

## ORGANIZATIONAL JUSTICE AS A MEDIATOR FOR TRANSFORMATIONAL LEADERSHIP AND WORK OUTCOMES

Wahibur Rokhman

STAIN Kudus

e-mail: wahibur@gmail.com

### Abstract

*This study examined the mediating role of distributive and procedural justice in linking transformational leadership and job satisfaction, organizational commitment and turnover intention. Survey data was consisted of 370 employees from 60 institutions of Islamic microfinance in Central Java, Indonesia. The empirical tests indicated that transformational leadership has significant effect on procedural and distributive justice. Also, distributive and procedural justice has significant effect on all the three work outcomes. Furthermore, distributive justice was found to have mediation effect in the relationship between transformational leadership and organizational commitment and job satisfaction, but not for turnover intention. However, the study did not find any significant mediating effect of procedural justice on the relationship between transformational leadership and job satisfaction and turnover intention, but significant on organizational commitment.*

**Keywords:** *transformational leadership, distributive justice, procedural justice, organizational commitment, job satisfaction and turnover intention.*

### Abstrak

Studi ini meneliti peran mediasi dari keadilan distributif dan prosedural dalam hubungan antara kepemimpinan transformasional dan kepuasan kerja, komitmen organisasi dan *turnover intention*. Survei dilakukan terhadap 370 karyawan dari 60 lembaga keuangan mikro Islam di Jawa Tengah, Indonesia. Tes empiris menunjukkan bahwa kepemimpinan transformasional memiliki pengaruh yang signifikan terhadap keadilan prosedural dan distributif. Juga, keadilan distributif dan prosedural memiliki pengaruh yang signifikan pada tiga hasil pekerjaan yakni kepuasan kerja, komitmen organisasi dan *turnover intention*. Selain itu, keadilan distributif ditemukan memiliki efek mediasi dalam hubungan antara kepemimpinan transformasional dan komitmen organisasi dan kepuasan kerja, tetapi tidak untuk *turnover intention*. Namun, studi ini tidak menemukan efek mediasi keadilan prosedural yang signifikan pada hubungan antara kepemimpinan transformasional dan kepuasan kerja dan *turnover intention*, tetapi signifikan pada komitmen organisasi.

**Kata kunci:** kepemimpinan transformasional, keadilan distributif, keadilan prosedural, komitmen organisasi, kepuasan kerja dan niat omset.

### INTRODUCTION

Over the past two decades, transformational leadership theories have emerged as one of the most popular approaches to understanding leadership effectiveness (Piccolo and Colquitt, 2006; Barling et al. 2008). In contrast to the earlier approaches, the new emerging theories focus on attempting to explain how leaders can accomplish extraordinary things and arouse

follower to have higher level of thinking (Piccolo and Colquitt, 2006) and also emphasize on the importance of leaders' inspiring subordinates' admiration, dedication, and unquestioned loyalty through articulating a clear and compelling vision (Bass, 1985; Yulk, 2006; Pillai et al. 1999a; Frey et al. 2009).

Transformational leadership has been linked to various work outcomes. Such out-

comes include: leadership effectiveness, job satisfaction, empowerment, organizational commitment, turnover intention, performance, work ethic, organizational development, organizational justice and so on (Pillai et al. 1999a; Croker, 2004; Piccolo and Colquitt, 2006; Bartram and Casimir, 2007; Kirkman et al. 2009). Although the underlying processes between transformational leadership and work outcomes are not entirely clear (Bass, 1990; Pillai et al. 1999a), it may be that some mediating factors influence the relationship between them (Pillai et al. 1999b; Asgari et al. 2008).

Previous studies have identified that transformational leadership has an important impact on organizational justice (Pillai et al. 1999a, 1999b; Asgari et al. 2008). However, academia has yet to fully examine the potential mediators of distributive and procedural justice that influence the relationship between transformational leadership and work outcomes (Yukl, 1999). Therefore, this study will explore how the relationship between transformational leadership and work outcomes could potentially be mediated by distributive and procedural justice.

## LITERATURE REVIEW

### Transformational Leadership

It was Burns (1978) who introduced the concept of transformational leadership. He describe transformational leadership as a set of specific behaviors rather a process in which leaders and follower raise one another to higher levels of morality and motivation (Burns, 1978). Then he tried to distinct transformational leadership with the traditional forms of transactional leadership. He described that transactional leadership is motivated by the Maslow's lower level needs (food, shelter, safety and affiliation). In contrast, transformational leaders focus on the higher level of follower needs (esteem self-fulfillment, and self actualization) (Tabassi and Abu-Bakar, 2010; Pawar, 2003; Pillai et al. 1999a; Frey et al. 2009).

Extending Burns initial theory, Bass (1985) also approached transformational leadership by discussing Maslow's hierarchy of needs. The concept of the Maslow's hierarchy of needs is that an individual must satisfy basic needs for survival to some reasonable degree before bothering about his or her own safety

and security. Only after this, the individual can focus upon the need for love and affiliation with family and friends. After fulfilling the aforementioned, the individual can then concentrate on self esteem and recognition. The highest level of the hierarchy is the need for self-actualization or realizing one's own potential (Tabassi and Abu-Bakar, 2010). Transformational leaders increase and arouse the follower's need to the higher level, which can produce extraordinary effort (Fitzgerald and Schutte, 2010; Frey et al. 2009).

According to Bass, the transformation can be attained in any one of three related ways. First, it is by raising the level of awareness. By doing so, the degree of consciousness related with the importance and value of designated outcomes and how to achieve them. Second, this leadership emerges when an individual interest is transcended for the sake of the higher goals which an organization or a team has. Third, by altering to a higher level of need in Maslow's hierarchy, transformation may be attained (Bass, 1990).

Bass further described that transformational leadership is based upon four dimensions. The four dimensions in transformational leadership are: Firstly, idealized influence (charisma) is described as an attribute of a leader who behaves as a role model, and possess high standard of moral and ethical conduct and is respected by follower (Bass and Steidlmeier, 1999). Secondly, inspirational motivation refers to the leaders who have capacity to create a convincing vision for the future based on values and ideas (Bono and Judge, 2004). Thirdly, intellectual stimulation is characterized by promoting intelligence, rationality, logical thinking and careful problem solving (Bass, 1985). Fourthly, individual consideration may be characterized by the leader's ability to foster participative management and focus upon individual employee's need for growth and participation (Bass, 1985). These characteristic of transformational leadership may have influence over social exchange process which links between transformational leadership and organizational justice (Pillai et al. 1999b).

### Organizational Justice

Organizational justice theory provides a useful framework toward understanding individuals'

attitudes toward work, work behaviors, and job performance. This is based on employees' perception of fairness (justice) in the workplace (Colquitt et al. 2001; Cropanzano et al. 2007), which has become one of the central interest of leaders on providing equal opportunities to employees, fair labor practices and fair payment (Colquitt et al. 2005). The concept of justice has a long history as a key explanatory variable in many different social sciences (Colquitt, 2001). In the organizational context, justice refers to the fairness toward organizational resources including selections, pay, rewards, promotions and other resources. Justice in organization has been of great concern to both employers and employees (Folger and Cropanzano, 1998). Some studies showed that employees' perceptions of organizational justice are a significant factor influencing various work outcomes such as organizational commitment, job satisfaction, organizational citizenship behavior, turnover intention and intention to leave (Colquitt et al. 2001, Hassan, 2002; Cropanzano et al. 2007).

According to Greenberg and Baron (2008) organizational justice refers to the perception of people about the fairness in organization, including the perceptions of how decisions are made regarding the distribution of outcome and the perceived fairness of those outcomes.

Over the last few decades, the justice construct has evolved from the one dimension of distributive justice, to the two dimensions of distributive and procedural justice, to the three dimensions of distributive, procedural, and interactional justice, and finally to the four dimensions of distributive, procedural, interpersonal, and informational justice. The dimensions of the justice construct over the years, and how this dimensionality has evolved, have defined the boundaries of major research and theoretical development in organizational justice (Colquitt et al. 2005).

Informational and Interpersonal justice perceptions are the two newest dimensions to be identified and according to some researchers are closely related. Indeed, they are so closely related that according to Greenberg and Baron (2008) not all researchers agree that they should be separate dimensions at all but that they should still both be considered aspects of interactional justice perceptions.

Nonetheless, because of the relative newness of the dimensions and the lack of consensus on the part of justice researchers many studies are still conducted using the two or three factor model. In this study, researcher utilized the two-dimensional justice construct, as proposed by Cropanzano et al. (2007), which have typically focused on antecedents and consequences of subjective perceptions. First is the fairness of the allocation and distribution of outcome (distributive justice). Second, the fairness of the procedures used to determine those outcomes (procedural justice) (Colquitt, 2001; Pillai et al, 1999a).

Distributive justice theory suggests that individuals will evaluate the resource allocations with respect to one of the three main distributive rules: equity, equality, and need (Cropanzano et al. 2007). Equity suggests that outcomes should be allocated according to the contributions of individuals. That is, the more contribution, the greater the outcome. Next is equality. This norm suggests that every individual in an organization should be rewarded equally without looking at the contribution such individual makes. Lastly, the norm of need suggests that resource allocation should be based on the individual's need. In other words, the greater the need the greater the outcomes (Greenberg and Baron, 2008).

In the early 1970s, researchers began to claim that an individual's evaluations of allocation decisions were affected not only by what the rewards were, but also by how they are made (Cropanzano et al. 2007). This refers to procedural justice. That is, the perceived fairness of the policies and procedures used to make decisions in the work place (Greenberg, 1990). The early work on procedural justice in organizations was based on Thibaut and Walker's (1975) studies. They explained that even when individuals received unfavourable outcomes, they perceive themselves as fairly treated as long as they had opportunity to contribute in decision making process.

Procedural justice refers to the issues of fairness that are related with method, mechanism, and processes used to determine outcome (Folger and Cropanzano, 1998; Lee, 2007). It is determined by: (a) how much influence or input one has in decision making process, (b) how much respect is paid to a person during decision making process, (c) whether

decision is based on job related criteria, (d) whether feedback is provided and is timely. Furthermore, Leventhal (1980) identified six rules for the procedure of fair treatment in organizations (in Colquitt et al. 2005). The rules are: consistency, biased suppression, accuracy, correctable, representativeness, ethicality.

### **Transformational Leadership and Organizational Justice**

The investigation of the relationship between leadership and justice in the U.S suggests that a leadership is linked to an organizational justice and individual outcomes (Pillai et al. 1999b). Transformational leaders give an opportunity to his subordinates to express their opinions which have been shown to be fair from subordinates' point of view. Thus, if leaders do not give attention to fairness, leadership cannot be effective because followers will reject leadership authority (Tyler and Caine, 1991 in Pillai et al. 1999b).

A study conducted by Greenberg (1990) shows that organizational justice plays a significant role in leadership evaluation. Increases in opportunities to express their opinions have been shown to strengthen the subordinates' judgments of fairness (Pillai et al, 1999a). Transformational leaders must provide a fair treatment to subordinates using individual consideration and intellectual stimulation dimensions. These characteristic may have affect on social exchange process which links between transformational leadership and distributive and procedural justice (Pillai et al. 1999b).

Pillai and Williams (1996) found that transformational leadership has influence over procedural justice rather than influence over trust and job satisfaction (Pillai et al. 1999b). Pillai et al. (1999a) found that transformational leadership was positively related to distributive and procedural justice. Based on the review above, these hypotheses were developed:

- H1: Transformational leadership will be positively related to distributive justice.  
 H2: Transformational leadership will be positively related to procedural justice.

### **Organizational Justice and Work Outcomes**

Organizational justice theory explains that feelings of fairness in the work place are mostly

determined by the decision processes and the outcome of these decisions (Greenberg, 1990). Employees will judge whether the decisional processes and mechanism and the consequences of these decisions are fair or not. They make comparison between themselves and their co-workers with regards to their organizational rewards. These comparisons are more likely to influence their assessment of the fairness of rewards in their organization (Greenberg and Baron, 2008). This in turn affects their level of job satisfaction, organizational commitment and turnover intent.

Previous studies have identified that organizational justice has an important impact on organizational effectiveness, such as, satisfaction, commitment, turnover intent, organizational citizenship behavior, and trust on leadership (Ortiz, 1999; Pillai, et al. 1999b; Masterson et al. 2000; Hassan, 2002; Hassan, and Chandaran, 2005; Jahangir et al. 2006; Hashim, 2008). As such, perception of an overall organizational justice will encourage workers' decision to have good relationships with the organization (Trevino and Weaver, 2001). Studies have found that the employees tend to be less satisfied and committed when they perceived unfairness in organization (Cropanzano and Greenberg, 1997). As a result, their unfair perception leads to poor performance (Pfeffer and Langton, 1993), turnover and absenteeism (Viswesvaran, and Ones, 2002). Moreover, Aryee et al. (2002) found that distributive, procedural, and interactional justice was positively significant to job satisfaction and organizational commitment, but negatively related to turnover intention.

The relationship between organizational justice and work outcomes, such as, job satisfaction, organizational commitment and turnover intent can be explained by the social exchange theory of Blau (1964) and the equity theory of Adam (1965). These theories explain that people tend to feel obligated to repay favorable benefits and treatment offered by an organization. If they perceive a higher level of organizational justice, they would have a high commitment and most satisfaction, and also less likely to harbor an intention to leave the organization.

Robinson (2004) examined the role of organizational justice on job satisfaction, organizational commitment, motivation and per-

formance. He found that organizational justices were a significant predictor of job satisfaction, organizational commitment, motivation and performance. Distributive justice accounted for the most variance in job satisfaction, while procedural justice accounted for the most variance in organizational commitment, motivation and performance.

Furthermore, Lee (2000) and Hassan and Chandaran (2005) investigated the relationship between organizational justice, job satisfaction, organizational commitment and turnover intention. They used two dimensions of organizational justice: distributive and procedural justice. The result showed that distributive and procedural justices had a direct positive effect on job satisfaction and organizational commitment and had negative effect on turnover intention. Moreover, Lee (2000) also found that distributive justice played a more vital role in the employees' work related outcomes than procedural justice, and that the quality of interpersonal working relationship promoted the employees' perception of fairness.

Based on this argument that the organizational justice will be treated by the employees as discretionary actions by the organization, a logical statement can be made that is, justice perception signifies a support to job satisfaction and commitment to organization which will reduce their intentions to leave the organization. Therefore, the following hypotheses are proposed:

- H3a: Distributive justice will be positively related to organizational commitment.
- H3b: Distributive justice will be positively related to job satisfaction.
- H3c: Distributive justice will be negatively related to turnover intention.
- H4a: Procedural justice will be positively related to organizational commitment.
- H4b: Procedural justice will be positively related to job satisfaction.
- H4c: Procedural justice will be negatively related to turnover intention.

#### **The Mediating Role of Distributive and Procedural Justice**

In general, a given variable functions as a me-

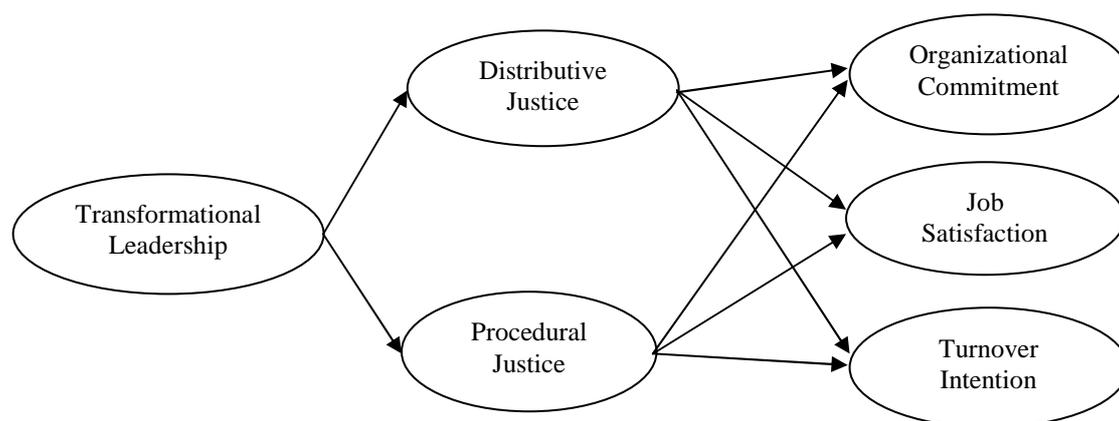
diator to the extent that it accounts for the relationship between the predictor and the criterion (Baron and Kenny, 1986). This study predicts that distributive and procedural justice will mediate the relationship of transformational leadership with job satisfaction, organizational commitment and turnover intention.

As earlier mentioned, the transformational leadership are positively correlated with the subordinate attitude and the organizational outcome, such outcomes include: leadership effectiveness, organizational commitment, employee satisfaction and job performance (Bass, 1990; Bass and Avolio, 1993), organizational citizenship behavior and turnover intention (Padsakoff et al. 1996). Transformational leadership are also associated with organizational justice (Pillai et al. 1999a; 1999b; and Asgari et al. 2008).

In other words, as leaders who treat their followers fairly will have a positive effect on job satisfaction and organizational commitment whilst at the same time; it will have a negative impact on the turnover intention. This discussion suggests that distributive and procedural justice will mediate the relationship between transformational and transactional leadership and work outcomes, such as, job satisfaction, organizational commitment and turnover intention.

Therefore, the following hypothesis is proposed:

- H5a: Distributive justice mediates the relationship between transformational leadership and organizational commitment.
- H5b: Distributive justice mediates the relationship between transformational leadership and job satisfaction.
- H5c: Distributive justice mediates the relationship between transformational leadership and turnover intention.
- H6a: Procedural justice mediates the relationship between transformational leadership and organizational commitment.
- H6b: Procedural justice mediates the relationship between transformational leadership and job satisfaction.
- H6c: Procedural justice mediates the relationship between transformational leadership and turnover intention.



**Figure 1:** Model of the study

## RESEARCH METHODS

### Subjects

Data was collected from employees in sixty organizations of Islamic microfinance in the Central Java, Indonesia. A total of 550 fulltime employees were requested to complete the questionnaires of which 419 were returned (response rate of 76.2 percent). A total of 49 respondents were removed due to not-fulfillment of the requirement and to excessive missing data. Therefore, the final sample size was 370 respondents.

The majority of respondents were males (192 or 52%). Less than half of the participants were female (178 or 48%). The respondents were classified into five age categories. The age range indicated that 96 (26%) were 18-24 years old, 139 (37%) were 25-29 years old, 77 (21%) were 30-34 years old, 43 (12%) were 35-39 years old, and 15 (4%) were 40 years and above. The respondents were also classified into five educational categories. The distribution consisted of: 4 (1%) junior high school, 121 (31%) senior high school, 104 (28%) college diplomas, 137 (37%) undergraduates, and 4 (1%) postgraduates respectively.

Regarding the length of employment, 223 respondents (60%) had been with their present institutions between 1 and 4 years, 118 respondents (32%) between 5 and 9 years. Only 29 respondents (8%) had been more than ten years with their current organizations. With regard to length of managerial tenure in the current position: 42 percent (155 respondents) indicated that they had been managers for more

than ten years in their current organization. Only 83 respondents (22%) indicated that they were between 5 and 9 years in their managerial positions.

### Measurements

The questionnaire used five-point Likert-type scales, ranging from 1 (strongly disagree) to 5 (strongly agree) to measure the items of the following constructs:

*Transformational Leadership.* This construct was measured by using the latest MLQ is Form 6S which consists of 12-items. The MLQ includes questions that measure four factors of Transformational leadership: (a) attributed idealized influence/ charisma, (b) inspirational motivation, (c) intellectual stimulation, and (d) individual consideration. This scale has reported reliabilities above .90

*Distributive and Procedural Justice.* This construct was measured by using a distributive justice index developed by Niehoff and Moorman (1993). This ten-item scale measures the degree to which rewards received by employees are perceived to be related to performance inputs and the respondents' perceptions of the fairness of the formal procedure in their organizations. This scale has reported reliabilities above .90.

*Job Satisfaction.* This construct was measured by the 3 item scale used by Dubinsky and Harley (1986). This scale had a coefficient alpha of 0.89.

*Organizational Commitment.* This commitment was measured with a three-item version of the organizational commitment questionnaires (OCQ) adapted from Bozeman and Per-

rewe, (2001). This has been used by Luna-Arocas, and Camp (2008). The coefficient alpha has reported consistently high ranging from 0.82 to 0.93.

*Turnover Intention.* This variable was measured using the two items adapted from the previous research (Hom and Griffeth, 1991; Luna-Arocas, and Camp, 2008). This scale had a coefficient alpha of 0.89.

**RESULTS**

Table 1 presents descriptive statistics (means and standard deviations) and correlations between all the variable of transformational leadership, distributive and procedural justice and work outcomes. The correlations among some of the study variables provided initial support for the hypotheses. In support of H1 and H2, transformational leadership was positively correlated with procedural and distributive justice, the result shown that transformational leadership was significant correlated with distributive and procedural justice ( $r = .543$  and  $.643$ ,  $p < 0.01$ ). In addition, procedural justice was positively correlated with job satisfaction ( $r = 0.35$ ,  $p < 0.01$ ), organizational commitment ( $r = 0.36$ ,  $p < 0.01$ ) and negatively correlated with turnover intention ( $r = -0.21$ ,  $p < 0.01$ ). In addition,

distributive justice was positively correlated with job satisfaction ( $r = 0.39$ ,  $p < 0.01$ ), organizational commitment ( $r = 0.39$ ,  $p < 0.01$ ) and negatively correlated with turnover intention ( $r = -0.17$ ,  $p < 0.01$ ), supporting H3 and H4. These results are consistent with the extent literature.

The regression results have shown in Table 2. As hypothesized the relationship between transformational leadership and distributive and procedural justice were significant ( $\beta = .542$ ,  $\beta = .653$ ;  $P < 0.01$ ), thus supporting hypothesis 1 and 2. The relationship between distributive justice and organizational commitment and job satisfaction were positively significant ( $\beta = .387$ ,  $\beta = .388$ ;  $P < 0.01$ ) and negatively significant to turnover intention ( $\beta = -.167$ ,  $P < 0.05$ ), thus, this results were supported the hypotheses 3a, 3b and 3c. Furthermore, procedural justice had significant positive impact on organizational commitment ( $\beta = .348$ ,  $P < 0.01$ ) and job satisfaction ( $\beta = .345$ ,  $P < 0.01$ ) (hypothesis 4a and 4b). Regarding to hypothesis 4c, procedural justice had significant negative relationship with turnover intentions ( $\beta = -.174$ ,  $P < 0.05$ ). Hence, hypothesis 4a was also supported.

**Table 1:** Means, Standard Deviations, and Correlations between Variables

Variable	Mean	SD	1	2	3	4	5
1. Transformational leadership	3.74	0.49	1.00				
2. Distributive Justice	3.78	0.61	.543**	1.00			
3. Procedural Justice	3.79	0.52	.653**	.560**	1.00		
4. Organizational commitment	4.03	0.55	.334**	.387**	.348**	1.00	
5. Job Satisfaction	3.79	0.62	.437**	.388**	.345**	.409**	1.00
6. Turnover Intention	2.00	0.79	-.252**	-.167**	-.174**	-.153**	-.243**

Notes: \*\*  $p < 0.01$ , \*  $p < 0.05$

**Table 2:** the Result of Regression Analysis

Variables	$\beta$	$R^2$
Transformational Leadership → Distributive Justice	.542**	.294
Transformational Leadership → Procedural Justice	.653**	.426
Distributive Justice → Organizational Commitment	.387**	.150
Distributive Justice → Job satisfaction	.388**	.150
Distributive Justice → Turnover Intention	-.167*	.028
Procedural Justice → Organizational Commitment	.348**	.121
Procedural Justice → Job satisfaction	.345**	.119
Procedural Justice → Turnover Intention	-.173*	.130

### Mediating of Distributive and Procedural Justice

In order to test the mediation effect, a series of regression analyses were carried out to investigate the role of procedural and distributive justice in the relationship between transformational leadership and work outcomes. The three-step process recommended by Baron and Kenny (1986) was used. First, the mediating variable is regressed on the independent variable. Second, the dependent variable is regressed on the independent variable. Third, the independent variable is simultaneously regressed on the dependent variable and the moderating variable. The three conditions for establishing mediations are: first, the independent variable must affect the mediator in the first equation; second, the independent variable must be shown to affect the dependent variable in the second equation; and third, the mediator must affect the dependent in the third equation. If these conditions all hold in the predicted direction, then the effect of the independent variable on the dependent variable must be less in the third equation than in the second. Perfect mediation holds if the independent variable has no effect when the mediator is controlled (Baron and Kenny, 1986).

Table 3 show the results of mediating regression analyses of distributive justice. In the first step, transformational leadership has a significant positive relationship to distributive justice ( $\beta = .542$ ,  $P < 0.01$ ) in the first equation. Transformational leadership also has a significant relationship to organizational commitment, job satisfaction and turnover intention in the second equation ( $\beta = .336$ ,  $.437$ ,  $-.255$   $P <$

$0.01$ ), this results fulfil the first two conditions of testing mediations. In the third equation, distributive justice was added into each regression model. It was found to have significant effect on organizational commitment ( $\beta = .290$ ,  $P < 0.01$ ) and the formerly beta coefficient of the relationship between transformational leadership and organizational commitment became smaller ( $\beta = .179$ ,  $P < 0.01$ ). Hence, distributive justice partially mediated the relationship between transformational leadership and organizational commitment, thus supporting hypothesis 5a. In the same way, when job satisfaction was regressed on both transformational leadership and distributive justice, the effect of distributive justice to be found significant ( $\beta = .213$ ,  $P < 0.01$ ). However, the formerly beta coefficient of the relationship between transformational leadership and job satisfaction became smaller ( $\beta = .322$ ,  $P < 0.01$ ). This results partially supported H5b that distributive mediates the relationship between transformational leadership and job satisfaction.

In the case of mediating role of distributive justice in transformational leadership and turnover intention relationship, when turnover intention regressed on both transformational leadership and distributive justice, the effect of transformational leadership on turnover intention was still significant, but the beta coefficient become smaller ( $\beta = -.233$ ,  $P < 0.01$ ). This result implies that distributive justice is partially mediated the relationship between transformational leadership and turnover intention. These results provide support for hypothesis 5c.

**Table 3:** Results of the Mediated Regression Approach of Distributive Justice

Model	Dependent Variable	Independent Variable	$\beta$	$R^2$
1	Distributive Justice	Transformational Leadership	.542**	.294
	Organizational Commitment	Transformational Leadership	.336**	.113
	Organizational Commitment	Transformational Leadership	.179**	.172
2		Distributive Justice	.290**	
	Distributive Justice	Transformational Leadership	.542**	.294
	Job satisfaction	Transformational Leadership	.437**	.437
	Job satisfaction	Transformational Leadership	.322**	.223
3		Distributive Justice	.213**	
	Distributive Justice	Transformational Leadership	.542**	.294
	Turnover Intention	Transformational Leadership	-.255**	.065
	Turnover Intention	Transformational Leadership	-.233**	.066
		Distributive Justice	-.041	

Notes: \*\*  $p < 0.01$ , \*  $p < 0.05$

**Table 4:** Results of the Mediated Regression Approach of Procedural Justice

Model	Dependent Variable	Independent Variable	$\beta$	R <sup>2</sup>
4	Procedural Justice	Transformational Leadership	.653**	.426
	Organizational Commitment	Transformational Leadership	.336**	.113
	Organizational Commitment	Transformational Leadership	.189**	.142
5	Procedural Justice	Procedural Justice	.255**	
		Procedural Justice	.103	
	Job satisfaction	Transformational Leadership	.437**	.437
	Job satisfaction	Transformational Leadership	.370**	.197
6	Procedural Justice	Transformational Leadership	.653**	.426
		Turnover Intention	Transformational Leadership	-.255**
	Turnover Intention	Transformational Leadership	-.248**	.065
		Procedural Justice		-.011

Notes: \*\* p < 0.01, \* p < 0.05

Regarding to the mediating of procedural justice, the results shown on Table 4. When organizational commitment regresses on both transformational leadership and procedural justice, the formerly beta coefficient of the relationship between transformational leadership and organizational commitment become smaller ( $\beta = .189, P < 0.01$ ). This implies that procedural justice partially mediated the relationship between transformational leadership and organizational commitment, which partially supported H6a. In addition, when both transformational leadership and procedural justice were included in the regression model to predict job satisfaction and turnover intention, the relationship between transformational leadership and both job satisfaction and turnover intention were significant, however, the the changing of beta coefficient the relationship between transformational leadership to both job satisfaction ( $\beta = .370, P < 0.01$ ) and turnover intention ( $\beta = -.248, P < 0.01$ ) were relatively small. Thus this result implies that procedural justice partially mediated the relationship between transformational leadership and both job satisfaction and turnover intention, which partially supported hypotheses 6b and 6c.

**DISCUSSION**

This study examined the relationship between transformational leadership, distributive justice, procedural justice, organizational commitment, job satisfaction and turnover intention in micro-finance institutions setting. Specifically the study examined the potential mediating influence of distributive and procedural justice on

the relationship between transformational leadership and organizational commitment, job satisfaction and turnover intention.

The results of the study revealed that transformational leadership is a positive predictor of distributive and procedural justice, as hypothesized. In other words, if an employee perceived quality of transformational leadership in the supervisor-subordinate relationship, the employee also perceives a higher level of perceived distributive justice and procedural justice.

These results were supported by the previous research on the impact of the quality of the supervisor-subordinate relationship based on the fairness perception of the subordinates (Padsakoff et al. 1996; Pillai et al. 1999a, 1999b; and Asgari et al. 2008). According to Tatum et al. (2003) there is an intimate relationship between the leadership style and the organizational justice patterns. Transformational leader is the charismatic and intelligent person who has a vision and inspires others as well as taking care of the needs and wellbeing of the followers. Moreover, he always has an open mind and a responsive attribute (Tatum et al. 2003). Pillai and Williams (1996) found that transformational leadership was related to procedural justice and distributive justice (in Pillai et al. 1999a). Niehoff and Moorman (1993) also found that the articulation and modeling of the leader's vision contributed to a culture of justification orientation among the employees. This is because it communicated with the policies of the organization. In a recent study, Asgari et al. (2008) explored the relationship between transformational leadership behaviors, and organizational justice using 162 employees

in five ministries in Malaysia. They found positive and direct relationship between transformational leadership behaviors and organizational justice. The result of this study reveals that distributive and procedural justice has a positive influence on the organizational commitment and job satisfaction and is negatively related to the turnover intentions, as hypothesized. Thus, this finding supports the hypotheses. It can be understood that employees may compare the adequacy of the rewards they receive to their expectation or to a standard reference and also compare whether the decision processes and mechanisms and the consequences of these decisions are fair or otherwise. They make comparison between themselves and their co-workers with regards to their organizational rewards and procedure. These comparisons are more likely to influence their assessment of the fairness in distribution and procedure of the decision making in their organization (Ngo et al. 2002), which in turn affects their level of job satisfaction, organizational commitment and turnover intention. As a result, if the employees feel satisfied with the outcome they will improve their commitment towards the organization and be more satisfied with their jobs. However, if they feel discontented with what they receive to meet their expectation, they will more likely quit (Folger and Konovsky, 1989).

The result of this study supports previous research conducted by Folger and Konovsky (1989); Lee (2000); Hassan (2002); Aryee et al. (2002) and Robinson (2004); Hassan and Chandaran (2005); Hashim (2008); Abu Elanain (2010). For example, in a study conducted in Malaysia by Hassan and Chandaran (2005), they found that procedural and distributive justices were positively related to job satisfaction and organizational commitment and negatively related to turnover intention. In addition, Aryee, Budhwar, and Chen (2002) studied on the relationship between the three dimensions of organizational justice (distributive, procedural, and interactional) and work outcomes (Job satisfaction, organizational commitment and turnover intention). This study revealed that all of the three dimensions of organizational justice were positively related to job satisfaction and organizational commitment and negatively related to turnover intention.

Result offers support for the role of distributive and procedural justice as mediator of

the relationship between transformational leadership and three outcomes: organizational commitment, job satisfaction and turnover intention. This evidence indicates that the more employee feel that their leadership style as transformational, the more they perceive the fairness in distribution and procedural distribution of the resources, which in turn prompts them to reciprocate with increasing their commitment to their organization and their feeling satisfaction toward their work and finally will effect on intention to stay in organization. The result of this study supports previous research conducted by Pillai et al. (1999a), they found that distributive and procedural justice as mediator for transformational leadership and work outcomes.

### Implications

The present study examined organizational justice as a mediator in the relationship between transformational leadership and work outcomes. The results of this study provide practical implications, especially for Islamic microfinance institutions in the Central Java context. Firstly, employees who perceived higher level of transformational style of leadership reported higher level of distributive and procedural justice. This suggests that managers should encourage using transformational style of leadership, such as, empowering the followers (intellectual stimulation), encouraging employees to be more proactive and appreciating employees' hard work (individual consideration). Since transformational leadership can be trained (Bass, 1990), training managers to be transformational leaders should be the top priority of Islamic microfinance institution. In addition, the Islamic microfinance institution should look for potential candidates for managers' post vacancies on the basis of their potential to be transformational leaders.

Secondly, the findings of this study provide managers in the microfinance institutions with insights into the formations of employees' fairness perceptions, and with some guidelines for managing employees by documenting organizational justice to draw positive attitudinal and behavioral responses from employees. The results of this study reveal that distributive and procedural justice has a strong influence on employees' organizational com-

mitment, job satisfaction and turnover intentions.

Finally, since this study was conducted in the Islamic microfinance institution, the finding enables the managers to gain an insight into their leadership style on fairness in organization which will ultimately produce significant effect on their subordinates, finally will have affect on organizational performance.

### Limitations and Suggestions for Future Research

Overall, the contribution of this study should be re viewed in light of three limitations. In this study, transformational leadership was measured only from the subordinate's perspective. Future research should asses the variables from both the leaders' and the members' perspective. This is important to obtain a more objective measure of construct and to examine weather the followers' feeling about the leader same as with what leaders' feel. Secondly, the design for this study was cross-sectional, not longitudinal. Cross-sectional data are not adequate to make inferences of causality or reverse causality among the investigated variables. Thus, a longitudinal research design would provide additional and stronger support for the effects tested in this study

Finally, the study was focus only on three outcomes (organizational commitment, job satisfaction and turnover intention). There are some variables that might be including in the study. For example: organizational performance, organizational citizenship behavior, employee engagement, etc. it would be more complete to present the result of leadership style effects and mediating of Islamic work ethics and organizational justice within organization. Consequently, future studies could include those variables, so it can explain better understanding effect leadership in organization.

### REFERENCES

- Abu Elanain, HM. 2010. Testing the direct and indirect relationship between organizational justice and work outcomes in a non-Western context of the UAE. *Journal of Management Development*. 29(1). 5-27
- Adams, JS. 1965. Inequity in social exchange. In Berkowitz, L. (ed.) *Advances in experimental social psychology*. 2. New York: Academic Press.
- Aryee, S., PS. Budhwar and ZX. Chen. 2002. Trust as a mediator of the relationship between organizational justice and work outcomes: test of a social exchange model. *Journal of Organizational Behavior*. 23(3). 267-285
- Asgari, A., AD. Silong, A. Ahmad and BA. Samah. 2008. The Relationship between Transformational Leadership Behaviors, Organizational Justice, Leader-Member Exchange, Perceived Organizational Support. *European Journal of Scientific Research*. 23(2). 227-242
- Barling, J., A. Christie and N. Turner. 2008. Pseudo-transformational Leadership: Towards the development and Test of a Model. *Journal of Business Ethics*. 81. 851-862
- Baron, RM. and DA. Kenny. 1986. The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*. 51(6). 1173-1182
- Bartram, T. and G. Casimir. 2007. The relationship between Leadership and Follower in-role performance and Satisfaction with the leader: the mediating effects of empowerment and trust in the leader. *Leadership & Organization Development Journal*. 28(1). 4-19
- Bass BM. and JA. Avolio. 1993. Developing transformational leadership: 1992 and beyond. *Journal of European Industrial Training*. 14(5). 21-27
- Bass, BM. 1985. *Leadership and Performance beyond Expectations*. New York, Free Press.
- Bass, BM. 1990. *Bass and Stogdill's handbook of leadership*. New York, Free Press.
- Bass, BM. 1997. Does the transactional-transformational leadership paradigm transcend organizational and national

- boundaries?. *American Psychologist*. 52 (2).130-139
- Bass, BM. and P. Steidlmeier. 1999. Ethics, character, and authentic transformational leadership behavior. *Leadership Quarterly*. 10 (2). 181-217
- Blau, P. 1964. *Exchange and Power in Social Life*. New York: Wiley.
- Bono, JE. and TA. Judge. 2004. Personality and Transformational and Transactional Leadership: A Meta-analysis. *Journal of Applied Psychology*. 89 (5). 901-910
- Burns, JM. 1978. *Leadership*. New York: Harper & Row.
- Colquitt, JA. 2001. On the dimensionality of organizational justice: A construct validation of a measure. *Journal of Applied Psychology*. 86(3). 386-400.
- Colquitt, JA., DE. Conlon, MJ. Wesson, CO. Porter and KY. Ng. 2001. Justice at the millennium: A meta-analytic review of 25 years of organizational justice research. *Journal of Applied Psychology*. 86(3). 425-445.
- Colquitt, JA., J. Greenberg and Z. Phelan. 2005. *What is Organizational Justice?. A historical overview*. In Greenberg and Colquitt (Eds), *Handbook of Organizational Justice*. LEA Publisher, Mahwah, NJ, 3-56.
- Colquitt, JA., RA. Noe and CL. Jackson. 2002. Justice in teams: Antecedents and consequences of procedural justice climate. *Personnel Psychology*. 55. 83-110.
- Crocker, R. 2004. *The effect of leadership style on employee work ethic*. Master thesis submitted to California State University. USA.
- Cropanzano, R. and J. Greenberg. 1997. Progress in organizational justice: tunneling through the maze. *International Review of Industrial and Organizational Psychology*. 12. 317-72.
- Cropanzano, R., DE. Bowen and SW. Gilliland. 2007. The management of organizational justice. *Academy of Management Perspectives*. 21. 34-48
- Dubinsky, AJ. 1995. An examination of linkages between personal characteristics and dimensions of transformational leadership. *Journal of Business and Psychology*. 9(3). 315-335
- Dubinsky, AJ. and SW. Harley. 1986. A path-analytic study of a model of salesperson performance. *Journal of the Academy of Marketing Science*. 14. 36-46
- Fitzgerald, S. and N. Schutte. 2010. Increasing transformational leadership through enhancing self-efficacy. *Journal of Management Development*. 29(5). 495-505
- Folger, R. and R. Cropanzano. 1998. *Organizational Justice and Human Resources Management*. Thousand Oaks, London: Sage Publications.
- Folger, R. and MA. Konovsky. 1989. Effects of procedural and distributive justice on reactions to pay raise decisions. *Academy of Management Journal*, 32(1), 115-130.
- Frey, M., RM. Kern, J. Snow and WL. Curlette. 2009. Lifestyle and Transformational Leadership Style. *The Journal of Individual Psychology*. 65(3). 212-240.
- Greenberg, J. 1987. A taxonomy of organizational justice theories. *Academy of Management Review*. 12(1). 9-22.
- Greenberg, J. 1990. Organizational justice: Yesterday, today and tomorrow. *Journal of Management*. 16(2). 399-342.
- Greenberg, J. 1993. Justice in the Workplace: Approaching Fairness in Human Resource Management. In R. Cropanzano (Eds.), *The Social Side of Fairness: Interpersonal and Informational Classes of Organizational Justice*. Hillsdale, NJ: Lawrence Erlbaum Associates.
- Greenberg, J. and R. Baron. 2008. *Behavior in Organizations: Understanding and Managing the Human Side of Work*. Upper Saddle River, NJ: Prentice-Hall, eighth Eds.

- Hair, JF., RE. Anderson, RL. Tatham and WC. Black. 2006. *Multivariate Data Analysis*. Upper Saddle River, NJ: Prentice Hall.
- Hashim, J. 2008. The Quran-based Human Resources Management and its effects on Organizational justice, Job Satisfaction, and Turnover Intention. *The Journal of International Management Studies*. 3(2). 148-159
- Hassan, A. 2002. Organizational justice as a determinant of organizational commitment and intention to leave. *Asian Academy of Management Journal*. 7(2). 55-66
- Hassan, A. and S. Chandaran. 2005. Quality of Supervisor-Subordinate Relationship and Work Outcome: Organizational Justice as Mediator. *IJUM Journal of Economics and Management*. 13(1). 33-52.
- Jahangir, N., M. Akbar and N. Begum. 2006. The role of social power, procedural justice, organizational commitment, and job satisfaction to engender organization citizenship behavior. *ABAC Journal*. 26(3). 21-36.
- Kirkman, BL., G. Chen, J. Farh, ZX. Chen and KB. Lowe. 2009. Individual power distance orientation and follower reactions to transformational leaders: a cross-level, cross-cultural examination. *Academy of Management Journal*. 52(4). 327-340.
- Lee, AJ. 2007. *Organizational Justice: A Mediated Model From Individual Well-Being And Social Exchange Theory Perspectives*. PhD dissertation submitted to Faculty of The College of Business Administration Touro University International.
- Lee, H. 2000. *An empirical study of organizational justice as a mediator of the relationships among leader-member exchange and job satisfaction, organizational commitment, and turnover intentions in the lodging industry*. PhD dissertation submitted to the Faculty of the Virginia Polytechnic Institute and State University, Blacksburg, VA.
- Leventhal, GS. (1976b). *The distribution of rewards and resources in groups and organizations*. In L. Berkowitz and E. Walster (Eds.), *Advances in Experimental Social Psychology*, 9, 91-131.
- Luna-Arocas, R. and J. Camps. 2008. A model of high performance work practices and turnover intentions. *Personnel Review*. 37(1). 26-46.
- Masterson, SS., K. Lewis, BM. Goldman and MS. Taylor. 2000. Integrating justice and social exchange: the differing effects of fair procedures and treatment on work relationships. *Academy of Management Journal*. 43(4). 738-748
- Meyer, JP. and NJ. Allen. 1991. A three-component conceptualization of organizational commitment. *Human Resource Management Review*. 1(1). 61-89.
- Meyer, JP. and L. Herscovitch. 2001. Commitment in the workplace: Toward a general model. *Human Resource Management Review*. 11. 299-326.
- Moorman, RH. 1991. Relationship between organizational justice and organizational citizenship behaviors: do fairness perceptions influence employee citizenship?, *Journal of Applied Psychology*. 76. 845-855.
- Ngo, HY., C. Tang and W. Au. 2002. Behavioural responses to employment discrimination: A study of hongkong workers. *International journal of human resource Management*. 13. 1206-1223.
- Niehoff, B. and RH. Moorman. 1993. Justice as a mediator of the relationship between methods of monitoring and organizational citizenship behavior. *Academy of Management Journal*. 36 (3). 527-56.
- O'Reilly, CA. and J. Chatman. 1986. Organizational commitment and psychological attachment: The effects of compliance, identification, and internalization on prosocial behavior. *Journal of Applied Psychology*. 71(3). 492-499.

- Ortiz, L. 1999. A comprehensive literature review of organizational justice and organizational citizenship behavior: is there a connection to international business and cross-cultural research?. [www.sbaer.uca.edu/research/sribr/1999/22.pdf](http://www.sbaer.uca.edu/research/sribr/1999/22.pdf). diakses tanggal 10 Januari 2009.
- Pawar, BS. 2003. Central conceptual issues in transformational leadership research. *Leadership & Organization Development Journal*. 24(7). 397-406.
- Pfeffer, J. and N. Langton. 1993. The effect of wage dispersion on satisfaction, productivity, and working collaboratively : Evidence from college and university faculty. *Administrative Science Quarterly*. 38. 382-407.
- Piccolo, RF. and JA. Colquitt. 2006. Transformational leadership and job behaviors: the mediating role of core job characteristics. *Academy of Management Journal*. 49(2). 327-340.
- Pillai, R., T. Scandura and E. Williams. 1999a. Leadership and Organizational Justice: Similarities and Differences across Cultures. *Journal of International Business Studies*. 30(4). 763-779.
- Pillai, R., C. Schriesheim and E. Williams. 1999b. Fairness perceptions and trust as mediators for transformational and transactional leadership: a two-study sample. *Journal of Management*. 25(6). 897-933.
- Podsakoff, PM., SB. MacKenzie and WH. Bommer. 1996. Transformational leader behaviors and substitutes for leadership as determinants of employee satisfaction, commitment, trust, and organizational citizenship behaviors. *Journal of Management*. 22(2). 259-298.
- Robinson, K. 2004. *The impact of individual differences on the relationship between employee perceptions of organisational justice and organisational outcome variables*. PhD dissertation submitted to Alliant International University, San Diego, CA.
- Sweeney, PD., DB. McFarlin and EJ. Inderrieden. 1990. Using relative deprivation theory to explain satisfaction with income and pay level: A multi study examination. *Academy of Management Journal*, 33 (2). 423-436.
- Tabassi, AA. and AH. Abu-Bakar. 2010. Towards assessing the leadership style and quality of transformational leadership: The case of construction firm of Iran. *Journal of Technology Management in China*. 5(3). 245-258.
- Tatum, BC., R. Eberlin, C. Kottraba and T. Bradberry. 2003. Leadership, decision making, and organizational justice. *Management Decision*. 41(10). 1006-16.
- Taylor, R. 2009 Leadership theories and the development of nurses in primary health care. *Primary Health Care*. 19 (9). 40-45.
- Thibaut, J. and L. Walker. 1975. *Procedural Justice: A Psychological Analysis*. Hillsdale, NJ: Lawrence Erlbaum Associates.
- Trevino, L. and G. Weaver. 2001. Organizational Justice and ethic program "follow-through": influences on employees' harmful and helpful behavior. *Business Ethics Quarterly*, 11(4), 651-657.
- Van Aswegen, AS. and AS. Engelbrecht. 2009. The relationship between transformational leadership, integrity and an ethical climate in organisations. *SA Journal of Human Resource Management*. 7(1). DOI: 10.4102/sajhrm.v7i1.175.
- Vandenberg, RJ. and JB. Nelson. 1999. Disaggregating the Motives Underlying Turnover Intentions: When Do Intentions Predict Turnover Behavior?. *Human Relations*. 52(10). 1313-1336.
- Viswesvaran, C. and DS. Ones. 2002. Examining the construct of organizational justice: a meta-analytic evaluation of relations with work attitudes and behaviors. *Journal of Business Ethics*, 38(3). 193-203.

- Waldman, DA., BM. Bass and FJ. Yammarino. 1990. Adding to Contingent-reward Behavior: The Augmenting Effect of Charismatic Leadership. *Group and Organizational Studies*. 15. 381-394.
- Yukl, G. 1999. An evaluation of conceptual weaknesses in transformational and charismatic leadership theories. *The Leadership Quarterly*. 10. 285-305.
- Yukl, G. 2006. *Leadership in Organizations*. Prentice-Hall, Upper Saddle River, NJ.
- Yukl, G. and DD. Van-Fleet. 1992. *Theory and research on leadership in organizations*. New York: Free Press.