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ORGANIZATIONAL JUSTICE AND FAIRNESS IN CHINA: AN INDUCTIVE ANALYSIS OF THE MEANING AND DIMENSIONS

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ABSTRACT

Taking an inductive approach, we examined the meaning and dimensionality of the organizational justice construct in the People's Republic of China. By triangulating qualitative data from in-depth interviews and structured open-ended surveys, we found that organizational justice and organizational fairness were perceived as distinct constructs in a Chinese context.

INTRODUCTION

Organizational justice has attracted a great deal of attention from management researchers and the importance of organizational justice has been recognized as a fundamental basis for effective cooperative action in Western organizations (Greenberg, 1990; Konovsky, 2000). Organizational justice is defined as "individuals' and the group's perception of the fairness of treatment (including, but not limited to, allocations) received from an organization and their behavior reaction to such perceptions" (James, 1991: 21).

While the preponderance of organization justice research has been conducted in the West, there has been a growing interest in applying established organizational justice concepts, theories, and models in non-Western cultures and societies. Prior research (e.g. Leung & Bond, 1982; Tse, Francis, & Walls, 1994; Tata, Fu, & Wu, 2003; Giacobbe-Miller, Miller, Zhang, & Victorov, 2003; Wong, Ngo, & Wong, 2006; Kim & Leung, 2007) has shown that cultural values developed in Hofstede's (1980) study, such as individualism/collectivism and power distance, can create national variations in individuals' justice judgments and practices. However, justice concepts used in these studies were measured based on instruments developed in the West, mainly in the United States. As such, the theoretical understanding of organizational justice in these studies is built on one untested assumption that the content domain of organizational justice is culturally invariant. A universal concern for justice or fairness across human societies does not suggest the universality of the *meaning* of organizational justice construct (Leung, 2005). Researchers (e.g. Lind, Tyler, & Ho, 1997) have argued that the meaning of justice is culturally determined. While organizational justice is a valid theoretical construct in a Western context, the same construct may not be meaningful in non-Western cultures where the assumptions of personhood, social behavior, and interpersonal relationships are fundamentally different from those in Western cultures. Without the first step of testing culture invariance of the organizational justice construct, the validity of cross-cultural organizational justice studies could be jeopardized.

To examine the cross-cultural validity of the construct, we conducted a “context-specific inductive study” (Tsui, 2007) on the meaning and dimensionality of organizational justice in the People’s Republic of China (China). We selected the state-owned enterprise (SOE) layoff because it has been suggested that a specific organizational event would most likely stimulate individuals’ fairness perceptions (Bies, 2005) and major organizational changes might be especially salient (Lind, Greenberg, Scott, & Welchans, 2000; Lind, 2001). We believe this is particularly the case in China. One of the major focuses of the economic reform since the mid-1990’s has been on rejuvenating the economic performance of SOEs through restructuring and downsizing their workforces (Cooke, 2005; Morris, Sheehan, & Hassard, 2001; Zhang, 2008). Downsizing strategies have made SOEs halve their workforce to less than 40 million between 1995 and 2001 (Chiu & Lewis, 2006). Given the fact that lifetime employment was guaranteed (the *iron rice bowl phenomenon*) in SOEs in the era of the centrally-planned economy, the large number of laid-off employees have been of central concern of Chinese government not only economically but also socially (Cooke, 2005). While other organizational events, such as bonuses allocations, have been shown to stimulate employees’ justice perceptions, there is a good reason to focus on layoffs because of their far-reaching impact on SOEs’ economic performance and social stability in China.

METHODS

Employing the methods of Farh, Zhong, and Organ’s (2004) study on organizational citizenship behavior and Xin, Tsui, Wang, Zhang, and Chen’s (2002) study of corporate culture, we triangulated two qualitative methods – in-depth interviews and structured open-ended surveys – to generate an indigenous understanding of the meaning of organizational justice in China. Using sample populations from five geographically-dispersed SOEs, we examined the justice perceptions of both surviving and laid-off employees. In order to ensure the indigenoussness of justice understandings and the theoretical grounding of qualitative data, in the in-depth interviews, participants were *not* presented with the established, Western definition of organizational justice and they were asked to liberally describe their personal understandings of organizational justice and fairness and to provide specific examples of each in the workplace (generally) and layoff events (specifically). In the structured, open-ended surveys, participants were presented with a broad definition of organizational justice based on James (1991), and then were asked to provide examples of justice or fairness as the demonstration of this concept in their work-place, including managerial practices and treatment of employees before, during, and after the downsizing process. Using a panel of three judges, we closely followed the sorting, consolidation and reduction procedures as delineated in Farh et al.’s (2004) study. This process yielded 257 items that were subsequently sorted into dimensions based on similarity of the item content.

FINDINGS

The triangulation of the two qualitative methods generates an initial finding that most participants viewed justice and fairness as two very distinct concepts, clearly indicating that these two terms should not be used interchangeably in China. In an organizational setting, interviewees pointed out that organizational justice was a *legal* term and mainly referred to the legality or the lawfulness of corporate rules, regulation, policies or labor contracts, whereas

organizational fairness was a *social* term and was largely derived from the fairness of treatment employees received from the organization in various situations. Further, participants mentioned that justice mainly involves *objective* judgments that could exist independently of the treatment other people received (e.g. against a legal standard). In contrast, fairness judgments are contingent on situational cues and reflect individuals' *subjective* evaluation of the treatment they receive relative to others. In the same vein, several interviewees mentioned that the meaning of justice shared some similarities with the Chinese social norm of *hefa* (in accordance with the law), and fairness had more to do with the norm of *heli* (in accordance with reason). As such, fairness and justice could exist independently of each other. This is in contrast to the Western literature that uses organizational justice and fairness interchangeably (Greenberg & Colquitt, 2005). Under the construct of organizational justice, two dimensions emerged: (1) *legality and lawfulness* and (2) *specificity and clarity*. The first dimension, *legality and lawfulness*, suggests that an important source of organizational justice lies in the legality and lawfulness of company rules, regulations, policies, and procedures. The second dimension, *specificity and clarity* (of company rules) also fits with the *absolute* nature of the organizational justice construct in China.

The second construct, organizational fairness, yielded twelve dimensions. Six of these were recognizable as Western justice constructs (possible *etics*) and six were indigenous (possible *emics*).

Etic (common) dimensions

1. *Participation in management*, which refers to allowing employees to actively participate in the decision-making process as well as to express opinions about management practices. This dimension is similar to the "voice/control effect" (Thibaut & Walker, 1975; Folger & Greenberg, 1985), and Leventhal's (1980) representativeness rule.
2. *Equal treatment*, which suggests that all employees should be treated equally and that corporate regulations should be applied in the same manner across employees. This dimension is comparable to the consistency rule in Leventhal's (1980) work.
3. *Correctness of decisions*, which focuses on how to achieve correctness of management decisions through various means. This dimension is comparable to Leventhal's (1980) accuracy and bias-suppression rules.
4. *Morality*, which specifies that organizations need to make moral decisions and shoulder their social responsibilities. These items are similar to Leventhal's (1980) ethicality rule.
5. *Performance-based allocation*, which suggests that outcomes received by employees should be in proportion to their contribution. It should be noted that while these items arguably demonstrate the equity norm (Deutsch, 1985), what should be counted as employees' contribution are different from those identified in the West. Important inputs include moral character, dedication to his/her career, loyalty to the organization and willingness to work more than required.
6. *Explanation and Justification*, which suggests that it is important for authoritative figures to explain and justify various decisions, company rules, policies and procedures. This dimension resembles Bies and Moag's (1986) justification principle and Shapiro et al's (1994) adequacy rule.

Emic (culture-specific) dimensions

1. *Need-based allocation*, which refers to allocating outcomes or resources based on employees' personal needs and organizational needs for short-term survival and long-term success.
2. *Information publication*, which suggests that information regarding salaries, bonuses, allocation rules, promotion/firing decisions, performance evaluations, firm performance, and so on, should be open and public to all employees.
3. *Sincerity*, which indicates that the communications conducted between supervisors and employees should be sincere. Further, in order to make the communication appear sincere, Chinese correspondents suggest that communication should be conducted during the supervisors' on-site visit of employees' work.
4. *Recognition*, which suggests that authoritative figures should make employees feel important and valued by recognizing them as the mainstay of the workforce.
5. *Caring*, which indicates that authoritative figures should demonstrate caring about their employees' work and lives.
6. *Company activities*, which refers to the necessity for organizations to organize and sponsor recreational and sports activities for its employees as a means to enhance the sense of employee belongingness.

DISCUSSION

The findings raise an overarching question: why do the meanings of organizational justice and fairness converge in the West and diverge in China? In other words, why doesn't the legality of corporate rules, policies, and procedures emerge in the Western context? One possible answer could be found in differences in the institutional environments between China and Western developed countries, such as the United States. Prior research has shown that while the Chinese government has put a lot of effort into building the rational-legal systems at the state and the company level since the economic reform, the institutional environment in China is still characterized by a weak legal infrastructure, ambiguous property rights, and immature modern corporate management models. As such, it is not surprising to find that the legality and specificity of company rules and regulations are stressed by our Chinese subjects as an important source of organizational justice. In contrast, the lawfulness and specificity of corporate rules and regulations may have long been the "constants" instead of the "variables" in the West. We speculate that since the legal infrastructure in the West is well-established and compliance is assumed (or there is specific recourse), the focus has been more on the treatment people receive in an organizational setting, hence leading to the convergence of the justice and fairness constructs in the West. Nevertheless, we argue that the failure to consider emerging economies' institutional factors along with the assumption that organizational justice is culturally invariant has led to a significant omission in the extant justice literature. In emerging countries, where the rational-legal systems are still evolving, compliance with the state laws and regulations may be an important consideration.

The present study has identified six fairness dimensions – participation in management, equal treatment, correctness of decisions, morality, performance-based allocation, and explanation & justification – which are similar to those that have been proposed and empirically examined in Western organizational justice and layoff literature. This implies that these dimensions may be culturally invariant and therefore comparable across different cultures.

However, the meaningful indicators of these dimensions are not entirely identical. For example, although performance-based allocations were considered an important source of fairness perceptions among Chinese subjects, *what constitutes fair inputs* are not the same as those found in the West. Specifically, factors such as work attitudes, willingness to work over time, loyalty to the organization and conscientiousness are viewed by Chinese participants as important inputs to managerial decisions. We speculate that the reason for this is deeply imbedded in the culture and derives from Confucian values and the Maoist emphasis on loyalty.

In addition to the common dimensions, the study also identified six *emic* dimensions that are considered specific to the Chinese context and that have not been examined in the Western organizational justice literature. Specifically, we found the need-based allocation (both individual and company-based), recognition, caring, company activities, sincerity, and information publication are importance sources of fairness perceptions in China.

Regarding need-based allocation criterion, we speculate that while the performance-based allocation norm has addressed the instrumental goal of most Chinese SOEs during the economic transformation (maximizing production), the needed-based norm is consistent with the Chinese social norm of *renqing*. Indeed, Greenberg (1993) pointed out that the distribution of outcomes should be structured to conform not only to individuals' or groups' instrumental goals but also to larger social norms. We believe this is especially true in collectivist cultures, such as China, where social norms and values always override values of individuals. Literally, *renqing* means human sentiments or human affections, and according to Zhang and Yang (1998), *renqing* could be practiced by helping others and showing sympathy to people when they are suffering. As such in the layoff situation, it is fair and reasonable that managerial decisions should take into consideration layoff victims' basic personal and familial needs.

While respect and propriety have been viewed as indicators of fairness in interpersonal interactions in Western justice literature, these two dimensions did not emerge in our study. Rather, recognition, caring, and company activities are revealed to be meaningful local indicators. We believe public recognition and company activities are associated with social harmony theory in Confucianism and caring is deeply rooted in the Confucian virtue of *ren*. In Confucianism, social harmony is found in self-respect of others or "face giving" as commonly labeled in the literature (Chia, Egri, Ralston, Fu, Kuo, Lee, Li, & Moon, 2007). Hence recognition or praise in public, by affirming one's social status in a group, could squarely address Chinese employees' face needs and hence is considered reasonable, fair conduct. Further, according to Confucianism, social harmony builds on unity and solidarity in social relationships. As such, organization-sponsored activities, by providing a means of enhancing the cohesiveness of the workforce and building a common social identity, are viewed to be crucial for increasing the effectiveness of cooperation. Finally, according to Confucianism, *ren*, a desired moral virtue, means caring and being attentive to other people's well-being and directs attention to action (Tao, 2000). As such, it is not surprising to find that caring behavior, instead of respect is the locally meaningful indicator of fairness in interpersonal interactions in a Chinese context.

With regard to fairness in information sharing, we considered the reason why truthfulness did not emerge as a locally meaningful dimension. As mentioned earlier, truthfulness in the Western literature refers to an authoritative figure being *candid*. However, in most Asian countries, candor can be offensive as an affront to face-giving (Leung, Su, & Morris, 2001). Therefore, truthfulness may not be as desirable as being sincere in communications with employees. In the same vein, people in collectivist cultures have been known for their emphasis on social sensitivity (Tata et al., 2003) that may outweigh a need or desire for candor.

Finally, we considered the reason why information publication (e.g. making employees' performance ratings publicly available) was viewed as an important source of fairness perceptions in China, while the same conduct might be considered an invasion of privacy in a Western culture. We suspect this may be related to a larger Individualism/Collectivism distinction. Similar to other collectivist cultures, the Chinese culture has not historically been characterized by an individual "rights" focus that extends to privacy (Kitiyadisai, 2005). In contrast, there has been an assumed right to privacy in Western cultures (Henderson & Snyder, 1999). Interestingly, our study suggests that the public disclosure of personal information (e.g. performance reports) in China may actually enhance fairness perceptions, whereas in Western cultures this would likely be construed as violating Leventhal's (1976) ethicality rule. Another possible explanation is that in general, the Chinese government imposes very strict control on dissemination of information (Whitcomb, Erdener, & Li, 1998) and hence information transparency may be a reflection of Chinese people's longing for a more open and fair information system.

The full version of this paper proposes specific, indigenous measures of the organizational justice and fairness constructs in China. The validity and reliability of these measures can only be determined through repeated sampling and the application of rigorous statistic tests such as exploratory factor analysis (EFA) and confirmatory factor analysis (CFA).

CONCLUSION

In conclusion, we believe that when applying Western management concepts, theories, and models in non-western cultures or emerging economies, management researchers not only need to be alert to the cultural relativity of Western theories (Hofstede, 1983; 1994), but more importantly, efforts should be made to investigate whether a construct is even meaningful in the new context. We believe the exploratory and inductive nature of the current research suggests new directions for empirical examination of organizational justice and fairness constructs in China and other emerging economies and contributes to the building of global knowledge of organizational justice and organizational fairness. Our results suggest some potential *etics* in justice perceptions, but this same inductive process needs to be replicated across many cultures in order to develop valid cross-cultural comparisons. In addition, emerging *emic* features may deepen our understanding of organizational justice and fairness in different cultures.

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