

# A Study on Relationship between Organizational Justice and Turnover Intentions in Malaysian Manufacturing Industries

N. A. Azami<sup>a,\*</sup>, U. N. Ungku Ahmad and S. L. Choi

Faculty of Management, Universiti Teknologi Malaysia, 81310 Skudai, Johor, Malaysia

\*<sup>a</sup>noranisaaazami@gmail.com

**Abstract** – *This paper provides insight into the relationship between organizational justice and turnover intentions. Employees own attitudes and behaviors at work will be influenced by the organization's behavior, decision and actions. If the organization failing to manage all the function and activities properly, possibility of employee intend to leave the organization is high. Therefore, this paper discusses the concepts and previous studies that relate to the above issues. Copyright © 2016 Penerbit Akademia Baru - All rights reserved.*

**Keywords:** Organizational justice, Distributive justice, Procedural, justice, Informational justice, Interpersonal justice, Turnover intentions

## 1.0 INTRODUCTION

Manufacturing is an industry that transformed from raw material into finished goods on a huge scale or quantity. Also, manufacturing requires labor and machines, chemical, and tools for the use, produce, and sell merchandise to retailers. In Malaysia, manufacturing sector gives the high contribution to the economy. Gross Domestic Product (GDP) shown that manufacturing contributed RM 243, 446 in 2015 and estimated will be increased to RM 253, 941 for the following years [1]. Furthermore, manufacturing sector offered a high number of employment opportunities. A total of 2266 vacancies open by manufacturing sector for potential candidates to fill the empty position in the organization. To maintain productivity and sustain in business, the manufacturing companies need to retain talented employee and reduce the turnover problem.

In the competitive world, manufacturing sectors have to be more aggressive for sustain strongly in the marketplaces in many ways [2]. The company should maintain their performance by reducing the common issues including the turnover rate of the employee. Manufacturing is one of the sectors which having critical issues on turnover. According to the report of TheSundaily [3], a total of 24% turnover in manufacturing sectors.

## 2.0 TURNOVER IN GLOBAL PERCEPTION

Turnover has been a favorite topic among researcher and academicians because it will give negative impact to the organization [4]. According to Nayak [5] the most negative impact will be experienced by the organization is an economy because the organization needs to prepare

budgets for hiring and advertising the vacancy. Also, the organization needs to provide training to the new employee. Similarly, that the organization needs to spend a lot cost because of turnover [6]. Turnover can be voluntary or involuntary resignation, layoff, termination, and resignation from the organization [7].

Based on Jobstreet. Com Job Outlook Report 2015 [8] the percentage of employers who are looking into hiring for first and second quartile of this year is 73%. A total of 41% employees has the intention to explore better job opportunities outside the organization after received the bonus. The statement has been supported by Rubiah [9] employee leave the organization for a better offer and opportunity from other organization. Wong [10] found that the employee leaves the organization because bonus and benefits given by the organization are different from their expectations.

Turnover intention can be defined as the employees do not interest to work with the organization and have the intention to leave the organization [11]. Based on Hom and Griffeth [12], turnover intention refers to the degree of employee's intention to quit their job. Some researcher had concluded that turnover intention as a prediction of an actual number of turnover in the organization [13-15]. Xue Min [16] identified that not all the employee who has turnover intention will leave the organization. The actual number of turnover is not the main factors of the employee's intention to leave the organization. Other factors also can be the reason the employee leaves the organization voluntarily.

### **3.0 ORGANIZATIONAL JUSTICE**

In the year 1987, Greenberg found that organizational justice could be view in different perspective of organizational behavior [17]. Also, the researcher proposed that organizational justice should be more comprehensive and interdependent factor. Colquitt [18] had opinioned that organizational justice could apply to another environment such as non-organizational justice by using some personal variables. Individuals should have the positive perception of the fairness of treatment given by organization because it will reflect the level of organizational justice of that organization [19].

Greenberg defined the term of organizational justice as a subjective perception of fairness treatment gave by the organization to their employees. The justice could see through in several different facets of employees' working environments such as perceptions of fairness in the distribution of salary, task, and involvement in decision making [20].

Comparisons of justice made within or outside the organization affect the individual's perception of equal or unequal treatment. Justice in the process of distribution and allocation can lead to the positive effect on organizational commitment of employees and reduce employee intention to leave the organization [21].

Research has shown that employees apprise three families of workplace events. They examine the justice of outcomes (distributive justice), the justice of the formal allocation processes (procedural justice), and the justice of interpersonal transactions they encounter with others (interactional justice). Distributive, procedural, and interactional justice tend to be correlated. They can be treated meaningfully as three components of overall fairness [22].

According to Cropanzo *et al.* [23] both organization and employee got the opportunity to receive a powerful benefit if the organizational justice has implemented in all the activities. If

organization give a fair treat, employee tended to develop the good relationship and loyal with the organization [24].

Fairness of personal outcome that employee receive has a strong relationship to the employees' job satisfaction. It does not only give impact to the fairness of personal outcomes, but it will give impacts towards others element of justice such as fairness of interpersonal treatment and fairness of the firm's procedures [25]. The researcher also explains that personal fairness outcomes can be defined as fairly treat on the distribution of workload, rewards and pay. All these activities can give impact to the employee's job satisfaction.

Organizational justice can help the organization in managing employee effectively because organizational justice is one of the important factors in identifying employees' behavior [26]. Employee's decision to stay or leave the organization was influenced by organizational procedures and practices [26].

Based on Hazzi [27] employers, supervisor, managers or the authority need to deal smoothly when making the decision to the employee because justice in an organization can be considered as the investment when the organization make the decision equally. It will give benefit to organization and employee, and both parties will give positive respond on the decision.

Nojani *et al.* [28] had an opinion that individual or employee shows their negative feelings and distrust in the organization because the employer failed to be equal to all the employees. This will cause employee's injustice perception. Yaser and Mohd Sobri [29] explain organizational justice as decision and activity (resources allocation, compensation, and bonuses) that taken by the organization that brings justice to the employees.

Concept and type of the justice will be referred to the situation and outcome that researcher wants to focus. Traditionally, organizational justice will be divided into three type that are distributive justice, procedural justice, and interactional justice [30]. Other researcher had the same opinion that there are three main components of organizational justice includes interpersonal justice and informational justice [31-33].

Colquitt [34] classified organizational justice into four dimensions by considered interpersonal and informational justice as different dimensions. The statement was supported by [35] has argued that each individuals' attitudes were a wide range. However, Usmani and Jamal [36] have been extended the concept of organizational justice by included two new components temporal justice and spatial justice. The two new components are relevant to this study because both of the components will affect turnover intentions.

#### **4.0 EFFECTS OF ORGANIZATIONAL JUSTICE ON TURNOVER INTENTION**

Several studies have revealed that procedural and distributive justice has the negative and significant correlation with turnover intention. However, based on a result of the joint model identified that procedural justice is more influential in predicting turnover intention compared to distributive justice [37,38]. However, Remie [39] discovered that there is no significant relationship between procedural justice and turnover intention but the significant and negative relationship between distributive justice and turnover intention.

Hassan and Hashim [40] studied the perception of organizational justice among national and expatriate academic staff in Malaysia towards work outcomes. Their analysis revealed that

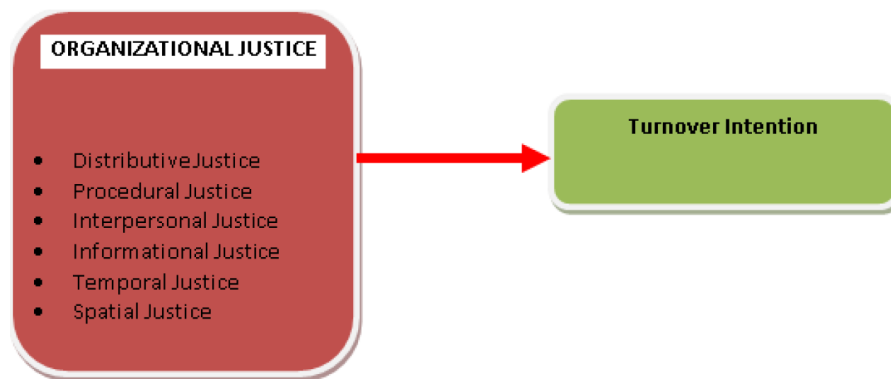
distributive justice and interactional justice influenced expatriates' intention to stay in the organization. Distributive and procedural justice contributed Malaysian staff turnover intentions.

Research of Kim [24] explained about the effects informational justice in the process of downsizing from a management perspective. This study indicates that unfair communication during the downsizing process makes the employees judge their relationship with the company. Based on their judgment and perception of that company, they make the decision about turnover as the best solution.

The previous study has reported that the reason for the employee chose turnover as a decision because they felt interpersonal treatment by their employer are low [41]. Also, results of this study shown that there was the negative and significant relationship between interpersonal justice and turnover intention among employee and supervisor in the organization.

## 5.0 CONCEPTUAL FRAMEWORK

Based on the above review of the literature, a conceptual framework have been developed (Figure 1) to portray the relationship between organizational justice and turnover intention.



**Figure 1:** Conceptual Framework of Organizational Justice and Turnover Intention

## 6.0 DISCUSSION AND FUTURE RESEARCH

Most of the researcher agreed that turnover intention influenced by organizational justice [24, 40,41]. However, there is very little researcher focus on the other two dimensions of justice which are temporal justice and spatial justice [36]. For further research, more empirical research focused on temporal justice and spatial justices are needed. Researchers and practitioners need more empirical evidence regarding relationship between the new dimensions of justice with other outcomes such as turnover intention. Besides, only a few studies have been conducted in an international setting. More studies are needed from around the world to help identify commonalities and differences across culture.

## 7.0 CONCLUSION

The study has gone some way towards enhancing our understanding of the relationship between organizational justice and turnover intention. When the study has implemented, the findings will contribute to the stakeholder (manufacturing sectors, Ministry of Human Resource, and employee). Stakeholders can identify the loopholes where they can improve turnover intention with better planning and implementation. Consequently, the employer and employee will understand the objective of the learning is not only to integrate theory and practice in the real world but also for their benefits in the organizations.

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