

# SYNTHESIS OF MANAGERIAL FAIRNESS AND ITS EFFECTS ON PERCEIVED LEADER QUALITY: THE CASE OF NATIONALISED COMMERCIAL BANKS OF BANGLADESH

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**Abstract:** *The concept of fairness and justice has received much attention in recent literature on organisational behaviour and human resource management as a way of motivating employees for achieving organisational success. The practice of justice in organisations may be either distributive or procedural. While distributive justice focuses on the perception of fairness based on the employees' outcome-to-input ratio, procedural justice evaluates the entire process by which the managers deal with their subordinates, which in turn determine the degree of fairness they have exercised. This paper attempts to analyse the component and structure of the items in the procedural justice questionnaire developed by R. Folger & M. Konovsky (1989) as discernable from the responses of the employees of the nationalised commercial banks of Bangladesh and test the significance of the identified components in predicting/explaining the employees' perceived leadership quality of their managers. Factor analysis, correlations, and regression were performed for the analyses. Three components of procedural fairness (justice) were found to have significant effects in explaining employee perception of the managerial leadership quality in the NCBs of Bangladesh<sup>1</sup>.*

**Keywords:** *leadership; justice; fairness; financial institutions; nationalised commercial banks; Bangladesh.*

## INTRODUCTION

### *An Overview of Managerial Performance of NCBs*

The nationalised commercial banks in Bangladesh have for long been considered inefficient in the performance of their service to the public. Lack of adequate physical infrastructure, absence of necessary automation, shortage of skilled

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<sup>1</sup> The terms leader, manager, supervisor, and superior have been used interchangeably while the terms follower, subordinate, and employee have been used interchangeably, throughout the body of the paper.

manpower, and corruption have been attributed to the poor performance of these banks. Jahangir (2003) and Choudhury (1990) pointed to the dismal performance of the NCBs. Managerial aspects of organisational performance in the NCBs have also come under scrutiny in the academia as an important ingredient for improving organisational performance in these public sector banks. Jahangir, Haq, and Ahmed (2005) argued that the use of social power by the managers of the NCBs have significant impact on the employee perception of their managers' leadership quality. Jahangir and Haq (2005) found that the managers' use of social power in the NCBs have significant effect on the employees' organisational commitment. They also found that most of the managers of the NCBs were short in social power, an important leadership quality. The authors argued that while improvement of physical and technical facilities of these banks would take long time to implement, involving huge long-term investment, conscious efforts on the part of the managers in dealing with their subordinates could bring about significant improvement in employee performance by improving their opinion about their managers' leadership quality.

#### *Managerial Fairness and its Importance in Organisations*

An increasingly important aspect of managerial ability to motivate employees is the degree of fairness with which the manager deals with his/her subordinates. The term fairness has been used synonymously with the terms equity and justice in the literature on the subject.

Many contemporary writings on organisations emphasise the importance of core values to the organisation (Clawson, 1999; Collins & Porras, 1997), and justice is identified as one of those values. According to Collins and Porras, core values are an organisation's essential and enduring guiding principles. Rawls identified justice as the "first virtue of social organisations" (Rawls, 1971, p.3). Barnard (1938) identified fairness as one of the fundamental bases of cooperative action in organisations. More recently, the guiding principles of effective supervision identified by Clawson (1999) included truth telling, promise keeping, fairness, and respect for the individual. Thus, one argument for the importance of fairness is its role as a fundamental organisational value.

Lind, Kulik, Ambrose, and deVera Park (1993) argue that fairness serves as a heuristic. The purpose of a heuristic is to simplify the world and facilitate successful negotiation of the myriad daily decisions one must make. Heuristics are necessary because humans have severe limitations with respect to the encoding, retrieval, and evaluative use of information (Folger, Konovsky, & Cropanzano, 1992). According to Lind et al. (1993), the fairness heuristic is

necessary because it is often difficult for employees to evaluate whether a supervisor's request is legitimate. To resolve this dilemma, employees often use the apparent fairness of the authority as an indicator of whether the authority's orders are legitimate. If the supervisor appears to be acting fairly, the employee assumes that a directive is legitimate. Similar to Barnard's conceptualisation of "zones of indifference" (Barnard, 1938), where individuals accept an authority's order, fair treatment indicates that an individual should accept authority. Alternatively, research reviewed by Tripp, Sondak, and Bies (1995) suggests that people (e.g., negotiators) attend to fairness when concerns for harmony are more salient than concerns for competitive allocation of scarce resources. Thus, Tripp et al. argue that fairness concerns predominate when individuals are concerned with preserving relationships.

The above discussion presents some of the pertinent reasons why fairness is important in the organisational context. The consideration of fairness, however, would not be complete without a more critical examination of the assumptions underlying fairness research in organisations. This study focuses on the importance of fairness in an organisational context, the primary purpose of which is to carry out organisational objectives. The original context inspiring much of the organisational fairness research, however, was in judicial institutions where conflicts of interest are presided over by an impartial, disinterested judge (Cohen, 1985). In contrast to the judicial institutions, the employer in the capitalist enterprise is not disinterested. In fact, those in positions of power have an interest in preserving their power and in legitimising the structure that supports them (Scott, 1988). According to Nord and Doherty (1994), ideologies or sets of related beliefs held by a group of persons can act as frames that influence interpretations of events. Specifically, they note that a free market ideology of profit maximization encourages a focus away from community utility and collective rationality and onto market rationality. When managers are concerned with market rationality, conditions that give rise to pseudo-fairness can occur. Pseudo-fairness can also arise when the basic conflicts of interest between managers and employees are ignored. Pseudo-fairness superficially resembles fair behaviour, but it stems from tactical motives unrelated to fairness (Leventhal, Karuza, & Fry, 1980). For example, pseudo-fairness can serve as a method of persuasion where the purpose is to preserve management's power. In the case of pseudo-fairness, authentic justice does not prevail. According to Cohen, in fact, authentic fairness goals can be subverted anytime whenever attention is diverted away from the fundamental conflict of interest between the employee and employer. In sum, ideologies, or sets of beliefs held by a group of persons (managers, in this case), play an important role in influencing the experience and



interpretation of events such as conflicts of interest (Nord & Doherty, 1994; Naumann & Bennett, 2002).

The above discussion illustrates that one key assumption in the organisational justice literature is that the interests of employers and employees in business enterprises are the same and that principles of procedural justice observed in organisations equally serve both constituents. However, the existence of organisational justice systems is not sufficient evidence for their effectiveness. As Scott (1988) noted, justice systems exist and are positively responded to even in the most despotic organisations. Scott explains this apparent contradiction by contrasting liberty and justice. Liberty refers to individual choice and justice requires individuals' obedience to an established order (Scott, 1988). When the interests of management and labour do not coincide, a conflict between justice and liberty arises because managers desire obedience and employees desire free choice. Under these circumstances, managers of Western countries historically opted for justice, arguing that liberty cannot be an independent value for management to pursue because management best understands the issues affecting the organisation and they are ultimately responsible for an organisation's achieving its goals (Barnard, 1938). In order to "justify justice," therefore, organisational researchers assume that management decision-making occurs in a context where management and employee interests are similar. Thus, when the interests of management and labour do not coincide, liberty, or authentic individual choice, is sacrificed to maintain the established order, and conditions favourable to pseudo-fairness prevail.

#### *Development in the Concept of Fairness*

One of the earliest models on managerial fairness is the *equity theory* of motivation, which is based on the assumption that a major factor in job motivation is the equity or fairness of the reward received (Stoner, Freeman, & Gilbert; 2000). According to the equity theory, individuals are motivated when they experience satisfaction with what they receive from an effort in proportion to the effort they apply. People judge the equity of their reward by comparing them against the rewards that others received for similar input or to some other effort-reward ratio that have occurred to them (Gorder, 1990). The equity theory is primarily distributive in nature, i.e., it focuses primarily on peoples' perception of the fairness of outcome vis-à-vis their input to judge the fairness of their leaders.

A recent development in the study of managerial fairness is the notion of *procedural justice* or *procedural fairness*. Rather than focusing on an outcome-



to-input ratio for judging fairness, procedural justice looks at the entire process by which the leader exercises fairness. Such fairness may be discernable in the way the manager talks to his/her subordinates, socialises with them, makes decisions involving them, handle their grievances, and even control their performance. The study of fairness in organisations, and in particular, procedural fairness, has given to researchers fresh insights about management. Justice or fairness (and this study will use the two concepts interchangeably) has its roots in philosophy, political science, and religion, among other disciplines, and strikes a chord with anyone who has experienced unfairness. In business organisations, the consideration of fairness appeals to managers, employees, and other organisational stakeholders who see fairness as a unifying value providing fundamental principles that can bind together conflicting parties and create stable social structures. In recent times, organisational researchers have used notions of procedural justice to understand organisational relationships among employees (Collins & Porras, 1997; Folger & Cropanzano, 1998; Folger & Skarlicki, 1999; Konovsky, 2000; Kwong & Leung, 2002; Naumann & Bennett, 2002; Phillips, 2002).

### *Research Objectives*

This study addresses two major research objectives:

1. Identify the component structure of procedural justice/fairness in the specific context of the NCBs of Bangladesh.
2. Assess how the components of managerial fairness explain employee perception of leader quality.

The paper also attempts to formulate a strategic vision to enable managers and policymakers, both at the government and the institutional levels to ensure higher level of leadership quality

## **LITERATURE REVIEW**

### *The Concept of Procedural Justice*

Procedural justice refers generally to how an allocation decision is made. Procedural justice is contrasted with distributive justice, which refers to the fairness of the decision outcome. Procedural justice can refer to objective or subjective circumstances. Objective procedural justice refers to actual or factual justice (Lind & Tyler, 1988) and subjective procedural justice refers to perceptions of objective procedures or to the capacity of an objective procedure

to enhance fairness judgments (Konovsky & Cropanzano, 1991). Procedural justice researchers most frequently measure subjective procedural justice and its effects (Cropanzano & Greenberg, 1997), while the link between objective justice and subjective justice remains largely unexamined.

Konovsky (2000) argued that objective procedural justice leads to subjective justice perceptions. Subjective procedural justice perceptions can be further understood by considering the cognitive, affective, and behavioural components of the justice experience (Leventhal, Karuza, & Fry, 1980). The cognitive component of subjective procedural justice refers to the calculations made by a perceiver regarding the objective fairness of a decision. Perceivers may compare, for example, the way they are actually treated to the way they expect to be treated. Objective justice can also serve as the stimulus for an affective reaction as individuals form subjective justice perceptions. The affective component of procedural justice judgments consists of positive or negative emotional reactions to actual objective events (Tyler, 1994).

Little research exists on the emotional reactions to unfair procedures. Adams and Freedman (1976) were among the first to note that research on emotional reactions to unfairness could not be found. More recently, a small body of research on the emotional reactions to injustice has appeared in the literature on interpersonal relationships (Kwong & Leung, 2002; Mikula, 1998a, 1998b). Bies and Tripp (1996) have contributed to the understanding of the role of emotion in the justice context through their examination of reactions to a broken trust and their initial "mapping" of the emotional geography of revenge. Konovsky (2000) argued that organisational justice researchers have focused primarily on the cognitive aspects of procedural justice judgments and have not closely examined the affective components of fairness perceptions.

Finally, one of the reasons this study is interested in fairness perceptions is that they may lead to important consequences regarding employee behaviour and work attitudes. Although these reactions to procedural justice are not part of the fairness construct, identifying the reactions to procedural fairness perceptions has, in fact, been the predominant theme of procedural justice research in the 1990s. Fair treatment in procedures, for example, has been demonstrated to result in increased job satisfaction, organisational commitment, and organisational citizenship behaviours. Unfair treatment in procedures has been found to result in organisational retaliatory behaviours (Skarlicki & Folger, 1997). These reactions to procedural fairness perceptions are further discussed in a later section of this paper.

The conceptualisation of fairness perceptions in terms of cognitive and affective components and their consequences is helpful in understanding the focus of the procedural justice theories discussed in the next section. The following theories addressing procedural fairness have emerged as important in the 1990s: the self-interest models, the group value model, justice judgment model, and the fairness heuristic model. The self-interest (also known as the instrumental model) models focus primarily on the effects or consequences of subjective justice perceptions. The group value model (also known as the non-instrumental model), justice judgment model, and the fairness heuristic model focus primarily on the relationship between objective justice and subjective justice perceptions.

#### *The Antecedents and Consequences of Procedural Justice Perceptions*

There is an ongoing discussion in the procedural justice literature regarding the components of procedural justice (Greenberg, 1990; Greenberg, 1993a; Tyler & Bies, 1990). Initially, procedural fairness was conceptualised in terms of structural elements such as organisational policies and rules, including providing advanced notice for decisions or opportunities for voice (Greenberg, 1990; Lind & Tyler, 1988). Bies and Moag (1986) introduced the interpersonal context of procedural justice by referring to the quality of interpersonal treatment people receive during the enactment of organisational procedures. The interpersonal procedural justice context included treating others with dignity and respect, and is referred to as interactional justice (Bies & Moag, 1986), while providing adequate information regarding decision-making is referred to as informational justice (Greenberg, 1993a). Debate and discussion regarding the existence of various components of procedural justice are likely to persist in the literature (Cropanzano & Prehar, 1999) because little empirical work exists that systematically examines all procedural justice components for convergent and discriminant validity (Colquitt, Conlon, Wesson, Porter, & Ng, 1999). A meta-analysis by Colquitt et al. examining the construct validity of some of the procedural justice components proposed in the literature does indicate that there is value in terms of variance which is explained in separating and retaining interactional, informational, and structural components of procedural justice.

The recent research on one structural element of procedural justice—voice—indicates its influence on procedural justice perceptions. Early research showed that opportunity for voice led to higher perceptions of procedural justice than no opportunity for voice. Furthermore, the voice effect may depend on instrumental and non-instrumental qualities of voice (Korsgaard & Roberson, 1995; McFarlin & Sweeney, 1998). Lind, Kanfer, and Earley (1990) demonstrated that voice had



an impact on perceptions of procedural justice even when there was no opportunity for decision control. Shapiro (1993) demonstrated that people describe voice in instrumental and non-instrumental ways and recommended that future explorations of voice distinguish between these two elements of voice. Specifically, Shapiro proposed that perceptions of potential decision influence be referred to as instrumental voice effects and that the perceived interpersonal responsiveness of the listener is referred to as non-instrumental voice effects. Non-instrumental voice is more similar to interactional justice than to structural justice.

More recent research on voice indicates that there may be limits to the positive effects of voice. Van den Bos, Lind, Vermunt, and Wilke (1997) reported that participants who expected no voice, yet received it, had lower perceptions of procedural justice. Hunton, Hall, and Price (1998) found that increases in voice did not lead to corresponding increases in fairness perceptions. Further, Price et al. (1999) suggested that the incremental value of voice is related to the expectations that subjects have regarding voice.

With respect to interactional justice, Konovsky (2000) recently identified factors indicating the absence of interactional injustice. These include derogatory judgments, deception, and invasion of privacy, inconsiderate or abusive actions, public criticism, and coercion. Konovsky also provides evidence that violating any of these elements of interactional justice leads to decreased perceptions of fair treatment.

Informational justice has been operationalised primarily as providing explanations or accounting for decisions made. Bies and Shapiro (1988) were among the first to distinguish the role of structural justice (i.e., voice) from that of informational justice (i.e., providing mitigating justifications). They demonstrated that justifications had an effect independent of voice on procedural fairness judgments. Although informational justice is sometimes included in the same category as interactional justice, its unique effects warrant its being differentiated from interactional justice. Cropanzano and Greenberg (1997), for example, separate interactional justice from informational justice. Shapiro, Buttner, and Barry (1994) found no significant relationship between communicator style (interactional justice) and perceptions of explanation adequacy (informational justice). Shapiro et al. (1994) found that the specificity of an explanation was most important in increasing fairness perceptions. They also found that information communicated verbally rather than in writing was more effective in enhancing fairness perceptions. Shapiro (1991) and Bobocel,

Agar, Meyer, and Irving (1998) found that fairness perceptions were enhanced when explanations shifted responsibility to an external cause. Shapiro (1991) and Brockner, DeWitt, Grover, and Reed (1990) identified several moderators of the explanation-fairness perception relationship, including the uncertainty of the decision, importance of the decision, the severity of the decision, and the adequacy of the explanation.

One important consideration in gauging whether fairness perceptions will be enhanced is an individual's scope of justice (Brockner, 1990). Scope of justice refers to the group of people an individual believes deserves fair treatment. This group is also described as an individual's social identity group. Lerner (1981) first discussed the relationship of social identity to the commitment to justice. Mollica, Gray, Trevino, and DeWitt (1999) examined social identity group membership and found that, when people perceived that members of their identity group experienced unjust outcomes, they judged them as unfair even though they were observers rather than victims of the injustice. Thus, direct experience of the justice may not be a prerequisite for stimulating perceptions of fairness. It depends on one's scope of justice.

Konovsky (2000) argued that the consequences of procedural justice have been that perceptions of procedural justice have strong effects on attitudes about institutions, authorities and employees' work attitudes. Measures of attitudes about institutions typically include organisational commitment, trust, and job satisfaction. This perspective is supported by research conducted during the 1990s (Cobb & Frey, 1996; Lowe & Vodanovich, 1995; McFarlin & Sweeney, 1992). For example, Cobb and Frey found that procedural fairness was positively related to employee satisfaction and Organisational commitment. Lowe and Vodanovich found that perceptions of the outcome fairness of a job restructuring were more closely related to commitment than were perceptions of the procedural fairness of the restructuring.

Procedural justice perceptions also influence supervisor-subordinate relationships, frequently resulting in changes in employee behaviour. One such behaviour influenced by procedural justice is employees' work attitudes. Numerous studies have demonstrated that procedural justice, but not distributive justice, predicts employees' work attitudes (Ball, Trevino, & Sims, 1994; Konovsky & Organ, 1996; Konovsky & Pugh, 1994; Moorman, 1991; Niehoff & Moorman, 1993). Skarlicki and Latham (1997) demonstrated that union members whose union stewards were trained to display procedurally fair behaviour displayed higher levels of work attitudes. In another study, Skarlicki

and Latham (1997) investigated leadership fairness effects and found that procedural justice mediated the relationship between transformational leadership and employees' work attitudes.

Procedural fairness is also related to the prevention of negative employee behaviours such as theft. Greenberg (1993a) and Shapiro, Trevino, and Victor (1995) found that explanations for a layoff decreased subsequent employee theft. Procedural justice also moderates the relationships between other justice variables and negative employee behaviour. Greenberg (1993b), for example, demonstrated that procedural fairness moderated the relationship between equitable payment and theft with higher procedural justice resulting in less theft associated with inequitable underpayment.

Employee turnover is causing concern to human resource managers in many Asian countries. Khatri, Fern, and Budhwar (2001) conducted a study on employees' turnover in relation to procedural justice perception in Singapore. Study results show that employees' perception of procedural justice is positively related to employee turnover intention. Khatri et al. argued that employees with lower procedural justice perception will have a lower turnover rate and would be engaged in job-hopping (employees switching jobs for better alternatives) more frequently. Veiga (1981) found that those employees changed jobs not necessarily due to desires for high compensation or fringe benefits, but for a better work environment (procedural justice). According to the author, for many of these employees mobility was related to fair treatment. For many other Asian countries such as South Korea, Malaysia, and Taiwan, similar results were found (Barnett, 1995; Chang, 1996; Syrett, 1994).

From the above discussion, it is clear that procedural justice works as an antecedent towards employees' perception regarding organisational outcomes. A group of researchers (Erdogan, Kraimer, & Liden, 2001; Levy & Williams, 1998; Naumann & Bennett, 2000; Skarlicki, Ellard, & Kelln, 1998; Tsui & O'Reilly, 1989; Williams & Levy, 2000) argued that procedural fairness is shaped and influenced by characteristics of employees as much as by the actual design of the procedures. In particular, there may be substantial variance (such as education level, experience and training) across raters in the way in which they apply procedures. On the other hand, employees' characteristics (education level, level in organisation, and gender) also differ, so does their perception of procedural fairness.

Erdogan, Kraimer, and Liden (2001) argued that employees' characteristics are related to procedural justice perception. Erdogan et al. who conducted a study in



a commercial bank in Turkey supports this distinction. The study examined a set of employees' characteristics (employees' level in the organisation, education level, and gender) as antecedents of procedural justice. Organisational level has been found to be positively related to procedural justice. This study indicated that what is fair for higher-level employees may be unfair to lower level employees. According to Erdogan et al., the reason for this may be that those in higher positions may have developed higher levels of loyalty to the organisation because of the higher degree of control they have over organisational decisions and higher levels of rewards they receive or expect from the organisation. Their study also found that employees' education level and gender are related to perceptions of procedural justice. If the rater and ratee are from the same demographic background, employees' perceptions of procedural justice tend to be high.

Research has shown that higher-level employees in organisations have expectations about a higher level of procedural fairness (Lerner & Miller, 1978; Lott & Lott, 1986; Skarlicki, Ellard, & Kelln, 1998). Findings show that high-level employees have the attitude that they deserve to be treated more fairly.

It has been argued that the demographic similarity within the managers and the employees' dyad may be related to justice perception. For example, Wesolowski and Mossholder (1997) contended that demographic dissimilarity would be related to lower levels of procedural justice, and they found this effect to be true for race dissimilarity. Jeanquart-Barone (1996) also found that race dissimilarity was a predictor of lower levels of procedural justice.

According to Jeanquart-Barone when individuals are demographically similar, they perceive themselves as being similar to the other individual, which in turn results in mutual attraction. This attraction may influence the relationship between dyad employees both in general and with regard to organisational outcomes. Using the similarity attraction paradigm, Tsui and O'Reilly (1989) found that similarity in gender and education was associated with higher levels of affect and linking in dyads. Due to this linking, when the ratee is similar to the rater, the rater may behave in a fairer manner regarding the organisational outcomes. Ratees may have more trust in raters who are similar to themselves and therefore may perceive higher levels of procedural justice from the rater than is true of relatively less similar raters.

Research results indicate that knowledge (education level and training) of employees is a determinant of procedural justice perception. Two studies have shown that the perceived system knowledge of the managers' or employees' belief of how well managers understand the system is related to justice

perceptions (Levy & Williams, 1998; Naumann & Bennett, 2000; William & Levy, 2000). In addition, Tang and Sarsfield-Baldwin (1996) found that employees' education level is an important determinant of managers' understanding of the system.

Studies carried out in Singapore and South Korea on the demographic profile also found that there is a stable relationship with procedural justice and organisational outcomes in Asian countries (Khatri, Fern, & Budhwar, 2001; Wai & Robinson, 1998). Their research included age, tenure, level of education, level of income and job category of managers and employees. Analysis of the results (Khatri et al., 2001) indicated that job category is positively related to perception of procedural justice while the Wai and Robinson study in Korea found that the education level is positively related to fairness perception. The latter findings suggested that more educated employees are more concerned about fairness of treatment, and that less fairly treated employees tend to quit jobs more often.

In Singapore, despite the increasing participation of females in the workforce, they work basically to supplement the family income. The traditional belief is that females should be subdued and accept the given situation. As a result, as long as females are getting financial benefits they will continue with their jobs while males are more concerned about freedom, work place environment, and fair treatment. Studies conducted by Cotton and Tuttle (1986) in Singapore found that males are more likely to leave jobs due to unfair treatment. However, studies by Berg (1991), and Miller and Wheeler (1992) reported no relationship between gender and procedural justice in Singaporean society.

## **METHODOLOGY**

### *Secondary Research*

Secondary research was first carried out to explore the ingredients of fairness and justice, previous studies conducted to determine the effect of the manager's use of fairness and justice on employees' job satisfaction and their perception of leader quality, and similar researches conducted in the specific context of the nationalised commercial banks of Bangladesh. The paper of Jahangir (2003) was reviewed to learn about his findings on the employee perception of the manager's use fairness in the NCBs in affecting employee job satisfaction. The work of Folger, R., & Konovsky, M. (1989) was then studied to review and assess the applicability of the scale items developed by them in measuring the use of procedural fairness, which served as the framework for Jahangir's (2003) survey.

### *Questionnaire Design and Pre-testing*

The “Procedural Justice Questionnaire (PJQ)” developed by Folger, R., & Konovsky, M. (1989) served as the basis for developing the scale items for independent variables. All the scale items in the Procedural Justice questionnaire were retained for the independent variables. Scale items for the dependent variable were derived from the questionnaire developed by Hackman and Oldham (1980) as available from the work of Jahangir, Haq, and Ahmed (2005). As our study was restricted to determining the effect of the managers’ use of fairness on their leadership quality, the items specifically relevant to leadership quality were used to elicit employee responses on the quality of their respective leaders. A number of studies have provided the evidence of reliability of the scale ranging from 0.60 to 0.75 (Mossholder, Bennett, Kemery, & Wesolowski, 1998). The respondents were to respond to the questions under each scale item on managerial fairness and the overall leader quality on a five point Likert scale with a higher score indicating that a supervisor has a larger degree of fairness and vice versa. Closed-ended demographic questions were included to obtain descriptive statistics about the respondents, which would help in a more in-depth interpretation of the responses. These questions were largely dichotomous and multiple choice in nature.

As the scale items had already been used in previous surveys, pre-testing of the questionnaire was limited to only few randomly selected respondents to ensure the preciseness, conciseness, objectivity, and understandability of the questions.

### *Sampling and Data Collection*

The population for the research would be all the employees working in the three NCBs of Bangladesh (Sonali, Janata, and Agrani) who have to perform their job responsibilities under a supervisor/manager. The nature of the survey made the respondents internally homogeneous as they all work under the authority of their supervisors, but externally heterogeneous in terms of their positions, ranks, income, responsibilities and so on. This justified the use of stratified random sampling for collecting the data for the study.

Altogether 600 questionnaires were distributed randomly among the employees of the three NCBs of which 345 responses were received. The respondents being educated were asked to fill in the questionnaire by themselves and seek help from the data collectors when they had problems conceiving any questions.



### *Data Analysis*

The collected data were tabulated on the computer and the final analysis was performed on statistical software. Two types of analyses were primarily carried out:

- *Factor analysis* to check the how the scale items in Procedural Justice Questionnaire (PJQ) Folger, R., & Konovsky, M. (1989) grouped together in the specific context of the nationalised commercial banks of Bangladesh.
- *Correlations and Regression analysis* to find out if and to what extent the different components of managerial fairness explained the employee perception of leader quality.

### **ANALYSIS OF THE COMPONENT STRUCTURE OF MANAGERIAL FAIRNESS**

The data gathered on the scale items for the procedural justice questionnaire developed by Folger, R., & Konovsky, M. (1989) were factor analysed to check the component structure of the perceived fairness of the managers. The factor structure derived from varimax rotation converged into three factors explaining 62.99% of the cumulative variation. Table 1 summarises the items associated with the three factors. Appendix A summarises the scale items used for the dependent and independent variables used for the study. All ten items in the questionnaire could be retained as they made reasonable sense in explaining three distinct categories of managerial fairness. The reasoning behind the three components of fairness is explained below.

- ***The leader has to communicate fairness.*** The subordinates need to be ensured that their supervisor expresses clearly and freely with utmost honesty and sincerity as to what is expected from them before the supervisor can expect the desired level of performance from the subordinates. Such expression of fairness should be visible and discernable to the employees. Such component of managerial fairness may be termed '*communication fairness.*'
- ***The leader has to follow up fairly.*** Arbitrary practices in evaluating performance can influence how the employees will be rewarded or penalised in terms of receiving pay raise, promotion, transfer, and job assignments. Furthermore, the leader has to consistently provide feedback to his subordinates on the quality and progress of their performance. Instead of making unilateral judgement on decisions made and actions taken by the employee, the leader should talk to the employee in an atmosphere of

cordiality and openness, and discuss the circumstances in which the employee had to make such decision or take such action. This component of managerial fairness may be termed *'follow-up fairness.'*

- ***The leader has to evaluate fairly.*** The leader should be careful about expressing behaviour or taking actions that employees consider being unfair. One incidence of perceived unfairness may cause more dissonance than many acts of fairness. The leader should not create an impression among the subordinates that the leader was unduly influenced by circumstances considered unfair, or behaved in a manner considered inappropriate. This may be termed *'evaluation fairness.'*

**Table 1: Factor Analysis with Varimax Rotation**

Scale items	Factor 1 Communication fairness	Factor 2 Follow-up fairness	Factor 3 Evaluation fairness
My supervisor showed a real interest in trying to be fair.	0.815	0.181	0.015
My supervisor was completely candid and frank with me.	0.797	0.177	0.148
My supervisor was honest and ethical with me.	0.775	0.115	0.110
My supervisor made clear of what was expected of me.	0.541	0.456	0.025
My supervisor finds out why I got the size of I raise I got.	-0.029	0.766	-0.095
My supervisor used consistent standards in evaluating my performance.	0.226	0.665	0.204
My supervisor gave me feedback that helped me find out how well I was doing.	0.447	0.628	0.066
My supervisor gave me an opportunity to express my side.	0.412	0.619	0.097
My supervisor was influenced by things that should not have been considered.	0.015	0.243	0.834
My supervisor behaved in a way I thought was not appropriate.	0.196	-0.119	0.827
	Eigenvalue	% of Variance	Cumulative %
Factor 1	3.869	26.535	26.535
Factor 2	1.351	21.639	48.174
Factor 3	1.078	14.811	62.985

Each of the three factors was assessed for reliability using coefficient  $\alpha$ . The reliability coefficients exceeded the value of 0.7 for communication fairness and follow-up fairness while the coefficient was 0.6072 for evaluation fairness. These  $\alpha$  values are consistent with the recommendation of Nunally (1978)(see Table 2).

**Table 2: Scale Reliability Coefficient**

Variable	Alpha	Standardised Item Alpha
Leader quality	0.7169	0.7173
Communication fairness	0.7976	0.7994
Follow-up fairness	0.7258	0.7236
Evaluation fairness	0.6072	0.6072

Table 3 shows the summary statistics as well as the correlation matrix for the variables included in the study. The multiple-item constructs for managerial fairness were further factor analysed to test the validity of the measures. In each case, the items always loaded on each case only, lending support to their validity. The correlation between one scale and another is considerably lower than each scale's coefficient  $\alpha$ , which provides support for discriminant validity (Gaski & Nevin, 1985). Nomological validity is supported by the directions of the signs of the coefficients.

**Table 3: Correlation Matrix<sup>a</sup>**

Variables	1	2	3	4	$\bar{x}$	s
(1) Leader quality (3)	1.00				2.48	1.05
(2) Communication fairness (4)	0.56	1.00			2.40	1.05
(3) Follow-up fairness (4)	0.54	0.57	1.00		2.47	0.92
(4) Evaluation fairness (2)	0.23	0.25	0.19	1.00	2.88	1.11

<sup>a</sup> All correlations are significant at  $p < 0.01$ , Figures in parentheses represent number of items measuring each construct.

## DEVELOPMENT OF HYPOTHESES

It becomes quite evident that higher degree of fairness on the part of the manager with respect to communicating, following up, and evaluating performance will result in a greater perception of the managers' leadership quality among the subordinate employees. Thus we propose the following hypotheses.



H<sub>1</sub>: The greater the manager’s ability to communicate his/her intention to act fairly the higher the employee perception of the manager’s leadership quality.

H<sub>2</sub>: The greater the manager’s ability to follow up employee performance fairly, the higher the employee perception of the manager’s leadership quality.

H<sub>3</sub>: The greater the manager’s ability to evaluate employee performance fairly, the higher the employee perception of the manager’s leadership quality.

**PREDICTABILITY OF FAIRNESS**

The hypotheses for the study were tested with multiple regression. All three factors were fed through the analysis to test their significance in predicting employee perception of leader quality. Table 4 presents the results of the regression analysis. Two measures of managerial fairness, namely, communication fairness and follow-up fairness came out to be extremely significant at  $p < 0.000$  in explaining leadership quality of the managers of NCBs of Bangladesh. The third factor, evaluation fairness was significant at the 7.5% significance level as. In a social research, in our view, such level of significance can be considered acceptable. The regression model was significant with an overall  $F_{3,341}$  value of 72.146 and explained 38.3% of the variation in the dependent variable as indicated by the adjusted  $R^2$  value. Considering the fact that the study was strictly confined to employee perception of leader quality based on the managers’ use of fairness, the results are quite satisfying.

**Table 4: Regression Results, Dependent Variable: Leader Quality<sup>a</sup>**

Variables	<i>b</i>	Std. Error	$\beta$	<i>t</i>	Significance <i>P</i> <
(Constant)	0.502	0.161		3.116	0.002
Communication fairness	0.360	0.053	0.359	6.850	0.000
Follow-up fairness	0.364	0.059	0.317	6.147	0.000
Evaluation fairness	0.074	0.042	0.078	1.788	0.075

<sup>a</sup>  $R^2 = 0.388$ ; Adj.  $R^2 = 0.383$ ;  $F_{3,341} = 72.146$ ,  $p < 0.000$

Communication fairness emerged as the most significant factor in terms of explaining variability of perceived leader quality as indicated by its standardised  $\beta$  value. Communication fairness explained 35.9% variability in the leaders quality. Follow-up fairness predicted 31.7% variability in leader quality. Evaluation fairness emerged as the least important factor explaining only 7.8% of

the variability at a lower level of significance vis-à-vis the significance of the other two factors.

## DISCUSSION

The findings of this study provide insights to researchers who might be interested in conducting research works in the specific area, and address important policy issues for the government and the management of the NCBs. The results may also be important to other developing countries where similar operating environment as Bangladesh exists.

Further research in this particular area is needed, particularly in refining the scale items to fit more accurately to the circumstances of Bangladesh. Additional surveys may also be carried out to explore the reasons why certain types of procedural justice are more significant than others as perceived by the employees of the NCBs of Bangladesh. Exploring the bounds of exercising each component of fairness can be another avenue for conducting researches. Findings of such works can help concerned authorities of the NCBs to reshape and revitalise the organisation structures of the banks, improve employee satisfaction, performance and thereby provide superior customer services. Private banks, financial institutions, and even non-financial organisations can also replicate the model in their respective organisations to find out how their managers apply fairness in the process of securing employee commitment and compliance.

Theoretically, the model presented in this paper classifies the procedural fairness used by the managers of the NCBs of Bangladesh that are perceived to be significant in explaining their leadership quality. Despite the perceptual nature of the dimensions rather than objective, the components of procedural fairness found significant from the study robustly explained the leadership quality of the managers in the NCBs of Bangladesh. The model can help the government and the NCB managements plan and implement changes in the human resource management and decision making process in these banks so the managers can exercise fairness more effectively and yield higher satisfaction and performance from the employees.

The results of this study must be viewed by the NCB management, as an overall evaluation of their use of fairness and such use of fairness is important for employee performance. In today's dynamic work environment, management of human resources calls for more than just leading by instinct and the leader must modify his/her own behaviour toward the subordinates in order to ensure favourable behaviour from them in return.

The mean scores on the different bases of fairness obtained from the study as depicted in Table 3 tell one important thing about the use of fairness by the managers of the NCBs of Bangladesh; on a scale of 5, all of the factors rated below 3, the neutral point, indicating negative valence. This would suggest the need for significant improvement in the use of fairness. Evaluation fairness with a mean score of 2.88 rated highest among the three components of procedural fairness identified from the study. This suggests that employees view their managers' application of fairness in their evaluation of employees most favourably. However, its low degree of significance ( $p < 0.075$ ) in explaining leader quality and by its  $\beta$  coefficient of 0.078 reveal that the employees do not view this component of fairness to very important in determining the leadership quality of their superiors. The highly bureaucratic and hierarchical structure of the NCBs does not possibly give lower level superiors enough authority to evaluate their subordinates' performance and major human-resource decisions ultimately comes from high up the corporate ladder. The use of communication and follow-up fairness was rated almost alike at mean scores of 2.47 and 2.40 respectively. Both of these components of fairness were found to be significant at 0.00 percent significance level and each explained around 30% variability in perceived leader quality. Communication of fairness and fairness in following up employee performance, both render a feeling of assurance to the employees that their efforts will be rewarded justly in relation to their efforts. Employees would like their superiors to express more fairness in this regard.

The results of this study can be tied to any reform plans to revitalise the NCBs of Bangladesh, be it under government control or under private managements. Within the existing structure of governance, highest priority has to be given to the enhance the managers' ability to influence subordinates by means of communicating fairness and following up fairly as indicated by their respective beta ( $\beta$ ) values. Empowering managers to participate in the process of evaluating subordinate performance (under necessary surveillance from top management) can make the leaders' role in the organisation more effective and meaningful. For a longer-term benefit, policymakers may contemplate how the use of these three components of fairness can be enhanced to make leadership in the NCBs more fruitful.



## Appendix A

Variable	Scale items
Communication fairness	<p>My supervisor showed a real interest in trying to be fair.</p> <p>My supervisor was completely candid and frank with me.</p> <p>My supervisor was honest and ethical with me.</p> <p>My supervisor made clear of what was expected of me.</p>
Follow-up fairness	<p>My supervisor finds out why I got the size of I raise I got.</p> <p>My supervisor used consistent standards in evaluating my performance.</p> <p>My supervisor gave me feedback that helped me find out how well I was doing.</p> <p>My supervisor gave me an opportunity to express my side.</p>
Evaluation fairness	<p>My supervisor was influenced by things that should not have been considered.</p> <p>My supervisor behaved in a way I thought was not appropriate.</p>
Leader quality	<p>The degree of fair treatment I receive from my boss.</p> <p>The amount of support and guidance I receive from my supervisor</p> <p>The overall quality of supervision I receive in my work.</p>

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