relationship with organizational reputation. It has also been confirmed that employee perception positively moderates the relationships between justice perception and organizational reputation & employee empowerment and organizational reputation.

Key Words: Non-Governmental Organization, Justice Perception, Employee Empowerment, Employee Perception, Frontier Regions, Temporary Displaced People, National Disaster Management Authority

JEL Classification: L31, M54

Introduction

Recent organizational research has also investigated the role of a high reputation following negative events that have adverse financial, physical, or emotional consequences for an organization and its stakeholders (Pfarrer et al., 2008). Whereas some organizational scholars have theorized about reputation as general social approval of the organization, others have highlighted its multidimensional nature (Rindova & Martins, 2012). Further, stakeholders' expectations about appropriate conduct are higher for a high-reputation organization than for organizations without this asset (Mishina, Block, & Mannor, 2012). Industry rankings have been used widely in past organizational research to measure an organization's general reputation (Mishina et al., 2010; Pfarrer et al., 2010).

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In this study, an endeavor has been made to see how factors like justice perception, employee empowerment affect the reputation of a projectized organization and how employee perception influences the relationships between justice perception and organization reputation & employee empowerment and organizational reputation.

Literature Review

The empowerment of employees is directly related to the enhancement of the firm performance. Studies are available on how empowerment affects employee performance and organizational output but no study was found as to how it impacts the reputation of an organization. According to the literature, empowerment has many definitions each with a different perspective. Burke explained in 1986 that empowerment is the delegation of authority (Burke, 1986). Employee Perception is how an employee thinks about its organization as a whole. Better the perception higher will be the reputation.

Organizational Reputation

Recent organizational research has also investigated the role of a high reputation following negative events that have adverse financial, physical, or emotional consequences for an organization and its stakeholders (Pfarrer et al., 2008). Whereas some organizational scholars have theorized about reputation as general social approval of the organization, others have highlighted its multidimensional nature (Lange et al., 2011; Rindova & Martins, 2012). Further, stakeholders' expectations about appropriate conduct are higher for a high-reputation organization than for organizations without this asset (Mishina, Block, & Mannor, 2012; Petkova et al.)

Justice Perception and Organizational Justice

Tyler and Lind (1988) in their research explored that a very less or little work has been done to uphold constancy of measurement. Greenberg (1993b) through research pointed out that many researchers is not giving any evidence or proof for using one item measure or ad hoc measure. In addition, Greenberg (1990b) also raise a point on the level of immaturity exist in organizational justice. The existence of immaturity is due to lack of standardized instrument in order to measure insights of distributive and procedural justice. Moreover, the instruments which are used for measurement are overwhelmed by the items which attempt to measure only one type of justice.

For instance, Gordon in his study used a different tool to measure distributive justice. It actually measures or assesses the ability to express ideas. Likewise, McFarlin (1997) used degrees of procedural justice in order to tap the outcomes. On the other hand, Joy through research asked people about the treatment which they received in the organization. It results in arousing issues related to interactional justice. These sorts of problem are commonly prevailing where interactional justice is the main concern.

Procedural Justice

The latest work on the processes of justice results in a decision known as procedural justice. The term procedural justice is cultivated via voice raising in the decision making process. It can also be nurtured through influence on the outcome or by sticking to the fair criteria for instance constancy, minimal level of prejudice, representation and accuracy.

Distributive Justice

Earlier most of the research has been done on the justice of decision outcome which is known as the distributive justice. It is cultivated when outcomes are linked with implied norms of allocation, for instance, equity or equality.

The existence of distributive justice prevails to the extent that the provision of an outcome is linked with the objective of a specific situation, for example, increasing the level of productivity or cultivating cooperation. One of the common goals in case of distributive justice is increasing the level of productivity. Most of the research has been done on the rules of equity. Leventhal (1976) in their research demonstrates the equity rule as a normative rule in which rewards and resources are distributed according to the contribution. Another researcher Deutsch (1975) also define the equity rule as the balance between rewards and inputs contribution of an individual.

Interactional Justice

The idea of interactional justice was first introduced by the Bies and Mong (1986) in their research work. The researchers identified four varied criteria for interactional justice. The base for identifying the criteria is the interpersonal treatment which an individual received during the recruitment process. The aforementioned criteria comprise of justification which demonstrates the basis for the decision. The second criteria are truthfulness which depicts an authority figure being open and not involved in practices like deception. Another criterion is respect which points out the polite aspect

The three dimensions mentioned in the study were overlapping with procedural justice criteria. Folger and Bies (1989) in their study points out that all the above-stated dimension or factor are by-product of the behaviour of decision-making authority. Moreover, the stated factors are also the product of structural aspect of formalized processes. However, ascribing the same standards for procedural and interactional justice results in creating drawback between the two types of justice. As a result of this practice, there is a high probability of correlation exist in procedural- interactional justice. The two successive section points out an empirical test for construct validity.

Employee Empowerment

The term empowerment get popularity in the early 1980s when it was called as employee involvement. The term derived from a number of fields for instance economy, psychology, education and organizational studies. In history, it can be defined as the giving power to an individual in an organizational role in order to improve the performance of the organization. In the case of empowerment, the power must be conferred to the individual or it should be a part of his or her administrative role. Researcher like Wetten and Cameron (1999) demonstrate in their research that the organization should have to give confidence to their employees. Moreover, the organization have to do something in order to overcome an individual feeling of inability and insufficiency. The idea of empowerment assumes that an individual doesn't need only power. It also needs training, resources and information so that they become responsible for their every decision. Another researcher Lower (1996) and Foy (1997) in their study depicts that empowerment is more of delegating power. It means that employees can only be empowered when they have been given information, restructure the organizational structure and substituting hierarchies with team work. Theorist like Bandura and Lower explained the empowerment factor in the context of

motivation. In addition to, it also increase the self-efficacy. Conger and Thomas theory of empowerment linked motivation with increased duties. It also involves three other factors which includes self-determination, impact and meaningfulness. In later times, Cameron in view of aforementioned factors also add another factor which is trust. The investigative study of Velthouse (1990) and Speritzer brought the importance factor of empowerment. According to this study, the competence of employees will not be optimum unless employees are not psychologically ready to accept empowerment.

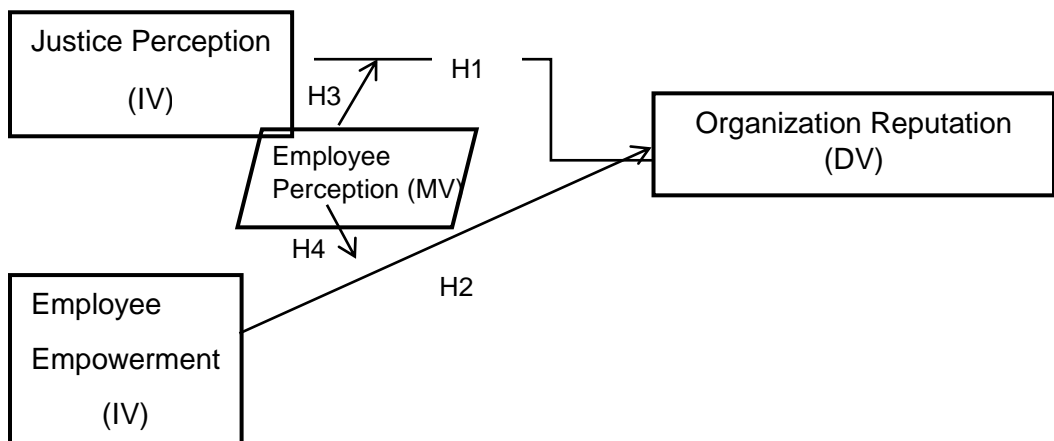
H1: Justice Perception has a positive and significant effect on Organizational Reputation.

H2: Employee Empowerment has a positive and significant effect on Organizational Reputation.

H3: Justice Perception significantly effects organizational reputation through employee perception.

H4: Employee Empowerment significantly affect organizational reputation through employee perception.

The Conceptual Framework



Methodology and Data Analysis

The purpose of this research is to determine what impact the justice perception and empowerment of employees will have on organizational reputation while taking into account the moderating effect of employee perception about their organization. Based on survey questioner data was collected from 30 Non-Government Organizations (NGOs) working for relief and assistance of Internally Displaced Persons of Pakistan. The analysis of collected data was done using SPSS version 21 (software) through regression and correlation analysis. The final results of the hypothesis have been summarized at the end.

Table 1. Demographics of All Variables

Category	Type	Frequency	Percentage	Mean	Std. Deviation
Gender	Male	239	79.7	1.2	0.403
	Female	61	20.3		
Age	20-25 years	42	14	33	1.03
	26-35 years	139	46.3		
	36-40 years	56	18.7		
	>41 years	63	21		
Experience	1-5 years	96	32	8.48	1.03
	6-10 years	110	36.7		
	11-15 years	42	14		
	>16	52	17.3		
Education	Intermediate	10	3.3	15.52	0.48
	Bachelor	42	14		
	Masters	248	82.7		

(Number of Respondents, N = 300)

Above Table shows that there were number of male respondents (79.7%) than female respondents (20.3%), most of the respondents have ages between 30 to 40 years of age (mean value 33 years). The respondents had generally adequate experience of serving in NGOs (mean value 8.48 years) and were mostly well qualified with 82.7% having master level education.

The sample consisted of 30 national Non-Governmental Organizations (NGOs) selected on the basis of having more than 3 years of experience in relief activities. 10 respondents were selected from each NGO. To select a homogeneous group having representatives from all classes 2 respondents were from Board of Directors, 2 from Executive Group, 2 from Managerial Group, 2 from Field Worker Group, 2 from Office Staff. Representation of respondents from each NGO was therefore 3.33% of the sample size.

Table 2. Descriptive Statistics of Study Variable

Variables	N	Min	Max	Mean	Std. Deviation	Skewness	Kurtosis
Justice Perception	300	1.55	4.95	4.05	0.576	-0.906	0.798
Employee Empowerment	300	2.40	5.00	4.0	0.577	-0.386	-0.356
Employee Perception	300	2.32	4.95	4.21	0.529	-0.521	0.617
Organizational Reputation	300	2.35	5.00	4.42	0.494	-1.268	1.809

(Number of Respondents, N = 300)

Above Table shows valid number of respondents, N = 300 for all variables. The mean values (4 to 4.42) shows that the respondents have generally very highly graded items of all variables, which means that most of the employees working in NGOs believe that they are dealt with justice, are sufficiently empowered, have a positive perception of their organization and thus in-turn believe that their organization is well reputed. The values of skewness (reference range -2 to +2) and kurtosis (reference range -3 to +3) are within the acceptable range which means that the data of all study variables is normally distributed.

Table 3. Reliability Check of Study Variables

Name of Variable	Cronbach's Alpha
Justice Perception	0.911
Employee Empowerment	0.861
Employee Perception	0.881
Organization Reputation	0.925

The table shows that the Cronbach's Alpha values of all variables are well within the desirable value of 0.6, which confirms the reliability of measures adopted for this research.

Table 4. Pearson Correlation Matrix

S/ No	Variable Name	I	II	III	IV
I	Justice Perception	1			
II	Employee Empowerment	0.556*	1		
III	Employee Perception	0.673*	0.589*	1	
IV	Organization Reputation	0.627*	0.541*	0.771*	1

**Correlation is significant at the level 0.01 (2-tailed)*

The matrix shows that a positive and significant relationship holds between Justice Perception, Employee Empowerment, Employee Perception and Organization Reputation at a significance level (p) of 0.01 or 1% for a two-tailed test. The value of "r" which can range between -1 to +1 shows that a strong positive relationship (r=0.771) exists between Employee Perception and Organization reputation whereas, a moderately positive relationship exists between Justice Perception and Employee Perception (r=0.673) and between Justice Perception and Organization Reputation (r=0.627). Similarly, a moderately weak and positive relationship exists; between Justice Perception and Employee Empowerment (r=0.556), between Employee Empowerment and Employee Perception (r=0.589) as well as between Employee Empowerment and Organization Reputation.

Table 5. Regression Analysis

Model	R ²	Un-Standardized Coefficients		Standardized Beta Coefficient	Sig
		B	SE	(β)	
Justice Perception - Organization Reputation	.393	.537	.039	.627	.00
Employee Empowerment - Organization Reputation	.290	.48	.043	.541	.00
Justice Perception - Organization Reputation with moderator Employee Perception	.569	.092	.005	.754	.00
Employee Empowerment - Organization Reputation with moderator Employee Perception	.527	.093	.005	.726	.00

Level of Significance, $p < 0.05$

The table shows the summarized results of regression analysis the value of R^2 is the value of the coefficient of determination which explains how much percentage of variation in Dependent Variable (Organization Reputation) is explained by variation in Independent Variables (Justice Perception, Employee Empowerment). The unstandardized beta value shows the average change in the dependent variable due to a unit change in the independent variable while statistically controlling for the independent variable. The standardized beta coefficient (β) shows, by how many standard deviations the dependent variable change per standard deviation change in the independent variable. In simple linear regression analysis the regression equation is expressed as ($y_1 = \alpha + \beta_i x_i$), the value of " β " will therefore determine the strength and direction of the relationship.

The table shows that at $p < 0.05$ significant and positive relationship exists between Justice Perception and Organization Reputation the value of $R^2 = .39$ shows that 39% variation in organization reputation is explained by variation in justice perception, the value of $\beta = .627$ shows that variation in justice perception will change organization reputation by .627 times. Similarly, a significant and positive relationship was found between Employee Empowerment and Organization Reputation the value of $R^2 = .29$ shows that 29% variation in organization reputation is explained by variation in employee empowerment, the value of $\beta = .541$ shows that variation in employee empowerment will change organization reputation by .541 times. These findings confirmed the first two hypothesis H1 and H2.

The similar regression models in cooperating the effect of moderating variable of Employee Perception show, Justice Perception to be positively and significantly linked to Organization Reputation ($\beta = .754$, $p < 0.05$) and Employee Empowerment to be positively and significantly linked to Organization Reputation ($\beta = .726$, $p < 0.05$). These findings confirmed the last two hypothesis H3 and H4.

Table 6. Summary of Results of Hypothesis Testing

Hypotheses	Path as per Theoretical Framework	B	R ²	Significance	Result
H1	Justice Perception → Organization Reputation	.627	.393	P<.05 ; significant	Accepted
H2	Employee Empowerment → Organization Reputation	.54	.29	P<.05 ; significant	Accepted
H3	Justice Perception → Organization Reputation with moderator Employee Perception	.754	.56	P< .05; significant	Accepted
H4	Employee Empowerment → Organization Reputation with moderator Employee Perception	.72	.52	P< .05; significant	Accepted

Conclusion

In this study main focus was to examine the impact of justice perception on organizational reputation and also the impact of employee empowerment on organizational reputation. The moderating role of employee perception on both the above-mentioned relationships i.e. the relationship between justice perception and organizational reputation & relationship between employee empowerment and organizational reputation has also been examined. The results reveal that justice perception has a positive and significant relationship with organizational reputation and employee empowerment has a positive and significant relationship with an organizational reputation in projectized organizations (NGOs) working in Pakistan. It has also been confirmed in this study that employee perception has a moderating effect on the relationship between justice perception and organizational reputation and it also has a moderating effect on the relationship between employee empowerment and organizational reputation. The establishment of this relationship is an addition in the literature which will be very useful for future researchers.

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