
Fairness in Academia: Exploring the Impact of Organizational Justice on Economic Performance in Postgraduate Colleges

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Abstract

This study investigates the complex relationship—which has significant academic and practical implications—between organisational fairness and economic success in postgraduate colleges. Based on the complex idea of organisational justice, which includes distributive, procedural, and interactional justice, the study looks into how these aspects of organisation justice affect academic institutions' financial success. The study, which is situated within the resource-based theory of the company, makes positive association hypotheses between each component of organisational justice and economic success based on a wealth of literature. Structural Equation Modelling (SEM) was used in a quantitative research technique, and data from 250 faculty members from different postgraduate colleges was gathered. Fairness in workplace outcomes, procedures, and interpersonal interactions has a strong positive impact on economic performance, as demonstrated by the SEM study, which also showed significant positive connections between all three dimensions of organisational justice and educational institution effectiveness. The findings, which emphasise the need of fair resource allocation, courteous interpersonal treatment, and open decision-making processes, have significant consequences for academic policy and practices. This research not only contributes to the theoretical understanding of organizational justice in the academic context but also provides practical insights for enhancing institutional performance through fairness and justice. The study concludes with recommendations for future research, emphasizing the exploration of these dynamics across different cultural contexts and over time.

Keywords: Organizational Justice, Economic Performance, Postgraduate Colleges, Structural Equation Modeling, Resource-Based Theory.

- The research demonstrates a strong positive effect of the three dimensions of organizational justice (distributive, procedural, and interactional) on the economic performance.
- Utilizing Structural Equation Modeling (SEM) to analyse perception of 250 faculty members across various postgraduate colleges.
- The findings empirically support theories linking organizational justice to workplace & organization outcomes.

The concept of organisational justice is crucial when discussing workplace ethics and behaviour. It describes how much workers believe that workplace policies, practises, and results are just and equal. The goal of this research paper's introduction is to examine the complex relationship that exists between organisational justice and a company's financial performance—a topic that has attracted a lot of attention from both academics and industry practitioners in recent years. The notion of organisational justice is complex and generally comprises three main aspects: distributive justice, which

refers to equity in the distribution of outcomes, procedural justice, which concerns equity in the processes leading to outcomes, and interactional justice, which concerns equity in the treatment of individuals in interpersonal relationships (Colquitt, Conlon, Wesson, Porter, & Ng, 2001). Together, these factors mould workers' opinions of workplace justice, which in turn affects their attitudes and social behaviours. An increasing amount of research highlights the significance of organisational justice in forecasting a range of employee outcomes, including intentions to leave the company, commitment, and job satisfaction (Colquitt et al., 2001). More significantly, there is a strong correlation between employee attitudes and behaviours and more general organisational outcomes including performance, efficiency, and production (Greenberg, 1990). The hypothesized relationship between organizational justice and economic performance is grounded in social exchange theory (Blau, 1964), which posits that positive treatments from the organization lead employees to feel a sense of obligation to reciprocate with positive work-related behaviors. Empirical studies have started to shed light in this connection. For instance, Cohen-Charash and Spector (2001) found that perceptions of fairness significantly correlate with job performance, which directly impacts organizational effectiveness and, consequently, economic performance. Similarly, Ambrose and Schminke (2009) noted that fairness perceptions influence organizational citizenship behaviors, which can significantly enhance a firm's functional efficiency and adaptability in the market. It is not always clear of how organisational fairness and financial performance are related. Numerous elements, such as organisational culture, leadership style, and the external economic climate, mediate it. For instance, a 2009 study by Li and Cropanzano highlighted that organisations with a strong mutual trust and respect culture tend to have a more noticeable effect of organisational justice on performance. Furthermore, as noted by Liao and Rupp (2005), leadership styles has an important role in influencing how justice is perceived and how that affects performance. The research on this topic is not without its limitations. A majority of studies employ cross-sectional designs, which limit the ability to infer causality (Greenberg, 1990). Moreover, there is a geographical bias in research, with most studies conducted in Western contexts, raising questions about the generalizability of findings to other cultural settings (Brockner et al., 2001).

The purpose of this article is to further this line of research by analysing the effects of multiple organisational justice dimensions on a firm's financial success, taking into account a variety of mediating elements and situational contingencies that affect the organization's overall development. It aims to advance knowledge in theory as well as real-world applications in the management of workplace equity to improve economic results. Thus, this study not only addresses the need to comprehend the subtleties of this relationship in various organisational and cultural contexts (Brockner et al., 2001), but also answers the request for more thorough studies in the field (Greenberg, 1990; Cohen-Charash & Spector, 2001). As a result, this study acknowledges the complexity of organisational justice and its possible influence on financial success, with the goal of offering a comprehensive knowledge that may guide organisational behaviour and management theory as well as practise. This literature review synthesizes these studies to understand the impact of these justice dimensions on a firm's economic performance, underpinning the discussion with the resource-based theory.

Literature Review and Hypothesis development

Linking Justice to Economic Performance

Through the perspective of resource-based theory, it is possible to understand and assess the direct relationship between these justice dimensions of organisation justice and the economic performance of the enterprise (Barney, 1991). This makes it possible to see organisational justice as an intangible resource that affects human capital, which is an essential part of resource for any kind of organisation. Enhancing employee motivation, dedication, and happiness through positive conceptions of justice improves performance both individually and organizationally (Greenberg, 1990; Bies & Moag, 1986). Higher productivity, better quality work, innovation, lower absenteeism and turnover, and other manifestations of this enhanced performance eventually affect the company's financial performance and growth prospects within the institution.

Distributive Justice

Distributive justice pertains to the perceived fairness of outcome distributions within an organization (Adams, 1965). This particular dimension is crucial as it directly influences employee satisfaction with their rewards and compensation. Sweeney and McFarlin (1993) found a significant relationship between distributive justice and employee job satisfaction, which subsequently impacts organizational commitment and turnover intentions. Further, a study by Alexander and Ruderman (1987) linked distributive justice to increased job performance, which is a key driver of organizational productivity and, by extension, economic performance.

H1: There is a positive relationship between distributive justice and a firm's economic performance.

Interactional Justice

Interactional justice focuses on the quality of interpersonal treatment individuals receive in the execution of organizational procedures (Bies & Moag, 1986). It encompasses elements of respect and dignity in interactions, and its violation can lead to workplace deviance as noted by Skarlicki and Folger (1997). More critically, Aquino, Griffeth, Allen, and Hom (1997) demonstrated that interactional justice significantly impacts organizational citizenship behaviors, which are vital for the smooth and effective functioning and overall efficiency of an organization.

H2: Interactional justice positively impacts a firm's economic performance.

Procedural Justice

The notion of procedural justice concerns the perceived equity of the methods by which decisions are made (Leventhal, 1980). According to Moorman (1991), it plays a critical role in determining employees' trust in the company, which is necessary to promote a cooperative and effective work environment. Procedural fairness has also been associated with lower employee turnover and more employee engagement, according to studies by Colquitt, Conlon, Wesson, Porter, and Ng (2001).

H3: Procedural justice is positively related to a firm's economic performance.

Methodology

This study uses structural equation modelling (SEM), a quantitative research methodology, to investigate the connection between organisational justice and a firm's financial performance. Because SEM can evaluate complex models with various variables and connections, it is especially appropriate for this kind of research (Hair, et al., 2010).

Sample and Data Collection

Faculty members from a variety of postgraduate colleges made up the sample. To ensure a broad mix in terms of age, gender, specialisation, and years of experience, a total of 250 faculty members were surveyed.

Measures

A 5-point Likert scale, with 1 denoting "strongly disagree" and 5 denoting "strongly agree," was used to record the responses. Colquitt's (2001) measure of distributive justice is used, a 4-item scale adapted from Bies and Moag (1986) is used to assess interactional justice, Leventhal's (1980) 5-item scale is used to measure procedural justice, and a self-developed 4-item scale that focuses on perceived profitability, market share, financial stability, and growth rate is used to measure economic performance.

Data Analysis

The data analysis proceeded in two main steps using SEM, Firstly Confirmatory Factor Analysis (CFA) was conducted to assess the measurement model, including the reliability and validity of the scales. Thereafter, Structural Equation Modeling (SEM) was used to test the proposed hypotheses. The measurement model showed a good fit, according to the CFA results. (RMSEA=0.06), (TLI=0.94), and (CFI=0.95) were among the goodness-of-fit indices that were within acceptable bounds. Validity for both convergence and discrimination are evaluated. The Average Variance Extracted (AVE) is used to establish convergent validity, and the square root of the AVE for each construct is used to determine discriminant validity by comparing it to the correlation with other constructs. The results showed satisfactory convergent validity, with all AVEs exceeding the threshold of 0.50. Discriminant validity was confirmed as the square roots of AVEs were larger than the inter-construct correlations (See Table 1).

Table-I: Convergent and Discriminant Validity

Construct	AVE	Square Root of AVE	Correlation with Other Constructs
Distributive Justice	0.52	0.72	-
Interactional Justice	0.54	0.73	0.45
Procedural Justice	0.51	0.71	0.41, 0.48

Economic Performance	0.59	0.77	0.24, 0.30, 0.28
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Note- AVE= Average Variance Extracted

Path Analysis Results (SEM Analysis)

SEM, or structural equation modelling, is used to test the theory. Since it can examine intricate correlations between observable and latent variables, structural equation modelling (SEM) is a comprehensive statistical technique that is frequently employed in social science research. SEM allows researchers to investigate several dependent relationships at once by combining elements of factor analysis and multiple regression (Kline, 2011).

Table II: Hypothesis test results

Hypothesis	Relationship	Path Coefficient (β)	Critical Ratio (CR)	p-value
H1	Distributive Justice \rightarrow Economic Performance	0.2	4.2	< 0.05
H2	Interactional Justice \rightarrow Economic Performance	0.3	5.1	< 0.01
H3	Procedural Justice \rightarrow Economic Performance	0.3	4.6	< 0.05

A statistically significant association is indicated by the positive path coefficient ($\beta = 0.24$) and a Critical Ratio of 4.2 for the path that connects distributive justice to economic performance. Consequently, hypothesis H1 is validated. A β value of 0.30 and a Critical Ratio of 5.1 for H2 Interactional Justice to Economic Performance show a higher favourable impact on economic performance, so H2 is also recommended. Economic Performance can also be predicted by procedural justice, as the two variables have a strong positive association ($\beta = 0.28$, Critical Ratio of 4.6).

Discussion on Results

Supporting previous study findings, the substantial link ($\beta = 0.24$, $p < 0.05$) between distributive justice and economic success highlights the significance of equitable outcomes in organisational settings. According to Colquitt et al. (2001), there is a positive correlation between faculty members' perception of equitable awards and recognition and their level of work satisfaction and performance. This, in turn, can lead to improved financial success for the institution as a whole. This is in line with Adams' (1965) equity hypothesis, which suggests that perceptions of fair treatment from supervisors may motivate workers to contribute more successfully to the success of the business. The most robust correlation found is between economic performance and interactional fairness ($\beta = 0.30$, $p < 0.01$). This result is consistent with the research conducted by Bies and Moag (1986), who highlighted the importance of interpersonal treatment in influencing the attitudes and actions of workers. In an academic setting, interactions between faculty members that are dignified and courteous can create a collaborative and supportive atmosphere that increases faculty dedication and involvement. Skarlicki and Folger (1997) have observed that the productivity and efficacy of the institution can be directly impacted by this increased engagement. Additionally, there was a strong positive correlation between procedural justice and economic performance ($\beta = 0.28$, $p < 0.05$). Leventhal's (1980) research on the value of equitable procedures in businesses is supported by this. Fair and open decision-making procedures can boost faculty morale and trust at postgraduate colleges, which is important for developing a collaborative and effective work environment. Employee involvement is a crucial component of organisational processes, as highlighted by Moorman (1991), and this can have a favourable effect on the institution's success.

Higher perceptions of distributive, interactional, and procedural fairness are thought to be linked to greater perceived economic performance of enterprises, according to the positive coefficients for all three hypotheses. This is consistent with the firm's resource-based perspective, which highlights the function of organisational justice as a strategic resource affecting the organisations' financial results. The immediate and personal nature of interpersonal treatment and its significant influence on employee motivation and engagement levels may be the reason for interactional justice's greater impact when compared to the other two elements.

Implications

The results of the analysis using structural equation modelling (SEM) show that organisational justice characteristics have a substantial positive impact on economic performance. These findings have important ramifications for academic institutions, especially postgraduate colleges. First off, the connection between distributive justice and economic performance emphasises how crucial it is for academic environments to provide resources and recognition in a fair manner. This might be translated into equitable compensation structures, fair research funding distribution, and open procedures for faculty rewards and recognition in postgraduate colleges. Fairness in these areas is perceived favourably by faculty, which improves their job happiness and encourages them to become more involved in their responsibilities, which benefits the institutions' reputation and overall productivity. This might show up as better research products, more successful instruction, and a deeper dedication to institutional objectives. The need to uphold dignified and courteous relationships within the academic community is highlighted by the stronger correlation found between interactional justice and economic performance. This includes the way administrators handle faculty, the kind of interactions between students and teachers, and the collegial bonds that exist among academic members. An environment that is encouraging and collaborative can be fostered by a culture that values and maintains polite communication and recognises efforts. An environment like this fosters creativity and intellectual progress, two things that are important for an institution's reputation and draw for potential faculty members and students. Additionally, the significant relationship between procedural justice and economic performance points to the need for transparent relationship and a fair decision-making process. In an academic context, this includes clarity and fairness in tenure and promotion processes, course and workload assignments, and administrative decisions affecting faculty and students. When faculty trust that institutional processes are fair, it builds a sense of organizational trust, commitment, and loyalty. This trust is crucial for faculty engagement, retention, and overall institutional stability, which in turn, positively affects the institution's performance and reputation.

Conclusions

The present study underscores the significant impact of organizational justice on a firm's economic performance. The positive relationships found between distributive, interactional, and procedural justice and firm performance highlight the importance of fairness in the workplace. The results are particularly relevant for MBA colleges. Implementing a substantial and fair teaching practices can foster a holistic environment of learning and have far-reaching implications, not only for organizational success but also for societal well-being.

Scope for Future Research

However, future studies could examine how cultural circumstances affect how organisational justice is seen and how it affects an organization's financial performance. This would be especially pertinent in an international corporate setting. Also, carrying out longitudinal research may shed light on the ways in which organisational justice impacts a company's overall performance and changes over time. Future research may also examine the connection between corporate social responsibility, innovation, and environmental sustainability and organisational justice.

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