

Empirical Study on the Impact of Organizational Justice on Organizational Dynamic Capability

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Abstract: This study reveals the effect of organizational justice on dynamic capability, and strives to grasp the source of dynamic capability. On the basis of empirical research, this paper uses the method of structural equation model and correlation analysis in order to carry on in-depth study on the relationship between organizational justice and organizational dynamic capabilities. The results: (1) distributive justice has non-significant impact on all dimensions of dynamic capability; (2) procedural justice has a significantly positive impact on dynamic capability's four dimensions which are market-oriented, organizational learning, organizational flexibility, and organization integration ability. And has a significantly negative impact on the dimension of risk control capability; (3) interactive justice has a significantly positive impact on all dimensions of dynamic capability except environmental volatility.

Keywords: distributive justice, procedural justice, interactional justice, dynamic capability

1. Introduction

With the development of global economic integration, the industrial structure and competitiveness that enterprises face are continuously adjusted and updated, and the domestic and international market environment are more dynamic, complex and uncertain. The competitive advantage built by enterprises under the stable market environment is continuously eroded, broken, and swayed between balances and unbalances. How to build continuously competitive advantage under a dynamic environment and to build a relatively sustainable competitive advantage? This question apparently broke through the research boundaries of the traditional static competitive advantage theory, but can be answered by the organization of dynamic capability institutions. This research is based on Maslow's hierarchy of needs theory, with the aim of improving the inherent motivation of employees to work actively from the perspective of organizational justice. To organize citizens' role to strengthen the organization's coordination, integration, reconstruction and transformation capability as a driving force. Acting on dynamic capability to continuously build the organization's competitive advantage, continuously adapt to the external environment, and achieve organizational foundation.

2. Literature Research

2.1. Organizational Justice

The sense of justice is the most basic and simplest sense of mind of human beings, and the problem of justice is

also explored by humanities scholars. Colquitt (2001) four-factor theory holds the idea that organizational justice "is composed of distributive justice, procedural justice, interpersonal justice and information justice." Among them, distributive justice means that employees in the organization will compare their current input-output ratio with the past or compare with others to access to fair or unfair feelings, thereby correcting their work attitude and behavior. (Cropanzano & Folger, 1989)¹Procedural justice refers to employees in the organization give their evaluation on the process control procedures or tools or methods in management decision-making on the perspective of impartiality. (Thibaut & Walker, 1975)¹Interactional justice refers to the sense of justice that employees receive in communicating and exchanging information with managers. (Bies & Moag, 1986)¹Followed by interactional justice is divided into: interpersonal justice and information justice. Interpersonal justice means the degree of respect of the managers to the employees. The information justice means whether the management decision-making process and the related system can be clearly explained, and whether the information between the levels or within the levels flows well. (Greenberg, 1990, 1993)¹

2.2. Organizational Dynamic Capability

Dynamic capability theory analyzes the ways in which enterprises make wealth and access resources in environment of rapidly changing technologies. (Teece, Pisano & Shuen, 1997)¹Winter (2003) considers that dynamic capability is the ability to correct operational capability

to adapt to dynamic environmental changes. Teece (2007) holds the opinion that dynamic capability is the ability of an enterprise to perceive the environment and seize the opportunity by consolidating the resources that are available to the enterprise. Teece (2009) argues except that, dynamic capability also includes capability of creating new business opportunities by re-shaping the environment in which the enterprise lives by pooling resources. Pavlou and Sawy (2006) studied the organizational dynamic capability through six dimensions: market orientation capability, organizational learning capability, organizational integration capability, organization flexibility capability, risk prevention capability and environmental turbulence capability.

In view of organizational justice, this study adopts a three-factor approach: distributive justice, procedural justice and interactional justice. In view of the organizational dynamic capability, this paper uses six dimensions of dynamic capability to constitute a model based on the perspective of integrated research, namely: market orientation capability, organizational learning capability, organizational integration capability, organization flexibility capability, risk prevention capability and environmental turbulence capability.

organizational integration capability, organization flexibility capability, risk prevention capability and environmental turbulence capability.

3. Theoretical Model and Research Hypothesis

3.1. Theoretical Model

Based on the literature review, this study proposes a theoretical model as shown in Figure 1. In the model, independent variable is the organizational justice, and the dependent variable is the organizational dynamic capability. Organizational justice consists of three dimensions: distributive justice, procedural justice and interactional justice. The organizational dynamic capability consists of six dimensions: market orientation capability, organizational learning capability, organizational integration capability, organization flexibility capability, risk prevention capability and environmental turbulence capability.

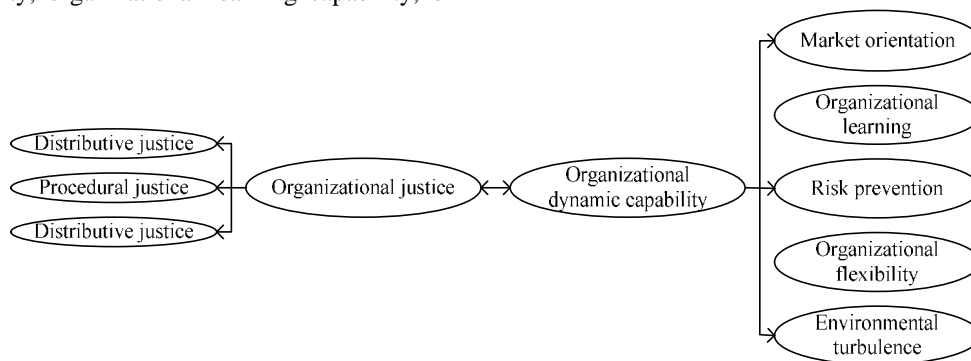


Figure.1. Theoretical Model

3.2. Research Hypothesis

Organizational justice and organizational dynamics: based on the literature review of organizational justice and organizational dynamic capability, this study proposes the following research hypothesis combines with the existing human resources and organizational management experience. By means of empirical research, influence of dimensions of organizational justice on organizational dynamic capability is explored.

Hypothesis H: Organizational justice has a positive impact on organizational dynamic capability.

Hypothesis Ha: Distributive justice has a positive impact on organizational dynamic capability.

Hypothesis Hb: Procedural justice has a positive impact on organizational dynamic capability.

Hypothesis Hc: Interactional justice has a positive impact on organizational dynamic capability.

4. Research Design and Data Collection

The survey respondents are from nine corporate employees, using anonymous questionnaires, random sampling method, and designed to explore the relationship between organizational justice and organizational dynamic capability. The survey sent a total of 360 questionnaires, of which 25 are invalid documents, and the questionnaires are 74% efficient.

According to the questionnaires about the sense of justice of ordinary employees, scholars Liu Ya, Long Lirong et al. (2003) in China, foreign scholars Niehoff and Moorma (1993) have obtained high reliability and validity on the research results of organizational justice and many scholars referred to it. Therefore, this article mainly draws on the two scholar's research scale, using the five-point Likert scale form, 1 on behalf of completely non-consistent, and 5 on behalf of fully consistent. To assess the organizational dynamic capability, this paper follows the research scale by Kohli and Bentong (1997), Pavlou and Sawy (2006), Deshpande and Farley (1998), Zahra and George (2002) et al.

5. Data Analysis and Research Conclusion

5.1. Questionnaire Reliability and Validity Test

Cronbach's alpha coefficient (α value) can accurately reflect the questionnaire reliability, which is also the re-

liability index used in this study. Reference value of α value: $0.7 < \alpha < 0.8$, the reliability is acceptable; $0.8 < \alpha < 0.9$, the reliability is high; $\alpha > 0.9$, the reliability is very high. The coefficients of each variable in this study are shown in Table 1:

Table.1. Test Indicators of Questionnaire Reliability.

| Variable | Variable Factor | Measurement Items | α Value of Each Factor | α Value of Subscale | α Value of Total Scale |
|------------------------------------|----------------------------|-------------------|-------------------------------|----------------------------|-------------------------------|
| Organizational justice - employees | Distributive justice | 4 | 0.886 | 0.938 | 0.947 |
| | Procedural justice | 11 | 0.966 | | |
| | Interactional justice | 9 | 0.952 | | |
| Organizational dynamic capability | Market orientation | 5 | 0.909 | 0.928 | |
| | Organizational learning | 7 | 0.959 | | |
| | Integration capability | 5 | 0.900 | | |
| | Organizational flexibility | 4 | 0.710 | | |
| | Risk prevention capability | 2 | 0.920 | | |
| | Environmental turbulence | 3 | 0.858 | | |

From the above analysis, it can be seen that most of α value of each factor is above 0.8, all α value of subscales is above 0.9, and α value of total scale reaches 0.947. The reliability of the scale used in this study is very high.

In terms of structural validity, the main concern is whether the concept of scale measurement conforms to the theoretical assumption, including the convergence validity and discriminative validity. The test of convergence validity is first conducted by factor analysis. In this study, the KMO value of all variables reached a level above 0.8, which is very suitable for factor analysis based on the KMO value reference standard. The probability p value of corresponding observations of Bartlett's sphericity test statistic is less than 0.0001, a significant differ-

ence, which shows that it is suitable for factor analysis. Therefore, the scale is generally valid.

5.2. Structural Equation Model Analysis

5.2.1. Initial fitting of organizational justice - dynamic capability model

In this study, LISREL software is used to analyze the model as a whole, and the initial fitting values of the model are shown in Table 2. In the output fitness index,

/df value is 3.92, less than 5, IFI, CFI and NNFI are more than 0.9, RMSEA is 0.092, basically in line with the model fitting evaluation criteria. Therefore, it can be preliminarily considered that the model fits well.

Table.2. Initial Fitting Index Value of Organizational Justice - Dynamic Capability Model.

| Index | X2 | df | X2/df | RMSEA | GFI | IFI | CFI | NNFI |
|-------|---------|------|-------|-------|------|------|------|------|
| Value | 4344.02 | 1107 | 3.92 | 0.092 | 0.68 | 0.95 | 0.95 | 0.94 |

As can be seen from the figure, the load factors of each factor are basically close to 1, showing a good scale structure. The path coefficient of all dimensions of organizational justice and dynamic capability involved in the study reached a significant level.

Through the model test, the distributive justice has no significant effect on all dimensions of organizational dynamic capability. Only the market orientation path coefficient dimension is 0.27, and the corresponding T value reaches 4.37. The T values of several other dimensions that distributive justice to organizational dynamic capability are also less than 2. Therefore, the distributive justice has no significant effect on organizational dynamic capability. So the research conclusion does not support

the research hypothesis Ha: distributive justice has a positive impact on dynamic capability.

On the path of procedural justice to organizational dynamic capability and market orientation, while the value of T is more than 2, the path coefficient is 0.29. There is only significant effect on organizational learning and integration with path coefficient of 0.7 and 0.46, and T value of 11.19 and 6.27. On the path of organizational flexibility, the impact is not significant, with a path coefficient of 0.04. On the path to risk management, the impact relationship is negative and not significant, with T value of -2.7. For the environmental turbulence, the impact of procedural justice is not significant either. The impact of interactional justice on the path of organiza-

tional dynamic capability, market orientation, organizational flexibility and risk prevention capability is more significant. The path coefficients are 0.38, 0.53 and 0.63 respectively, and the T values are 1.97, 7.82 and 13.42

respectively. Interactional justice has no significant impact on organizational learning, integration capability and environmental turbulence.

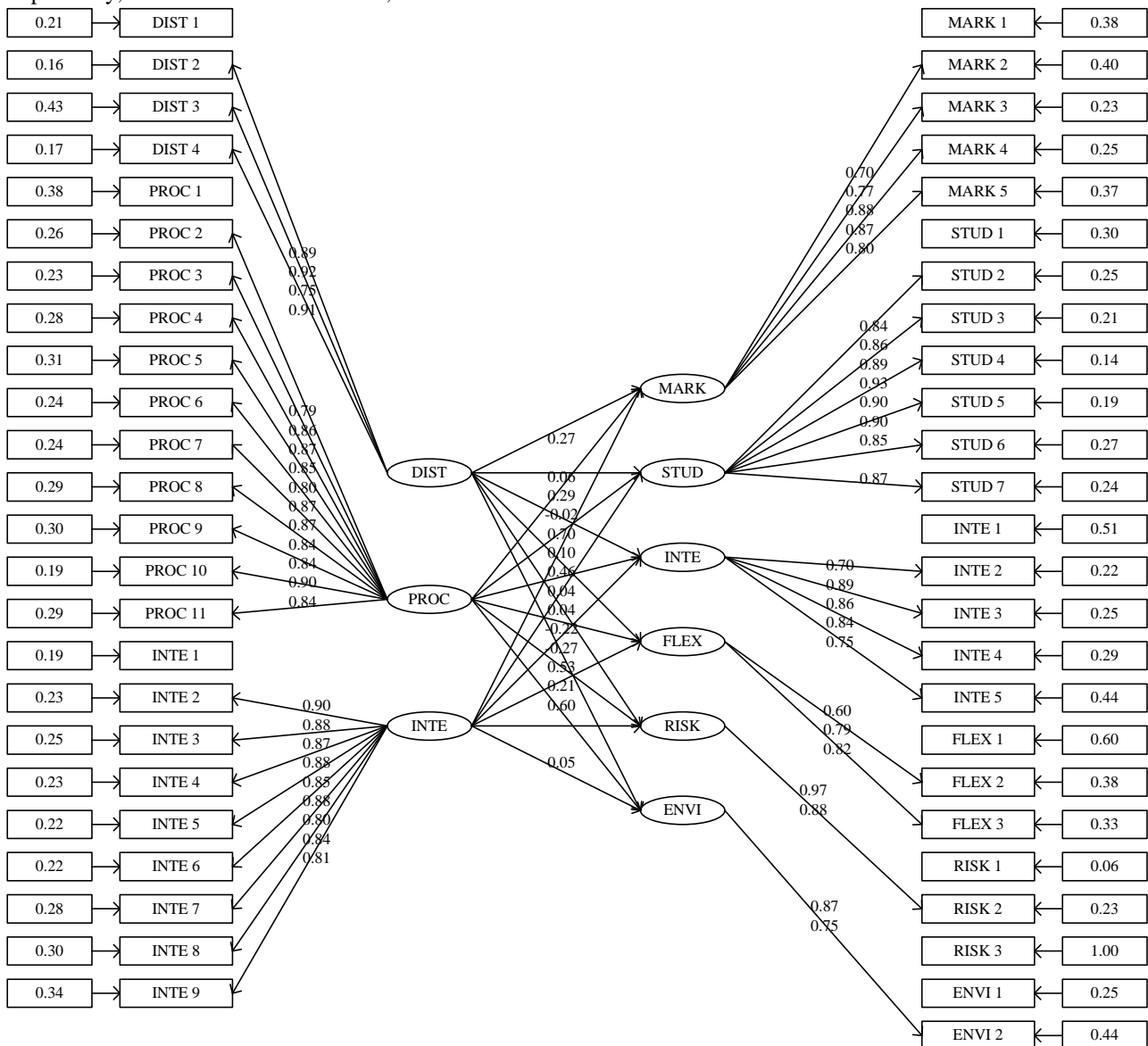


Figure.2. Initial Output Graph of the Model

5.2.2. Revised model of organizational justice - dynamic capability

During the initial fitting of the model, it can be found that the distributive justice has no significant impact on the organizational dynamic capability, so this dimension should be deleted. Research on distributive justice begins with the theory of equity, where employees compare their income with those of others in determining their motivation. In the surveyed enterprises, the wages and

salaries among employees are kept in mutual secrecy. The determination of employees' wages and salaries is also a process of marketization, which is negotiated by both parties so that the motivation for such comparison can be controlled and the impact of distributive justice is limited. The following study will focus on the analysis of the impact of interactional justice and procedural justice on dynamic capability.

In the context of environmental turbulence, the impact of each dimensions of organizational justice on it is not sig-

nificant. The three dimensions of organizational justice can not determine the external environment. So this path should be deleted.

On the path from procedural justice to organizational flexibility, the path coefficient is only 0.05 and the T value is less than 2, indicating that the impact of procedural justice on organizational flexibility is insignificant. Organizational flexibility focuses on examining the flexibility of the organization's work style, emphasizing on the organization and control of measures to local condi-

tions and time frame. However, procedural justice examines more about the management of the organization, whether the decision-making process is fair, whether it represents the will of the majority and emphasizes the standardization, democratization and rationalization of the organizational control. Both of them have significantly different or diametrically opposed requirements for how the organization is managed, so this path can be removed.

Table.3. Fitting Index Table of Organizational Justice - Dynamic Capability Model.

| Index | X2 | df | X2/df | RMSEA | GFI | IFI | CFI | NNFI |
|-------|---------|-----|-------|-------|------|------|------|------|
| Value | 2602.90 | 808 | 3.22 | 0.076 | 0.72 | 0.96 | 0.96 | 0.95 |

The following revised model is obtained by software, as shown below. The specific fitting indexes are shown in Table 3: as can be seen from the above table, /df is less than 3, IFI, CFI and NNFI values are more than 0.9, but RMSEA is 0.076, which is close to 0.08. GFI value is 0.72, less than 0.9. Although the fitting of the model has a very significant improvement, the situation of the other indicators has been more ideal. The fitting goodness of the structural equation model is a comprehensive evalua-

tion process. Different indicators measure different perspectives. The merits of individual indicators do not reflect the whole model. It can be seen from the table below that the factor loading of each factor is high, which is basically close to 1. The path coefficients reach a significant level, and the corresponding T values are also more than 2, which can basically characterize the relationship between the two variables.

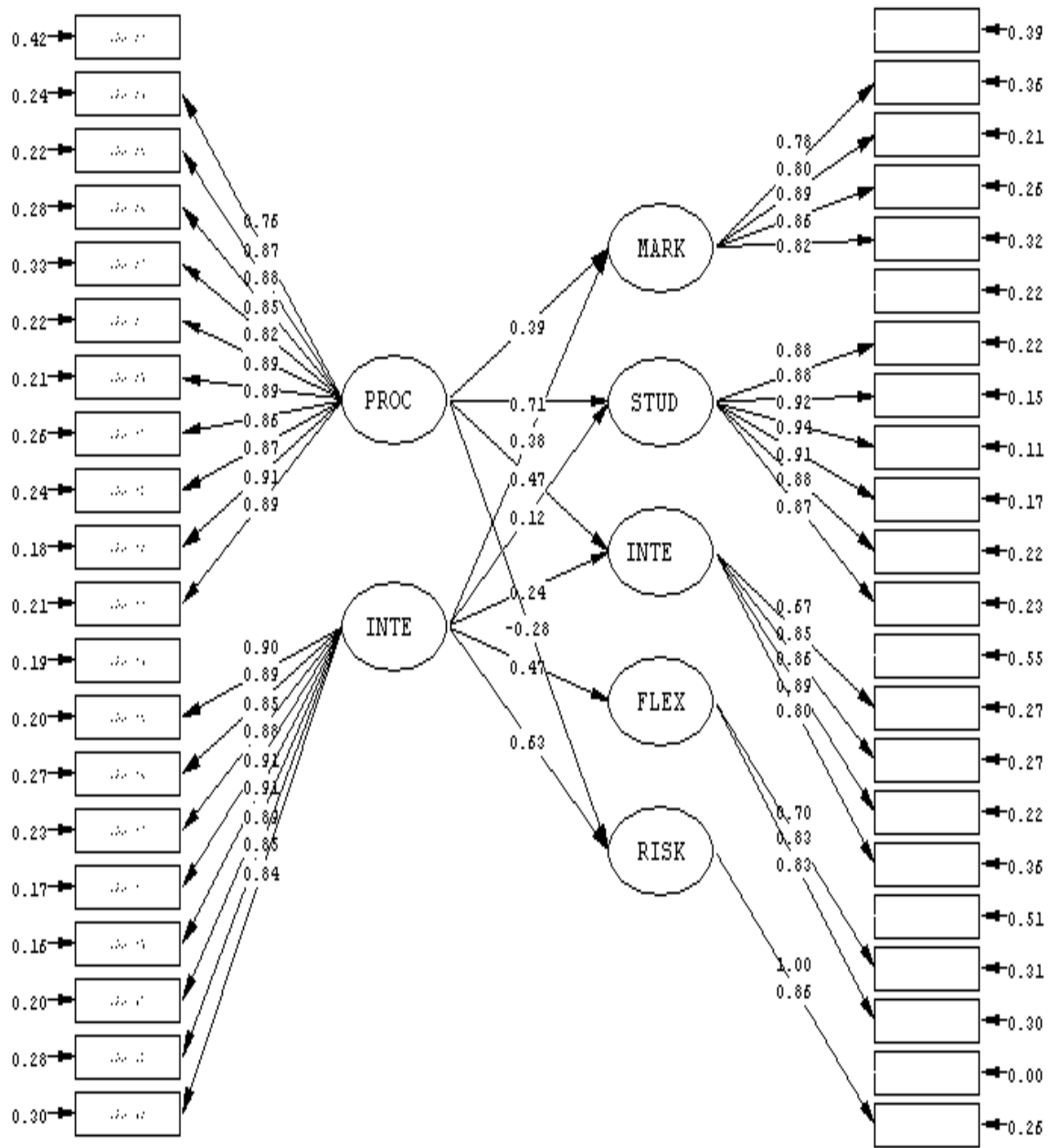


Figure.3. The Output Graph of Revised Model

5.2.3. Path analysis of organizational justice - dynamic capability model

The revised path coefficient and T value of the model are shown in the following table:

Table.4. Path Coefficient and T Value of the Model.

| Hypothesis | Model Path | Path Coefficient (Standardized) | T Value | Conclusion |
|------------|---|---------------------------------|---------|-------------|
| Hb | Procedural justice – market orientation | 0.39 | 4.97 | support |
| | Procedural justice – organizational learning | 0.71 | 8.92 | support |
| | Procedural justice – integration capability | 0.47 | 5.39 | support |
| | Procedural justice – risk prevention | -0.28 | -4.59 | not support |
| Hc | Interactional justice – market orientation | 0.38 | 5.04 | support |
| | Interactional justice – organizational learning | 0.12 | 2.06 | support |

| | | | | |
|--|--|------|------|---------|
| | Interactional justice – integration capability | 0.24 | 3.23 | support |
| | Interactional justice – organizational flexibility | 0.47 | 5.27 | support |
| | Interactional justice – risk prevention | 0.63 | 10 | support |

The standardized path coefficients all reached a significant level, and T value of each path is more than 2, thus supporting some of the hypothesis made in this study. The following conclusions can be drawn from the analysis of the path coefficient:

(1) The impact of procedural justice on organizational dynamic capability: according to the hypothesis of this study, procedural justice has a positive impact on organizational dynamic capability. However, from the perspective of model path coefficient and T value, procedural justice has a positive impact on some dimensions of organizational dynamic capability. Procedural justice has a negative impact on the dimension of risk prevention capability of organizational dynamic capability.

Procedural justice has a positive impact on market orientation, indicating that fair organizational management and decision-making procedures will encourage employees to actively understand customers and competitors' information, and focus on changes in customer preferences and respond promptly. Procedural justice has a positive impact on organizational learning. Organizations that can rapidly access to knowledge from within and outside the enterprise, absorb knowledge, integrate knowledge, apply knowledge and transfer knowledge are organizations of strong learning capability. Procedural justice has a positive impact on organizational integration capability. Well-organized management system and humane management decision-making mode can accelerate the flow of information in various departments so that all departments can maintain a good job of convergence and coordination; procedural justice has a negative impact on risk prevention capability. This conclusion does not support the hypothesis H_b in this study: procedural justice has a positive impact on organizational dynamic capability.

(2) The impact of interactional justice on organizational dynamic capability: according to the hypothesis of this study, interactional justice has a positive impact on organizational dynamic capability.

Interactional justice has a positive impact on market orientation. Obtaining information on various competitive forces in an industrial environment, paying attention to customers and competitors and taking effective response measures to changes are the basis for the organization's survival and development.

Interactional justice has a positive impact on organizational learning. According to Maslow's hierarchy of needs theory, people's enthusiasm requires a high level of need to stimulate, social needs, respect needs, self-actualization needs are high-level spiritual pursuits after

physiological needs and safety needs these low-level needs are met. Interactional justice is the lever that motivates the spiritual needs. A good interactional justice can encourage individuals to satisfy the higher level of spiritual needs and build a learning-oriented organizational atmosphere through self-learning, mutual learning and knowledge sharing.

Interactional justice has a positive impact on organizational integration. Good interactional justice for individual respect and affirmation, and has a strong stimulation and provides employees with a certain behavioral orientation; for groups or departments, fair management decision-making model can reduce conflicts of interest among departments and strengthen mutual cooperation, thus strengthening the organization's integration capability.

Interactional justice has a positive impact on organizational flexibility. In an interactional justice management dimension, managers can maintain good formal and informal communication with employees; they can give more consideration to the decision-making suggestions made by employees, and make more rational management decision-making. As a result, it is more likely and will be more humane to break the formal work process in order to maintain a more flexible working model. It is also in this context that the organization's response will be more responsive, the strategic shift will be faster and the organizational flexibility is stronger.

Interactional justice has a positive impact on organizational risk prevention. On the one hand, interactional justice emphasizes on managers and employees have more communication and exchange of information, which will speed up the flow of information within the organization so that policymakers can grasp more cutting-edge information from inside and outside the organization. On the other hand, in the case of managers have fair interaction with employees, the respect and affirmation that employees received can form a kind of virtuous cycle, which encourages them to constantly modify their personal behavior, adapt to the pace of the organization and respond to the goal of the organization so as to have a more benign ecological environment inside and outside the organization.

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