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## Trust in Supervisor as a Mediator of the Relationship Between Perceived Interactional Fairness in Reward Systems and Organizational Commitment

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# Trust in Supervisor as a Mediator of the Relationship Between Perceived Interactional Fairness in Reward Systems and Organizational Commitment

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Mediator of the  
Relationship

201

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## Abstract

**Research Aims** - This study was undertaken to extend existing literature by examining the mediating effect of trust in supervisors in the relationship between perceived interactional fairness in reward systems and organizational commitment.

**Design/methodology/approach** - The SmartPLS method was applied to analyze the survey questionnaire data collected from employees at a national audit department in Malaysia.

**Research Findings** - The results reveal that the effect of perceived interactional fairness in reward systems on organizational commitment is mediated by trust in supervisors.

**Theoretical Contribution/Originality** - This study has proved the effectiveness of perceived interactional fairness as an essential mediating variable in the administration of reward systems.

**Managerial Implication in the South East Asian context** - The findings of this study could help superiors in public organizations to encourage and support their supervisors in implementing good treatment styles for enhancing fairness in making pay decisions and interacting with diverse subordinates. If employees trust their supervisors, it may enhance the effect of employees' perceived fairness of reward systems on organizational commitment in public organizations in Southeast Asia.

**Research limitation & implications** - This study is limited by its sample, self-report questionnaire scale, and exclusion of several important demographic variables (e.g., gender, age, education, position, and duration of service) in the research model.

**Keywords** - Reward system, perceived interactional fairness, trust in supervisor, organizational commitment, SmartPLS

## INTRODUCTION

Reward systems are often recognized as an imperative human resource management function that may strongly attract, retain, and motivate competent and talented employees to achieve their organizational vision and missions (Aguinis, Martinm,

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Gomez-Mejia, O'Boyle, Tippie, & Joo, 2018; Newman, Gerhart, & Milkovich, 2019). In organizations, the human resource department is given the main responsibility of designing appropriate reward systems for various kinds of job groups. Effective reward systems usually include the following critical features: a) determining reward entitlements (e.g., financial rewards, benefits, and relational returns) to fulfil employees' needs and expectations; b) establishing award criteria to appreciate employee contributions, namely, job-based rewards (e.g., salary level and benefits are provided according to tenure, period of service, and/or seniority); and performance-based rewards (e.g., apart from base pay, additional financial rewards (e.g., salary raises and bonuses) are provided in accordance with merit, competencies, and/or productivity); and c) determining rules for distributing rewards and procedures for allocating rewards to enhance feelings of fairness among employees (Newman, Gerhart, & Milkovich, 2019, p. 5-24; Ridwan & Azman, 2018; Taba, 2018).

Effective reward systems are crucial to meet organizational and employee objectives. For example, the ability of administrators to distribute financial and non-financial rewards according to appropriate distribution rules (e.g., rewards provided according to job type and/or performance) and procedures (e.g., clear explanation of how rewards are provided to all employees) will strongly encourage high performers as well as competent and talented employees to assist co-workers and cooperate with them in achieving organizational key performance indicators (KPIs) (Aguinis, Martinm, Gomez-Mejia, O'Boyle, Tippie, & Joo, 2018; Arbaugh, Cox, & Camp, 2004; Taba, 2018). Subsequently, these positive attitudes may assist organizations in achieving the ultimate objectives of reward systems—namely, competency (i.e., increase quality and performance, meet customer needs, and decrease labor costs), equity (i.e. fair distribution of rewards for all employees based on employee contributions and performance), as well as compliance with policies, regulations, and ethics. Thus, achievement of such reward objectives may lead to organizations becoming employers of choice in an era of stiff global competition (Martocchio, 2019; Newman, Gerhart, & Milkovich, 2019, 45-55).

More importantly, a careful examination of the existing literature pertaining to organizational remuneration highlighted that a well-planned reward system will not be able to accomplish its objectives if employees do not perceive interactional fairness in organizations (Berthelsen, Conway, & Clausen, 2018; Elamin & Tlaiss, 2015; Gupta & Singh, 2013). Interactional fairness is a social element of organizational fairness, where it is specifically interpreted as administrators dealing with employees through interpersonal fairness (i.e., administrators treating employees with politeness, dignity, and respect during implementing procedures and/or determining outcomes) and information fairness (i.e., employees receiving adequate information regarding why procedures are used in a particular manner or why outcomes are distributed in accordance with a certain method) (Bies & Moag, 1986; Greenberg, 1993; Greenberg & McCarty, 1990; Muzumdar, 2012; Taamneh, 2015). Such a fairness practice may enhance the credibility of an organizational reward system (Azman, Azizul Hakim, Ahmad Zaidi, & Wong, 2011; Newman, Gerhart, &

Milkovich, 2019, p. 86-92).

Irrefutably, perceived interactional fairness in reward systems is acknowledged as an imperative phenomenon in dynamic organizations (De Fatima, Neival, & Mendonca, 2016; Newman, Gerhart, & Milkovich, 2019, p. 18-24). A thorough review of reward management in the twenty-first century reveals that perceived fairness in dealing with administrators will strongly evoke employees' trust in supervisors. Consequently, this condition may lead to a higher positive employee outcome, particularly in terms of organizational commitment (Aryee, Budhwar, & Zhengxiong, 2002; Ruri Fitria, Ben, Achmad, & Dodi, 2018). Even though this relationship has been widely investigated, the mediating effect of trust in supervisors has not been adequately discussed in the research literature on reward management (Flavian, Guinaliu, & Jordan, 2019; Ruri Fitria, Ben, Achmad, & Dodi, 2018).

Numerous scholars debate that this lack of discussion on reward management is probably due to several reasons. First, past studies have explained the internal properties of perceived interactional fairness in pay systems, such as conceptual debates regarding the definitions, components, purposes, and significance of interactional fairness in commercial and non-commercial organizational settings (Cohen-Charash & Spector, 2001; Greenberg, 1993; Greenberg & McCarty, 1990). Second, most previous studies have used a simple association analysis method to assess the following direct effects models: a) association between perceived interactional fairness in reward systems and trust in supervisors (Leelamanothum, Khahan Na-Nan, & Ngudgratoke, 2018; Mourad, 2014; Tlairs & Elamin, 2015) and b) association between interactional fairness in reward systems and organizational commitment (Berthelsen, Conway, & Clausen, 2018; Kristanto, 2015). Nonetheless, the role of trust in supervisors as a crucial mediating variable has been ignored in model development (Aryee, Budhwar, & Zhengxiong, 2002; Ruri Fitria, Ben, Achmad, & Dodi, 2018).

The models were assessed using a bivariate statistical tool and the outcomes of this test only displayed the nature and degree of association between such variables. Conversely, the effect size and nature of perceived interactional fairness in reward systems as an important mediating variable has been ignored in model analyses (Aryee, Budhwar, & Zhengxiong, 2002; Ruri Fitria, Ben, Achmad, & Dodi, 2018). Therefore, findings from the study paradigm only produced broad recommendations; this may not be sufficient to enhance the understanding of practitioners regarding the complexity of perceived interactional fairness in reward systems in terms of fair transactions between administrators and employees for achieving and maintaining their organizations' strategic business vision and missions in times of globalization and economic turbulence (Berthelsen, Conway, & Clausen, 2018; Ruri Fitria, Ben, Achmad, & Dodi, 2018).

This study investigates perceived interactional fairness in reward systems at a national audit department in Malaysia. This department was established to conduct audits on the accounts of federal government agencies, state government agen-

cies, and federal statutory bodies. As a Malaysian federal government agency, this department has adopted reward policies and procedures established by a central agency of the Malaysian federal government—namely, the Public Service Department of Malaysia (PSDM) (Zaherawati, Mahazril ‘Aini, Zuraini, Nazni, Mohd Zool Hilmie, & Zuriawati, 2011).

In order to enhance the credibility of reward systems, superiors (those in high positions) in audit departments have encouraged administrators to upgrade the quality of the relationship with employees by practicing good interpersonal communication and delivering adequate information regarding reward systems. In this interaction, employees are informed that their level, type, and/or amount of reward (e.g., monetary and non-monetary entitlements) are determined based on the standard reward policies and procedures established by the Public Service Department Malaysia (PSDM). In addition, they must also be informed that administrators will face disciplinary actions in case of a violation or breach of these established reward systems. This information is useful to enhance employees’ understanding regarding their reward systems as well as reducing their misconceptions and bias in this regard.

Numerous studies in the Malaysian public service sector have extensively focused on the components of organizational fairness in reward systems, such as distributive fairness and procedural fairness in reward related to performance appraisals (Gim & Mat Desa, 2014) as well as interactional fairness in terms of pay levels (Azman & Mohd Noor, 2008). These surveys have assessed a direct effect of different fairness perceptions on general employee outcomes (e.g., satisfaction, commitment, performance, and turnover). Although the studies are interesting, the function of trust in supervisors as a significant mediating variable in such relationships has been ignored in the Malaysian public sector, particularly at a Malaysian national audit department (Gim & Mat Desa, 2014; Azman & Mohd Noor, 2008). Therefore, this situation has inspired researchers to extend the literature by assessing the mediating effect of trust in supervisors on the relationship between perceived interactional fairness in reward systems and organizational commitment.

The current study is conducted to assess three primary objectives: First, to assess the relationship between perceived interactional fairness in reward systems and trust in supervisors. Second, to assess the relationship between perceived interactional fairness in reward systems and organizational commitment. Finally, to assess the relationship among the aspects of perceived interactional fairness in reward systems, trust in supervisors, and organizational commitment. This paper is structured into the following six sections: literature review, research methodology, results and discussions, managerial implications, theoretical implications, and conclusion.

## LITERATURE REVIEW

### *Perceived Interactional Fairness*

Perceived interactional fairness is generally viewed as a social dimension of organizational justice theories (Cohen-Charash & Spector, 2001; Greenberg, 1993;

Greenberg & McCarty, 1990) where the quality of relationship between superiors and employees is determined by interpersonal fairness and information fairness (Bies & Moag 1986; Colquitt, 2001; Colquitt, Colon & Wesson, 2001). From a reward management perspective, interpersonal fairness is usually defined as superiors (e.g., administrators) practicing good interpersonal communication in dealing with employees, such as treating employees with respect and dignity while determining rewards (Colquitt, 2001; Colquitt, Colon, & Wesson, 2001; Azman, Azizul Hakim, Ahmad Zaidi, & Wong, 2011).

Information fairness is often defined as superiors (e.g., administrators) providing clear, accurate, and honest information regarding reward decisions (Colquitt, 2001; Colquitt, Colon, & Wesson, 2001; Folger & Cropanzano 1998; Kristanto, 2015). Further studies on reward management acknowledged that perceived interactional fairness in reward systems is a significant determinant of organizational commitment (Berthelsen, Conway, & Clausen, 2018; Rahman, Shahzad, Mustafa, Fayaz Khan, & Qurashi, 2015) and trust in supervisors (Leelamanothum, Na-nan, & Ngudgratoke, 2018; Mourad, 2014).

### ***Trust in Supervisors***

Trust in supervisors is broadly interpreted based on social exchange theories in which trust in supervisors is an important essence of the reciprocal relationship between superiors (e.g., supervisors) and employees in organizations. In such reciprocal relationships, supervisors usually lead by example by practicing honesty, kindness, and wisdom in performing daily work in order to enhance employees' trust in them. For example, trust in supervisors is likely to encourage employees to openly communicate with their supervisors regarding job-related problems (e.g., rewards related to performance appraisals) without fear of negative consequences (Arthur & Barr, 1985; Flavian, Guinaliu, & Jordan, 2019). Consequently, this trust may increase employees' obligations to perform well in organizations (Bies & Moag, 1986; Cohen-Charash, 2001; Greenberg, 1993; Greenberg & McCarty, 1990). Current studies on leadership trust advocate that trust in supervisors is a critical outcome of perceived interactional fairness in reward systems (Flavian, Guinaliu, & Jordan, 2019; Tlais & Elamin, 2015) and it also may function as a significant mediating variable between perceived interactional fairness in reward systems and organizational commitment (Aryee, Budhwar, & Zhengxiong, 2002; Ruri Fitria, Ben, Achmad, & Dodi, 2018).

### ***Organizational Commitment***

Organizational commitment is commonly formed based on the combination of three salient elements—namely, affective commitment (i.e., employees have a high emotional bond with organization), normative commitment (i.e., employees have a high sense of obligation and responsibility to aid their organizations), and calculative commitment (i.e., employees want to stay because they receive better benefits and advantages (e.g., salary and perks) from their organizations (Meyer & Allen 1991; Meyer & Herscovitch 2001; Meyer & Smith 2009; Rehman, Rehman, Khan,

Saeed, Adeel, & Tariq, 2015).

According to Mowday et al. (1982), Meyer and Allen (1991), Kristanto (2015), and Azman and Ridwan (2016), if employees have high levels of affective, normative, and calculative commitment, it will strongly upgrade their intention to remain with the organization. From the perspective of organizational behavior, commitment to an organization is normally translated into positive behavior, such as building good rapport with employers, understanding organizational objectives and values, loyalty, being proud to be associated with the organization, and improving daily job performance. Further studies on employee behavior recognize that organizational commitment is an important result of the relationship between perceived interactional fairness in reward systems and trust in supervisors (Aryee, Budhwar, & Zhengxiong, 2002; Ruri Fitria, Ben, Achmad, & Dodi, 2018).

### ***Relationship between Perceived Interactional Fairness in Reward Systems and Employee Outcomes***

The influence of perceived interactional fairness in reward systems on employee outcomes is consistent with the main idea of Bies and Moag's (1986) interactional justice theory. This theory explains that fairness in the relationship between decision-makers and employees is normally established through interpersonal communication (i.e., administrators treat employees with politeness, dignity, and respect while executing procedures and/or determining outcomes) and delivery of adequate information (i.e., employees know why process and systems are used to allocate outcomes or why outcomes are distributed according to certain methods) could lead to an enhanced perceived interactional fairness in organizations (Muzumdar, 2012; Sabeen, 2012; Tziner, Felea, & Vasiliu, 2015). The concept suggested by this theory has received strong backing from research papers on pay-system (Berthelen, Conway, & Clausen, 2018; Demirel & Ilhami, 2013; Leelamanothum, Na-nan, & Ngudgratoke, 2018; Mourad, 2014).

Numerous surveys associated with interactional fairness acknowledge that perceived interactional fairness in reward systems is an antecedent of organizational commitment and trust in supervisors. For example, surveys conducted at different organizations, such as perceptions of 261 employees in industry and manufacturing firms in Turkey (Demirel & Ilhami, 2013); perceptions of 200 private and public servants in Saudi Arabia (Mourad, 2014); perceptions of 386 nurses at Taiwanese hospitals (Chen, Wu, Chang, Lin, Kung, Weng, Lin & Lee, 2015.); perceptions of 38 employees at CV Tanaya Fiberglass, Surabaya, Indonesia (Kristanto, 2015); and perceptions of 500 employees at higher learning institutions (Rahman, Shahzad, Mustafa, Fayaz Khan, & Qurashi, 2015); 231 junior and middle managers from eight organizations in Saudi Arabia (Tlaiss & Elamin, 2015); perceptions of 470 university staff in Thailand (Leelamanothum, Na-Nan, & Ngudgratoke, 2018); and perceptions of 900 nurses and doctors at dentistry organizations in Sweden (Berthelsen, Conway, & Clausen, 2018); and perceptions of 188 employees at Indonesian poultry companies (Ruri Fitria, Ben, Achmad, & Dodi, 2018).

These surveys reported that the quality of the relationship between administrators and employees was established through interpersonal communication (e.g., concern for diverse employees' needs, courtesy, respect, mutual benefits, low power distance, and good rapport) and delivery of adequate pay information (e.g., clear, understandable, accuracy, and honest) could lead to greater organizational commitment (Berthelsen, Conway, & Clausen, 2018; Demirel & Ilhami, 2013; Kristanto, 2015; Rahman, Shahzad, Mustafa, Fayaz Khan, & Qurashi, 2015; Ruri Fitria, Ben, Achmad, & Dodi, 2018), and trust in supervisors (Leelamanothum, Na-Nan, & Ngudgratoke, 2018; Mourad, 2014; Tlaiss & Elamin, 2015). Thus, the following hypotheses are proposed in this paper:

**H<sub>1</sub>: There is a positive relationship among perceived interactional fairness in reward systems and organizational commitment.**

**H<sub>2</sub>: There is a positive relationship between perceived interactional fairness in reward systems and trust in supervisors.**

### ***Relationship among Perceived Interactional Fairness in Reward Systems, Trust in Supervisors, and Organizational Commitment***

The role of trust in supervisors as an important mediator between perceived interactional fairness in reward systems and organizational commitment is consistent with the main idea of Blau's (1964) social exchange theory. This theory posits that trust in supervisors exists when employees feel that they have received good treatment from supervisors and this feeling will strongly invoke their obligations to perform and return good deeds in organizations. Further, Dansereau, Graen, and Haga's (1965) leader-member exchange theory posits that trust in supervisors is present when leaders and workers are willing to establish and maintain a high quality of relationships (e.g., good interpersonal communication and provision of adequate information) in performing daily job operations. The notion of good treatment and quality of relationship as described in the abovementioned theories is often translated into employees' trust in supervisors.

Extant studies have assessed the main idea of the theory and disclosed that trust in supervisors are essential results of perceived fairness, such as perceived interactional fairness in reward systems (Leelamanothum, Na-Nan, & Ngudgratoke, 2018; Mourad, 2014; Tlaiss & Elamin, 2015) and trust in supervisors, which can also function as a crucial mediating variable between perceived interactional fairness in reward systems and organizational commitment (Aryee, Budhwar, & Zhengxiong, 2002; Ruri Fitria, Ben, Achmad, & Dodi, 2018).

A limited number of recent pay system studies have provided empirical evidence to support the role of trust in supervisors as a mediating variable between perceived interactional fairness in reward systems and organizational commitment. For example, Aryee, Budhwar, and Zhengxiong (2002) surveyed 350 public servants in India and found that quality of interpersonal communication between administrators and employees in making performance reward decisions (e.g., good explanation and participative decision making) and delivery of clear, accurate, and honest reward



information strongly inspired employees' trust in supervisors. Consequently, this situation might lead to even greater organizational commitment. Further, Ruri Fitriana, Ben, Achmad, and Dodi (2018) surveyed 188 workers at a poultry company in Indonesia. This study showed that fairness in interpersonal communication between administrators and employees (e.g., equal treatment, tolerance, discussion, and concern for employees' needs) and employees receiving clear and accurate reward information strongly inspired employees' trust in supervisors. Consequently, this condition could lead to a higher organizational commitment. Thus, the following hypotheses are proposed:

**H<sub>3</sub>: The effect of perceived interactional fairness in reward systems on organizational commitment is mediated by trust in supervisors.**

## RESEARCH METHODS

### *Research Design*

This study was conducted at a national audit department in Malaysia. The actual name of this organization is kept anonymous for confidentiality reasons. This study employed a survey method as the research strategy as it enables the researchers to collect survey questionnaire data using a cross-sectional research design. This data collection method may aid the researchers to collect accurate data, decrease biased data, and improve the quality of data collected (Creswell, 2014; Sekaran & Bougie, 2010). At the first step of data collection, a survey questionnaire was drafted based on reward-related interactional fairness literature. Next, a back-translation technique was utilized to translate the questionnaire into English and Malay languages in order to enhance the quality of research results (Creswell, 2014; Sekaran & Bougie, 2010).

### *Measures*

The survey questionnaire consists of three major sections. First, interactional fairness in reward systems (INJUSRS) included eight items adapted from the reward related fairness literature (Colquitt, 2001; Greenberg, 1993; Greenberg & McCarty, 1990; Ikramullah et al., 2011; Azman & Ridwan, 2017). Second, trust in supervisors (TRSSUPT) included 10 items adapted from the reward related management trust literature (Al-Zu'bi, 2010; McAllister, 1995; Roberts & O'Reilly, 1974; Robinson, 1996). Third, organizational commitment (ORGZOMT) included 12 items adapted from organizational commitment literature (Allen & Meyer, 1990, 1996; Jaros, 2007; and Mowday, Porter, & Steers, 1982). All the items were assessed using a seven-point Likert scale ranging from "strongly disagree"/"strongly dissatisfied" (1) to "strongly agree"/"strongly satisfied" (7). Participant characteristics were used as control variables as this study focuses on employee attitudes.

### *Sample*

The unit of analysis is employees who work at the studied organization. A total of 400 survey questionnaires were distributed through a purposive sampling plan to employees who work at various job levels and in classifications within the same

and different departments/divisions at the studied organization. In order to achieve the specific objective of this study, the sampling plan was selected as the head of organization did not provide a complete list of registered employees for confidentiality reasons. Owing to this, the researchers were unable to employ a random technique in selecting participants for this study. A total of 300 employees returned the questionnaires. Participation in the survey was voluntary, consent was obtained from the participants, and responses were anonymous.

As recommended by Hair, Hult, Ringle, and Sarstedt (2017), the Statistical Package for Social Sciences (SPSS) method must be utilized to thoroughly screen the survey questionnaire data before it can be exported to SmartPLS for testing the hypothesized models. The results from the data screening test showed that 50 items were unsuitable and were replaced. Thereafter, the outliers (\* asterisk) in the survey questionnaire data were excluded from the survey questionnaires and the items that had skewness and kurtosis values lower than  $\pm 2.0$  were retained in order to meet the assumption criteria of normal data distribution. Further, suspicious answers (straight lining answers) were observed and eliminated from the survey questionnaire data in order to decrease data errors. As a result, only 190 survey questionnaires met the data screening standards and were exported into the SmartPLS package for testing the hypothesized models.

In order to determine the adequacy of the sample for this study, the number of samples were compared to the rule of thumb—that is, the largest number of structural paths directed at a particular construct in the structural model must be equal to or larger than 10 and the items for measurement models must have an outer loading above the common threshold of 0.70 (Hair, Hult, Ringle, & Sarstedt, 2017). In the survey questionnaire, INJUSRS included eight items where this construct had the largest number of formative indicators in the hypothesized model. Based on this rule, the sample size must be at least 80 participants. In accordance with the above-mentioned 10-times rule, the number of samples for this study was adequate. Thus, the sample of this study satisfied the abovementioned criteria, thereby enabling it to be used in evaluating the research hypotheses.

### ***Data Analysis***

The SmartPLS is suggested by Hair, Hult, Ringle, and Sarstedt (2017) and Reinartz, Haenlein, and Henseler, (2009) to analyze survey questionnaire data. This statistical package has capabilities to deliver latent variable scores, handle small sample sizes, manage less normal data, and evaluate complex models. In the first step of data analysis, the measurement model is assessed, followed by testing the research hypotheses. The hypotheses will be considered as significant if the value of the t-statistic is over 1.65 (one-tailed test) or over 1.96 (two-tailed test) (Hair, Hult, Ringle, & Sarstedt, 2017; Reinartz et al., 2009). Next, the  $R^2$  value is used to assess the overall predictive strength of the model based on the following rules: 0.02 (weak), 0.13 (moderate), and 0.26 (substantial) (Cohen, 1988). Further, the  $f^2$  value is used to determine the effect size of the predicting variable in the model based on the following baselines: 0.02 (weak), 0.15 (medium), and 0.35 (large) (Hair et al.,

2017). Lastly, if the  $Q^2$  value for the latent exogenous variable is greater than zero (Hair et al., 2017), it signifies that the model has predictive relevance.

## RESULTS AND DISCUSSION

### *Respondents' characteristics*

Table 1 indicates that the majority of the participants are females (83.2%), between the ages of 35 and 44 years (45.3%), diploma holders (45.8%), placed in the financial sector (55.8%), include clerk and support staff (65.8%), have served for 5–14 years (71.6%), and earn a monthly gross income ranging from RM2,000 to RM3,999 (59.4%).

### *Measurement model*

Table 2 displays that the relationship between items and constructs have loadings greater than 0.70 and that the values of the average variance extracted (AVE) of

Participant Characteristics	Sub Profile	Percentage
Gender	Male	16.8
	Female	83.2
Age	Below than 25 years of age	5.0
	25–34 years of age	43.11
	35–44 years of age	45.3
	45–54 years of age	6.8
	Over 55 years of age	4.2
Level of education	SRP/PMR/LCE	1.6
	SPM/MCE	11.6
	STPM/HSC	3.2
	Diploma	45.8
	Bachelor's degree	33.2
	Master's Degree	4.7
Sector	Management	16.3
	Financial	55.8
	Governance	6.3
	Performance	21.6
Position	Professional Management	20.0
	Supervisor	6.8
	Technical Staff	5.8
	Clerk and Support staff	65.8
	Others	1.6
Duration of service	Less than 5 years	7.9
	5–14 years	71.6
	15–24 years	13.2
	Over 25 years	7.3
Monthly Gross income (Malaysian Ringgit)	Less than RM2,000	5.3
	RM2,000–RM3,999	59.4
	RM4000–RM5,999	25.8
	RM6000–RM7,999	7.9
	RM8000–RM9,999	1.1
	RM10,000 above	0.5

Notes:

SRP: Sijil Rendah Pelajaran

PMR: Penilaian Menengah Rendah

LCE: Lower School Certificate

SPM: Sijil Pelajaran Malaysia

MCE: Malaysian Certificate of Education

STPM: Sijil Tinggi Pelajaran Malaysia

HSC: Higher School Certificate

**Table 1**  
Participant characteristics  
(n = 190)

all constructs is greater than 0.50 (Hair, Hult, Ringle, & Sarstedt, 2017; Reinartz, Haenlein, & Henseler, 2009). This result demonstrates that the constructs met the standard of convergent validity analysis.

Table 3 displays that all constructs had heterotrait-monotrait ratio of correlation values lower than 0.90, and the values of the confidence interval given in the parenthesis were lower than 1.0 (Hair, Hult, Ringle, & Sarstedt, 2017), thereby signifi-

Construct	INJUSRS	TRSSUPT	ORGZOMT	AVE
<b>INJUSRS</b>				0.713
My supervisor respects my rights as an employee	0.862			
My supervisor is honest in determining my reward	0.770			
My supervisor applies fair criteria in deciding my reward	0.890			
My supervisor adapts his communication style to individual needs	0.884			
My boss is aware of my personal needs in making rewards decisions	0.896			
My supervisor is ethical when deciding my reward	0.926			
I can get an explanation of the reward I was given	0.742			
My supervisor provided sufficient information on my reward decision	0.762			
<b>TRSSUPT</b>				0.808
My supervisor is concerned about my welfare		0.911		
My supervisor is competent		0.879		
My supervisor treated me fairly		0.916		
I believe in the credibility of my supervisor		0.883		
I believe in the dedication of my supervisor's work		0.923		
I believe in the transparency of my supervisor		0.907		
My supervisor has good motives and intentions		0.910		
I am open to discussing my problems and difficulties in my work without compromising my position with my supervisor		0.934		
My supervisor is capable of doing the work		0.834		
If my supervisor needs to make a decision that appears to be contrary to my job interests, I believe his actions are not bias		0.887		
<b>ORGZOMT</b>				0.736
This organization respects the values of my religion			0.867	
I am committed to working hard			0.839	
I worked hard to fulfil my religious obligation			0.793	
I am happy doing my work			0.722	
I feel that there are numerous benefits working in this organization as compared to private organizations			0.788	
I am happy to be a part of this organization			0.872	
This organization is close to my heart			0.875	
I am loyal to this organization			0.844	
I work with this organization because of my own needs and wants			0.846	
My work performance always meets my supervisor's expectations			0.931	
I love my work			0.936	
I am happy with my work			0.950	

**Table 2**  
Results of convergent validity analysis

Construct	Heterotrait-Monotrait Ratio of Correlation		Composite Reliability
	TRSSUPT	ORGZOMT	
INJUSRS (0.590, 0.756) (0.136, 0.401)	0.687 0.281 0.952		
TRSSUPT (0.296, 0.571)		0.441	
ORGZOMT			0.971

**Table 3**  
Results of discriminant validity and composite reliability analyses

ing that the constructs have fulfilled the criterion of discriminant validity analysis. Hence, the values of composite reliability for all constructs were higher than 0.80, thereby signifying that the constructs had high internal consistency (Nunnally & Bernstein, 1994).

Table 4 displays that mean values for all constructs are between 5.0732 and 5.500, thereby indicating that numerous respondents viewed the levels of INJUSRS, TRSSUPT, and ORGZOMT range from a high level (4) to the highest level (7). Meanwhile, the values of the variance inflation factor for the correlations a) between INJUSRS and TRSSUPT and b) TRSSUPT and ORGZOMT are lower than 5.0, thereby signifying that the collinearity problem was not critical (Hair, Hult, Ringle, & Sarstedt, 2017). Thus, this result further confirms that all constructs have satisfactorily fulfilled the criteria of validity and reliability analyses.

**Outcomes of Testing Hypotheses 1 and 2**

Table 5 displays that INJUSRS contributed 47% of the variance in TRSSUPT and INJUSRS contributed 34% of the variance in ORGZOMT, which was greater than 0.26 (Cohen, 1988), thereby demonstrating that the direct effects model has substantial effect. Further, the outcomes of testing the research hypotheses revealed two essential findings: First, INJUSRS was positively and significantly correlated with TRSSUPT ( $\beta = 0.688$ ;  $t = 15.944$ ); thus,  $H_1$  was supported. Second, INJUSRS was positively and significantly correlated with ORGZOMT ( $\beta = 0.586$ ;  $t = 11.507$ ); thus,  $H_2$  was supported. This demonstrates that INJUSRS functions as an essential determinant of TRSSUPT and ORGZOMT.

Further, tests for effect size, predictive relevance, and model fit were conducted using bootstrapping and blindfolding procedures, respectively. The results of bootstrapping showed two important outcomes: First, the values of  $f^2$  for the relationship between INJUSRS and TRSSUPT is 0.900 and the values of  $f^2$  for the relationship between INJUSRS and ORGZOMT is 0.524, both of which are higher than 0.35 (Hair, Hult, Ringle, & Sarstedt, 2017). This result demonstrates that INJUSRS has a substantial effect on TRSSUPT and ORGZOMT. Second, the value of the standardized root mean square residual (SRMR) is 0.050, which is lower than 0.1 (Hair, Hult, Ringle, & Sarstedt, 2017) or 0.08 (Hu & Bentler, 1998). This result demonstrates that this model has a good fit. Further, the results of blindfolding showed that

**Table 4**  
Results of the variance inflation factor and descriptive statistics

Construct	Mean	Standard Deviation	Variance Inflation Factor	
			TRSSUPT	ORGZOMT
INJUSRS	5.0732	0.72053	1.000	2.026
TRSSUPT	5.3641	0.71923		2.026
ORGZOMT	5.5500	0.63224		

**Table 5**  
The outcomes of testing hypotheses 1 and 2

Hypotheses	Beta Value	T Value	R <sup>2</sup>	Decision
$H_1$ : INJUSRS is positively and significantly correlated with TRSSUPT	0.688	15.944	0.474	Substantial Effect
$H_2$ : INJUSRS is positively and significantly correlated with ORGZOMT	0.586	11.507	0.344	Substantial Effect

Note: Significant at \*t-value > 1.65 (one-tailed test)

TRSSUPT had a  $Q^2$  value of 0.363 and ORGZOMT had a  $Q^2$  value of 0.237, both of which are greater than zero (Hair, Hult, Ringle, & Sarstedt, 2017). This result demonstrates that these latent exogenous variables have predictive relevance.

### *Outcomes of Testing Hypotheses 3*

Table 6 displays that INJUSRS and TRSSUPT contributed 46% of the variance in ORGZOMT, which was greater than 0.26 (Cohen, 1988), thereby demonstrating that the mediating model has substantial effect. Further, the outcomes of testing the research hypothesis revealed that the relationship between INJUSRS and TRSSUPT was positively and significantly correlated with ORGZOMT ( $\beta = 0.441$ ;  $t = 6.325$ ); thus, H3 was supported. This finding demonstrates that effect of INJUSRS on ORGZOMT is mediated by TRSSUPT.

Moreover, the type of mediating effect, effect size, model fits, and predictive relevance were conducted. The results of bootstrapping revealed three important outcomes: First, the direct effects model (relationship between interactional fairness in reward systems and trust in supervisors) and the indirect effects model (relationship between interactional fairness in reward systems, trust in supervisors and organizational commitment) are significant and point in the same direction (Zhao, Lynch, & Chen, 2010). This result indicates that trust in supervisor acts as a partial mediating variable in the hypothesized model.

Second, the value of  $f^2$  for the relationship between interactional fairness in reward systems and trust in supervisors is 1.020, which is higher than 0.35 (Hair, Hult, Ringle, & Sarstedt, 2017), thereby indicating that interactional fairness in reward systems has a strong effect on trust in supervisors. The value of  $f^2$  for the relationship between trust in supervisors and organizational commitment is 0.182, which is higher than 0.15 and lower than 0.35 (Hair, Hult, Ringle & Sarstedt, 2017), thereby indicating that trust in supervisors has a moderate effect on organizational commitment. Third, the value of the standardized root mean square residual (SRMR) is 0.052, which is lower than 0.1 (Hair, Hult, Ringle, & Sarstedt, 2017) or 0.08 (Hu & Bentler, 1998), thereby demonstrating that this model has a good fit. Further, the results of blindfolding showed that trust in supervisors had a  $Q^2$  value of 0.362 and organizational commitment had a  $Q^2$  value of 0.308, both of which are higher than zero (Hair, Hult, Ringle, & Sarstedt, 2017). This result shows that these latent exogenous variables have predictive relevance.

The outcomes of this study demonstrate that interactional fairness in reward systems is an important determinant of trust in supervisors and effect of interactional fairness in reward systems on organizational commitment is mediated by trust in supervisors. In the studied organization, human resource managers carry out one

Hypothesis	Beta Value	T Value	R <sup>2</sup>	Decision
H <sub>3</sub> : Effect of INJUSRS on ORGZOMT is mediated by TRSSUPT	0.441	6.325	0.464	Substantial Effect

Note: Significant at \*  $t > 1.65$  (one-tailed testing)

**Table 6**  
Outcome of testing hypothesis 3

of the major responsibilities of handling reward systems established by the PSDM. In managing reward systems, superiors (employees in high positions) have highly encouraged administrators to implement interpersonal communication and deliver accurate and honest reward information in order to enhance employees' understanding and decrease their inaccurate judgments and prejudices regarding reward systems. This positive situation may encourage employees to support their stakeholders' needs and expectations. A majority of the participants perceived the levels of interactional fairness in reward systems, trust in supervisors, and organizational commitment as high. This condition sends a message that a high level of interactional fairness in reward systems is likely to strongly evoke employees' trust in supervisors, which in turn may lead to higher organizational commitment.

### **MANAGERIAL IMPLICATIONS IN THE SOUTHEAST ASIAN CONTEXT**

Practitioners may use the research findings to enhance employees' interactional fairness in designing and administering rewards systems in public organizations in Southeast Asia. This purpose can be realized if superiors (those in high positions) give importance to the following dimensions: First, reward training programs must emphasize on upgrading the communication skills of administrators. For example, the ability of human resource administrators and line administrators to interact with employees using good treatment styles in executing procedures of allocating rewards and/or determining rewards for different job levels and categories (e.g., politeness, dignity and respect) and delivering adequate information (e.g., open, accurate, and honest) through various media, such as face-to-face meetings, printed materials (e.g., circulars and letters), and electronic devices (e.g., internet and mobile phones) may strongly enhance employees' acceptance and support of the objectives of the reward system.

Second, relationship-oriented leadership must be highly encouraged to change traditional leadership styles of administrators and line administrators from giving instructions and maintaining rules and regulations to enhance human potentials and talents through coaching, mentoring, and counselling methods. This leadership practice may facilitate and guide human resource staff to minimize daily work errors, improve daily job performance, strengthen good rapport, and ready-to-apply approachable techniques in handling diverse employees' complaints and expectations.

Third, conventional decision-making methods that employ a mechanistic-oriented management (e.g., concern on hierarchy, rank, status, and regulation) must be more oriented toward humanistic-oriented management (e.g., concern on knowledge sharing, consultation, engagement, and caring). This change may stimulate employees to provide brilliant ideas, suggestions, and feedback as well as share power in making reward decisions. Input from employees is rather useful to help human resource administrators and line administrators in planning career advancement programs that are suitable for employees' needs and expectations, assist employees to get higher promotions, and motivate employees to achieve their KPIs.

Finally, the generalizability of research findings may be enhanced if private organizations are added in testing the hypothesized models. For example, private organizations have distinct features as compared to public organizations, such as egalitarian structures, oriented toward profit maximization, and quantitative productivity. If these features are included in the model testing, this will enable superiors to identify the dominant features and how they may increase or decrease the effectiveness of trust in supervisor as a linking variable in the relationship between interactional fairness and organizational commitment. Thus, the results from this study may also be generalized to improve the pay system management models of private organizations in Southeast Asian countries. If these suggestions are given more attention, it may inspire employees to maintain and achieve the strategic business vision and missions of the organization.

### **THEORETICAL IMPLICATIONS IN THE SOUTHEAST ASIAN CONTEXT**

The findings from this study support  $H_1$  and  $H_2$ . This result is consistent with the main idea of Bies and Moag's (1986) interactional justice theory, which reveals that interactional fairness involves two major components—namely, interpersonal fairness and information fairness. Interpersonal fairness refers to administrators and employees willing to practice politeness, dignity, and respect in executing procedures of allocating rewards and/or determining rewards for employees in different job groups. Conversely, informational fairness is often related to the ability of administrators to transparently, accurately, and honestly deliver reward information regarding why procedures are used and/or why rewards are distributed using a particular method among employees who work at various job levels and classifications. This interactional style may lead to an upgraded positive employee outcomes, particularly organizational commitment (Demirel & Ilhami, 2013; Berthelsen, Conway, & Clausen, 2018; Kristanto, 2015; Rahman, Shahzad, Mustafa, Fayaz Khan, & Qurashi, 2015; Ruri Fitria, Ben, Achmad, & Dodi, 2018) and trust in supervisors (Leelamanothum, Na-nan, & Ngudgratoke, 2018; Mourad, 2014; Tlais & Elamin, 2015).

The notion of the theory is consistent with the outcome of  $H_1$  and it has been studied in extended previous studies, which reveal that the ability of administrators to appropriately implement interpersonal communication and deliver information fairness may lead to an enhanced organizational commitment (Demirel & Ilhami, 2013; Berthelsen, Conway, & Clausen, 2018; Kristanto, 2015; Rahman, Shahzad, Mustafa, Fayaz Khan, & Qurashi, 2015; Ruri Fitria, Ben, Achmad, & Dodi, 2018) and trust in supervisors (Leelamanothum, Na-nan, & Ngudgratoke, 2018; Mourad, 2014; Tlais & Elamin, 2015).

More importantly,  $H_3$  indicates that the effect of interactional fairness in reward systems on organizational commitment is mediated by trust in supervisors. This result has supported the essence of Blau's (1964) social exchange theory, which discloses that the readiness of administrators to practice politeness, dignity, and respect in interpersonal communication and deliver transparent, accurate, and honest information on the procedures used to allocate rewards and/or reward distributions

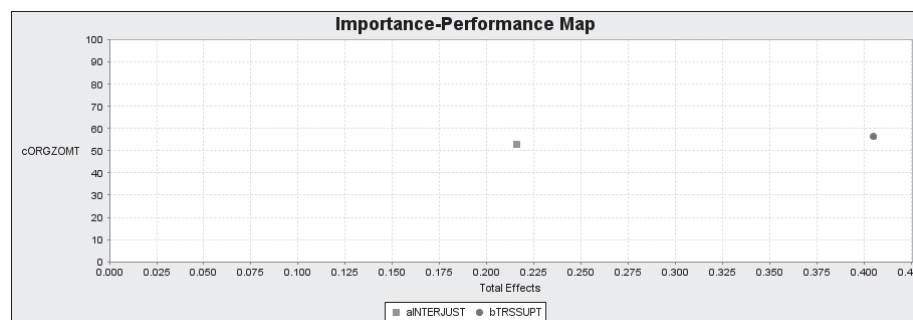


for employees who work in different job levels and structures will strongly invoke employees' trust in supervisors. Consequently, this situation may lead to greater organizational commitment. This outcome has also supported and broadened previous studies, which disclose that the effect of perceived interactional fairness in reward systems (i.e., interpersonal communication and information fairness) on organizational commitment is mediated by trust in supervisors (Aryee, Budhwar, & Zhengxiong, 2002; Ruri Fitria, Ben, Achmad, & Dodi, 2018).

This study has several methodological and conceptual limitations. First, this study has only evaluated the relationship between latent variables. Second, survey questionnaire data are collected once during the period of this study from the entire sample. The data may not be used to make a comparison between different employee categories within the sample. Third, this study does not evaluate the effect of participant characteristics in the relationship between variables of interest. Fourth, this study was conducted at a public agency in Peninsular Malaysia hence, limiting to only the public sectors and not on the private sectors. Finally, survey questionnaires collected through a purposive sampling technique are unable to control participant responses. These limitations may decrease the ability of generalizing this study's findings to various organizational settings.

However, this study provides important suggestions for the improvement of future research. The first suggestion is made based on the results of importance-performance map analysis (IPMA) generated via SmartPLS. According to Hair, Hult, Ringle, and Sarstedt (2017), the IPMA results can help practitioners to determine a priority action for overcoming managerial problems. As described in Figure 1, the IPMA results displayed that trust in supervisors had the highest importance for organizational commitment (0.405) and the highest performance for organizational commitment (56.319). Further, perceived interactional fairness in reward systems had the lowest importance for organizational commitment (0.216) and the lowest performance for organizational commitment (53.068). This finding indicates that there is a high potential to improve the performance of perceived interactional fairness in reward systems, which are relevant for improving the administration of reward systems in Southeast Asian public organizations.

The possible actions that could be taken in enhancing perceived interactional fairness in reward systems are improving interpersonal communication practices and



**Figure 1**  
IPMA for organizational commitment

delivery of accurate and honest pay information to all employees. This effort will enhance employees' understanding and decrease their misconceptions regarding the objectives, content, policies, and rules and regulations of the reward system. Thus, this positive view may lead to a greater organizational commitment in organizations.

Further, suggestions are made to strengthen methodological and conceptual limitations. First, certain important participant characteristics, such as gender, age, position, duration of service and gross monthly income must be considered because the inclusion of these variables in the analysis may clearly show how they indirectly influence the performance of the direct effects and mediating models. Second, other research design types, particularly a longitudinal research design, could be applied if researchers intend to compare the inclusion and exclusion of mediating variables using different participant groups (e.g., executives versus non-executives) within the sample. Third, several specific elements of perceived interactional fairness, such as interpersonal communication and information delivery must be studied because they are critically discussed in present reward-related fairness literature (Azman & Ridwan, 2017; Ruri Fitria, Ben, Achmad, & Dodi, 2018). Fourth, certain characteristics related to trust in supervisors, namely communication openness and negative repercussion, must be assessed because they have been extensively debated in reward administration literature (Flavian, Guinaliu, & Jordan, 2019; Leelamanothum, Na-nan, & Ngudgratoke, 2018). Finally, other components of organizational commitment—such as affective commitment, normative commitment, and calculative commitment—must be evaluated because they are widely recognized as crucial results of perceived interactional fairness in reward systems (Azman & Ridwan, 2016; Berthelsen, Conway, & Clausen, 2018). The above suggestions must be considered in order to enhance the results of future research.

## CONCLUSION

This study evaluated the performance of a conceptual framework formulated on the basis of organizational reward literature. The measurement scale satisfied the standards of validity and the reliability analyses. The SmartPLS path model analysis confirmed that the effect of perceived interactional fairness in reward systems on organizational commitment was mediated by trust in supervisors. Thus, current research and practice related to organizational rewards indicates that trust in supervisors must be considered as an important feature of the reward management domain. This study further proposes that employees who perceive interactional fairness in reward systems will strongly induce positive employee outcomes (e.g., commitment, performance, and ethical behavior). Therefore, these positive outcomes may lead to the achievement of the strategic business vision and missions of organizations in times of global competition and a knowledge-based economy.

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