

Open Organizational Culture as a Mediator of the Relationship Between Distributive Justice and Benefits Level Satisfaction

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Abstract: This study aimed to investigate the effect of distributive justice and open organizational culture on benefits level satisfaction using 150 usable questionnaires in a government owned palm oil estate in the State of Sabah, Malaysia. The outcomes of testing hypothesis using a stepwise regression analysis showed that relationship between open organizational culture and distributive justice significantly correlated with benefits level satisfaction. Statistically, this result demonstrates that open organizational culture does act as a mediating variable in the relationship between distributive justice and benefits level satisfaction in the organization sample. In addition, discussion, implications and conclusion are elaborated.

Key words: Distributive justice, open organizational culture, benefits level satisfaction, relationship, palm oil, Malaysia

INTRODUCTION

Distributive justice is often viewed based on the socio-cultural differentiations, namely individualism and collectivism (Aryee, 1999; Hofstede, 1998). Under an individualism approach, perceptions of distributive justice exist when individuals receive outcomes (e.g., resource or reward) equitably with their inputs. For example, Americans perceive fair pays as equity (e.g., pay level is allocated based on merit) (Gomez-Mejia *et al.*, 2000).

Conversely, in a collectivism approach, perceptions of distributive justice exist when individuals receive same outcomes regardless of their contributions. For example, Russians, Japanese, Chinese and Malaysians perceive fair pays as equality (e.g., pay level is allocated based on tenure, seniority and/or needs) (Aryee, 1999; Money and Graham, 1999; Sulaiman and Mamman, 1996).

Based on these theoretical perspectives, distributive justice may be interpreted as individuals perceive that they receive outcomes equitable with their reward bases (Konovsky and Pugh, 1994) such as equity rule (recognize contribution), needs rule (promote personal welfare) and equality rule (preserve social harmony) (Leventhal, 1980; Leventhal *et al.*, 1980). Since 1960s,

social scientists have recognized the significance of distributive justice in studying macro and micro organizational management issues including benefits management system (Folger and Cropanzano, 1998; Lind and Tyler, 1988; Milkovich and Newman, 2011). According to many researchers like Bergmann and Scarpello (2002) and Cole and Flint (2005), benefits are also known as non-monetary rewards, fringe benefits, non-cash payments and/or indirect payments (e.g., leave, health care, loan, work-family benefits, social security and retirement plans).

These terms are often used interchangeably in organizations but they refer to the same thing (Henderson, 2009; Milkovich and Newman, 2011; Wu and Wang, 2008).

Traditionally, employers provide benefits packages as complementary to monetary rewards, membership rewards and meet the government regulations. In an era of global competition, many employer have shifted their paradigms of benefits program from a traditional job to organizational culture and strategy (Gomez-Mejia and Balkin, 1992; Lawler, 2000; Tremblay *et al.*, 2000). Under this strategic perspective, employers have provided the type, level and/or amount of benefits contingent upon employees' job structure and/or performance in order to

help employees maintaining economic security after retirement, protecting people's health and safety as well as increasing self-satisfaction and productivity (Henderson, 2009; Milkovich and Newman, 2011; Noe *et al.*, 2009; William *et al.*, 2002). These benefits programs are properly designed and implemented based on the attract, retain and motivate employees to support organizational strategy and goals (Lawler, 2000; Milkovich and Newman, 2011; Noe *et al.*, 2009).

Recent studies about distributive justice show that the ability of managers to ensure fairness in determining the type, level and/or amount of benefits may have a significant impact on benefits level satisfaction (Cole and Flint, 2005; Williams *et al.*, 2002; Wu and Wang, 2008). According to the Miceli and Lane (1991)'s discrepancy model, satisfaction with benefits level is based on the discrepancy between two constructs; perceived amount of benefits that should be received and perceived amount of benefits received. This view explains that employees will feel satisfied with the type, level and/or amount of benefits if their employers provide such benefits according to their contributions (e.g., job or merit) (William *et al.*, 2002; Wu and Wang, 2008).

Surprisingly, a thorough review of employment relationship systems reveals that effect of distributive justice on benefits level satisfaction is indirectly affected by open organizational culture (Arnold and Spell, 2006). Many researchers like Hofstede (1998) and Sulaiman and Mamman (1996) state that open organizational culture is value and standard that practice low power distance (e.g., less hierarchical controlling and decentralized decision making) and focus more on individual achievement.

Under this view, open organizational culture provides a conducive environment that may motivate employees to please their work environments, express their individualities and freedoms in thought and behavior and free exchange of their ideas and information, practice high empowerment and low formality as well as accept different paradigms in organizations (Gebert and Boerner, 1999). Within a benefits program model, many scholars think that distributive justice, open organizational culture and benefits level satisfaction are distinct but highly interrelated constructs.

For example, the readiness of managers to ensure fairness in allocating the type, level and/or amount of benefits will strongly motivate open organizational culture such as employees may seek clarification, share decision-making and/or make suggestions to improve the rule for allocating such benefits program. If this practice is properly implemented, it may lead to an increased benefits level satisfaction in organizations (Allen and White, 2002;

Arnold and Spell, 2006). Even though numerous studies have been done, little is known about the mediating effect of open organizational culture in distributive justice research literature (Arnold and Spell, 2006; Wu and Wang, 2008). Many scholars argue that the mediating effect of open organizational culture has been given less emphasized in previous studies because they give more focus on the components of open organizational culture and their relationships with employee outcomes.

As a result, the findings drawn from these studies may not provide sufficient support to practitioners in formulating practical strategies to handle unfair treatments and malpractices in agile organizations (Allen and White, 2002; Miceli and Lane, 1991; Wu and Wang, 2008). Hence, it motivates the researchers to further explore the nature of this relationship.

Purpose of the study: This study has two major objectives: Firstly is to examine the relationship between distributive justice and benefits level satisfaction. Secondly is to quantify the mediating effect of open organizational culture in the relationship between distributive justice and benefits level satisfaction.

Literature review

Relationship between distributive justice and benefits level satisfaction: Adams (1965)'s equity theory and Allen and White (2002)'s equity sensitivity theory clearly posits that individuals will perceive their outcomes received (e.g., benefits) as just if the type, level and/or amount of outcomes (e.g., benefits) are adequately allocated based on their contributions.

The notion of this theory is consistent with benefits program research literature. For example, two important studies used a direct effects model to examine distributive justice related benefits program using different samples such as 237 employees in two manufacturing organizations in North-Western US (Arnold and Spell, 2006) and employees in 10 hotels in China (Wu and Wang, 2008). Findings from these studies reported that perceived justice about the distribution of the type, level and/or amount of benefits had been an important determinant of benefits level satisfaction in the respective organizations (Arnold and Spell, 2006; Wu and Wang, 2008).

Relationship between distributive justice, open organizational culture and benefits level satisfaction: The significance of open organizational culture is consistent with the notion of social comparison theory, namely; benefits satisfaction and organizational justice

theory. Two important theories which closely related to benefits satisfaction are Miceli and Lane (1991)'s benefits level satisfaction model and Harris and Fink (1994)'s peripheral information processing. According to Miceli and Lane (1991)'s benefits level satisfaction model, the ability of managers to use communication openness and allow employee participation in benefits program will increase employees understanding about the process and systems of allocating benefits and appreciate employees' needs and desires into account when planning benefit coverage.

Implementation of such open cultures are properly done this may lead to an increased benefits level satisfaction in organizations (Milkovich *et al.*, 1994; William *et al.*, 2002). Besides that Harris and Fink (1994)'s peripheral information processing suggests that not all employees have same capabilities or motivations to process much information about benefits program. This situation may be solved if an employer communicates the important information about benefit coverage or asks employees about the type, level and/or value of benefit coverage that should be received.

Among managers to practice such open cultures may lead to an increased benefits level satisfaction in organizations (Tremblay *et al.*, 1998, 2000; William, 1995). There are two important procedural justice theories that can be applied in benefits program are self-interest model (Leventhal, 1980) and group value model (Lind and Tyler, 1988).

For example, Leventhal (1980)'s self-interest model suggests six justice rules should be used in making decisions; decisions based on accurate information, apply consistent allocation procedures do correct decisions, suppress bias, practice moral and ethical standards in decision-making and ensure allocation process meet recipients' expectation and needs.

Besides that Lind and Tyler (1988)'s group value model suggest three types of relational judgments about authorities; firstly, neutrality is viewed as individual perceptions of honesty and lack of bias on the part of third-party decision makers. Secondly, trust is often related to individuals' beliefs about the benevolence disposition of third parties that have authorities. Thirdly, standing is often seen as recognition of individual status by group authorities including politeness, respect for rights and treatment with dignity.

Application of these theories in a benefits program model shows that the implementation of such justice rules will motivate employees to understand and control the process and systems of allocating the type, level and/or amount of benefits in order to fulfill all employees'

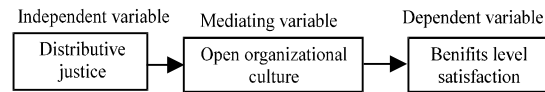


Fig. 1: Conceptual framework

interests and maintain their social bonds. As a result, it may lead to an enhanced benefits satisfaction, especially benefits level satisfaction in organizations (Tremblay *et al.*, 2000; William *et al.*, 2002).

The notion of open organizational culture is consistent with benefits program research literature. For example, two prominent studies used an indirect effects model to investigate open organizational culture using different samples such as 122 full-time library employees in Midwestern state (Williams, 1995) and 237 employees in two manufacturing organizations (Arnold and Spell, 2006).

These studies reported that the readiness of managers to implement fairness in allocating non-monetary rewards will motivate management and employees to use open organizational culture such as employees are allowed to seek clarification, share decision-making and/or make suggestions to improve the fairness in allocating the type, level and/or amount of non-monetary rewards. Consequently, it could lead to enhanced benefits level satisfaction in the respective organizations (Arnold and Spell, 2006).

Conceptual framework and research hypothesis: The literature has been used as evidence to propose a conceptual framework for this study as shown in Fig. 1. Based on the framework, it can be hypothesized that:

- H₁: Distributive justice positively related to benefits level satisfaction
- H₂: Open organizational culture positively mediates the relationship between distributive justice and benefits level satisfaction

MATERIALS AND METHODS

Research design: This study used a cross-sectional research design which allowed the researchers to integrate the benefits management literature, the in-depth interview, the pilot study and the actual survey as a main procedure to gather data for this study. The main advantage of using such methods may decrease the inadequacy of a single method and increase their abilities to gather accurate and less biased data (Sekaran, 2000). This study was conducted in a government owned palm oil estate in Sabah, Malaysia. At the early stage of this

study, in-depth interviews were conducted involving two experience officers in the studied organization. They were selected using a purposive sampling technique because they had working experiences >10 years and had posed good knowledge about organizational policy and procedures. The information gathered from the interview method was transcribed, categorized and compared to the distributive justice.

Outcomes of the triangulated process were used as a guideline to develop the content and format of the survey questionnaires for the pilot study. Next, a session was initiated for discussing the items in survey questionnaire with five experienced employees, namely two executives and three non-executives from the studied organization in order to verify the content and format of the questionnaire for the actual study. The back translation technique was used to translate the survey questionnaires in Malay and English; this could help to increase the validity and reliability of the instrument (Wright, 1996).

Measures: The survey questionnaire consisted of three sections. Firstly, distributive justice had four items that were adapted from distributive justice literature (Cole and Flint, 2005; Hegtvedt, 1990). Secondly, open organizational culture had six items that were adapted from organizational culture literature (Gebert and Boerner, 1999; Hofstede, 1998; William, 1995). Thirdly, benefits level satisfaction had eight items that were adapted from benefits program literature (Miceli and Lane, 1991; Williams *et al.*, 2002).

These items were measured using a 7 item scale ranging from very strongly disagree/dissatisfied (1) to very strongly agree/satisfied (7). Demographic variables (i.e., age, qualification, length of service, salary and job position) were used as controlling variables because this study focused on employee attitudes.

Unit of analysis and sampling: The researchers had obtained an official approval to conduct the study from the head of the target organization and also received advice from him about the procedures of conducting the survey in his organization. The targeted population for this study was 3596 staffs. After considering the organizational rule, period of study and budget constraints, a convenient sampling was chosen to distribute the survey questionnaires to 300 employees in the organizations. Of the number, 150 usable questionnaires were returned to the researchers, yielding a response rate of 50%. The survey questionnaires were answered by participants based on their consent and a

voluntary basis. The number of this sample exceeds the minimum sample of 30 participants as required by probability sampling technique showing that it may be analyzed using inferential statistics (Sekaran, 2000; Leedy and Ormrod, 2005). A Statistical Package for Social Science (SPSS) Version 17.0 was used to analyse the questionnaire data and thus test the given hypotheses.

RESULTS

Respondent characteristics: Table 1 shows that most respondent characteristics were male (62.4%), ages between 30-39 years old (40.6%), workers who held STPM (32.7%), workers who worked from 6-10 years (30.7%), workers who get monthly salary between RM1001-2000 (51.5%) and workers who come from non-executives group (69.3%).

Validity and reliability analyses for the instrument: Table 2 shows that the survey questionnaires consisted of 18 items which were related to three variables: Distributive justice (4 items), open organizational culture

Table 1: Participant characteristics (n = 150)

| Participant characteristics | Percentage |
|----------------------------------|------------|
| Gender | |
| Male | 62.4 |
| Female | 37.6 |
| Age | |
| <20 | 4.0 |
| 20-29 | 25.7 |
| 30-39 | 40.6 |
| 40-49 | 22.8 |
| >49 | 6.9 |
| Qualification | |
| Master | 3.0 |
| Degree | 9.9 |
| Diploma | 23.8 |
| STPM | 32.7 |
| SPM | 29.7 |
| Others | 1.0 |
| Length of service (years) | |
| >1 | 2.0 |
| 1-5 | 21.8 |
| 6-10 | 30.7 |
| 10-15 | 15.8 |
| 16-20 | 8.9 |
| >20 | 20.8 |
| Salary | |
| <RM1000 | 15.8 |
| RM1001-2000 | 51.5 |
| RM2001-3000 | 18.8 |
| >RM3000 | 13.9 |
| Job position | |
| Executive | 30.7 |
| Non-executive | 69.3 |

SPM: Sijil Pelajaran Malaysia/Malaysian Certificate of Education; STPM: Sijil Tinggi Pelajaran Malaysia/Malaysian Higher School Certificate

Table 2: Results of validity and reliability analyses

| Measures | No. of items | Factor loadings | KMO | Bartlett's Test of sphericity | Eigenvalue | Variance explained | Cronbach alpha |
|-----------------------------|--------------|-----------------|------|-------------------------------|------------|--------------------|----------------|
| Distributive justice | 4 | 0.76-0.84 | 0.78 | 142.64, p = 0.000 | 2.63 | 65.78 | 0.81 |
| Open organizational culture | 6 | 0.59-0.82 | 0.79 | 237.47, p = 0.000 | 3.34 | 55.63 | 0.84 |
| Benefits level satisfaction | 8 | 0.44-0.77 | 0.82 | 256.10, p = 0.000 | 3.72 | 46.47 | 0.81 |

Table 3: Results of Pearson correlation analysis and descriptive statistics

| Variables | Mean±SD | Pearson correlation (r) | | |
|-----------------------------|-----------|-------------------------|--------|---|
| | | 1 | 2 | 3 |
| Distributive justice | 5.66±0.62 | 1 | | |
| Open organizational culture | 5.50±0.66 | 0.24* | 1 | |
| Benefits level satisfaction | 5.95±0.71 | 0.22* | 0.43** | 1 |

Significant at *0.05; **0.01; ***0.001; Reliability estimation in the Parenthesis (1)

(6 items) and benefits satisfaction (8 items). Relying on the guidelines set up by Hair *et al.* (1998) and Nunally and Bernstein (1994), the statistical results show that the value of factor analysis for all items that represent each research variable was 0.4 and more indicating the items met the acceptable standard of validity analysis, all research variables exceeded the acceptable standard of Kaiser-Meyer-Olkin (KMO)'s value of 0.6 were significant in Bartlett's Test of sphericity, all research variables had eigenvalues >1 with variance explained >0.45, the items for each research variable exceeded factor loadings of 0.40 (Hair *et al.*, 1998) and all research variables exceeded the acceptable standard of reliability analysis of 0.70 (Nunally and Bernstein, 1994).

These statistical results confirmed that the measurement scales met the acceptable standards of validity and reliability analyses as shown in Table 2.

Analysis of the constructs: Table 3 shows the descriptive statistics and Pearson correlation analysis results. Means for all variables are between 5.50 and 5.95, signifying the levels of distributive justice, open organizational culture and benefits satisfaction are ranging from high (4) to highest level (7).

The correlation coefficients for the relationship between the independent variable (i.e., distributive justice) and the mediating variable (i.e., open organizational culture) and the relationship between the dependent variable (i.e., benefits level satisfaction) were <0.90, indicating the data were not affected by serious collinearity problem (Hair *et al.*, 1998).

Outcome of testing hypothesis 1: As shown in Table 3, distributive justice positively and significantly correlated with benefits level satisfaction ($r = 0.22$, $p < 0.05$), therefore H_1 was accepted. This result demonstrates that distributive justice is an important determinant of benefits level satisfaction in the studied organization.

Table 4: Results for stepwise regression analysis

| Variables | Dependent variables (Benefits level satisfaction) | | |
|-----------------------------|---|---------|----------|
| | Step 1 | Step 2 | Step 3 |
| Control | | | |
| Gender | 0.19 | 0.16 | 0.19 |
| Age | 0.00 | 0.08 | -0.02 |
| Qualification | -0.04 | -0.05 | -0.02 |
| Length of service | 0.26 | 0.19 | 0.23 |
| Salary | -0.07 | 0.10 | 0.04 |
| Job position | 0.05 | 0.05 | 0.08 |
| Independent | | | |
| Distributive justice | | 0.20* | 0.08 |
| Mediating variables | | | |
| Open organizational culture | | | 0.40*** |
| R ² | 0.10 | 0.13*** | 0.27*** |
| Adjusted R ² | 0.03 | 0.07 | 0.20 |
| R ² change | 0.10 | 0.04 | 0.13 |
| F | 1.66 | 2.05 | 4.22*** |
| F change R ² | 1.67 | 4.01* | 16.10*** |

Significant at *p<0.05; **p<0.01; ***p<0.001

Outcomes of testing hypothesis 2: A stepwise regression analysis was utilized to test the mediating hypothesis because it can assess the magnitude of each independent variable and vary the mediating variable in the relationship between many independent variables and one dependent variable (Foster *et al.*, 1998). According to Baron and Kenny (1996), the mediating variable can be considered when a previously significant effect of predictor variables (e.g., effect of distributive justice on benefits level satisfaction) is reduced to non-significance or reduced in terms of effect size after the inclusion of mediator variables (e.g., open organizational culture) into the analysis. In this regression analysis, standardized coefficients (standardized beta) were used for all analyses (Jaccard *et al.*, 1990). Table 4 shows that demographic variables were entered in step 1, independent variable (i.e., distributive justice) was entered in step 2 and mediating variable (i.e., open organizational culture) was entered in step 3. Benefits level satisfaction was used as the dependent variable.

The inclusion of distributive justice in step 3 of the table revealed that relationship between distributive justice and open organizational culture positively and significantly correlated with benefits level satisfaction ($\beta = 0.40$, $p < 0.001$) therefore, H_2 was supported. This relationship explains that before the inclusion of open organizational culture in step 2, distributive justice ($\beta = 0.20$, $p < 0.05$) was found to be a significant predictor of benefits level satisfaction. In terms of explanatory power, the inclusion of distributive justice in step 2 had

explained 13% of the variance in dependent variable. As shown in step 3 (after the inclusion of open organizational culture into the analysis), the previously significant relationship between distributive justice and benefits satisfaction (step 2: $\beta = 0.020$, $p < 0.05$) changed to non-significant (step 3: $\beta = 0.08$, $p > 0.05$). In terms of explanatory power, the inclusion of open organizational culture in step 3 had explained 27% of the variance in dependent variable. Statistically, this result sends a signal that open organizational culture does act as a full mediating variable in the relationship between distributive justice and benefits level satisfaction in the studied organization.

DISCUSSION

The findings of this study confirm that open organizational culture does act as a full mediating variable in the relationship between distributive justice and benefits level satisfaction in the studied organization. The implications of this study can be divided into three major aspects; theoretical contribution, robustness of research methodology and practical contribution.

In terms of theoretical contribution, the findings of this study reveal that open organizational culture has mediated the effect of distributive justice on benefits level satisfaction. This result explains that the willingness of managers to ensure fairness in allocating the type, level and/or amount of benefits to employees who work in similar and/or different job classifications will strongly encourage management and employees to use open organizational culture (e.g., communication openness and active participation style) in clarifying and justifying the type, level and/or amount of benefits program.

As a result, it may lead to an enhanced benefits level satisfaction in the studied organization. This result has supported and extended studies by Arnold and Spell (2006). Regarding the robustness of research methodology, the survey questionnaires used in this study satisfactorily met the requirements of validity and reliability analyses and this could lead to the production of accurate and reliable findings.

With respect to practical contributions, the findings of this study may be used as guidelines by management to improve the management of benefits program in dynamic organizations. In order to achieve this objective, management needs to consider the following suggestions; firstly, the value and cost of benefits program needs to be revisited based on multiple criteria (e.g., job, performance, needs and/or competitor's pay). Secondly, benefit entitlements (e.g., health care, overtime and official work claims) need to be adjusted according to

current organizational development. Thirdly, the contents and methods of compensation training program need to be customized according to current organizational strategy and goals. Finally, human resource policies need to focus on recruiting employees who have good qualifications and experiences in compensation and benefits program. If these suggestions are heavily considered this will strongly invoke employees' feelings of distributive justice about the benefits program and this may lead to an enhanced positive employee attitudes and behavior in organizations.

CONCLUSION

This study proposed a conceptual framework based on the distributive justice research literature. The measurement scales used in this study satisfactorily met the standards of validity and reliability analyses. The outcomes of hypothesis testing using a stepwise regression analysis confirmed that open organizational culture did act as a full mediating variable in the relationship between distributive justice and benefits satisfaction in the studied organizations. This result has also broadened and supported distributive justice research literature mostly published in Western countries. Therefore, current research and practice within the organizational justice model needs to consider open organizational culture as a crucial element of the distributive justice domain. This study further suggests that the ability of HR managers and/or managers to ensure fairness in determining the type, level and/or amount of benefits will motivate management and employees to practice open organizational culture. Consequently, it may strongly invoke positive employee outcomes (e.g., satisfaction, commitment, performance, trust, transformation, quality and good moral values). Thus, these positive outcomes may direct lead to maintain and enhanced organizational competitiveness in an era of global competition.

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