

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of the Study**

The most important resource and asset that will bring success to organizations are the employees (Robins & Coulter, 2009). Hence, human resource management needs more attention so that the organization will perform well and generate significant results.

A great problem of the human resource management is Counterproductive Work Behavior (CWB) which means bad intended behavior that will harm both or either on organizations or on other employees (Fox et al, 2001). In America, a survey indicates that 33-75% of the employees perform workplace negative behavior in the forms of theft, computer fraud, embezzlement, vandalism, sabotage, and absenteeism (Harper, 1990). Thus, organizations need to observe the affecting factor of CWB. Previous studies (Cohen-Charash & Spector, 2001; Colquitt et al, 2001) show that high perceived injustice is resulting CWB. Fairness will impact employees' behavior and attitude based on the research on organizational justice. Fairness is minded as a cognitive concept and the effects can be seen from both emotional and behavioral (Chebat & Slusarczyk, 2005). According to Spector (2011), CWB has some forms of actions, such as abuse (harmful and nasty behaviors that affect other people), production deviance (purposely doing the job incorrectly or allowing errors to occur), sabotage (destroying the physical environment), theft, and withdrawal (avoiding work through being absent or late).

Injustice perception is the other term of low perceived organizational justice where the employees think of the organization is not fair in treating the workers. The root of organizational justice is Equity Theory (Adams, 1963, 1965) and was developed by Carrell and Dittich (1978). According to Pinders (1984), Equity Theory lies on three main assumptions: (1) beliefs regarding what

constitutes a fair output for their input to the job are developed by people; (2) people tend to make a comparison of input and output with the co-workers; (3) when people perceive injustice, they will be triggered to deal the injustice by doing something. The following equity ratios equation is from Pinders (1984):

$$\text{Equity Ratios} = \frac{\text{Outputperceived}}{\text{Inputperceived}} < \frac{\text{Outputreceived}}{\text{inputreceived}} = \begin{array}{l} \text{inequity, underpay, feeling} \\ \text{angry, reduced effort or quality} \\ \text{of work, or withdrawal} \\ \text{behavior such as CWB} \end{array}$$

$$\text{Equity Ratios} = \frac{\text{Outputperceived}}{\text{Inputperceived}} > \frac{\text{Outputreceived}}{\text{inputreceived}} = \begin{array}{l} \text{inequity, overpay, feeling} \\ \text{guilty, helping others, increase} \\ \text{effort or quality, OCB} \end{array}$$

Output refers to the salary and other benefits while the input refers to the employee's skill, education, experience, effort, performance, and contribution. If an individual is perceiving injustice, emotional feeling will be there (guilt or anger) and employee needs to release the emotional tension until the employee will sense justice. While underpay is resulting CWB, overpay might make the employee perform Organizational Citizenship Behavior (OCB). But, there is also a tendency that this OCB will turn into CWB (Cohen-Charash & Spector, 2001).

There are three dimensions of organizational justice: distributive justice which focus on outcomes, procedural justice which focus on procedures, and interactional justice which focus on sincerity and respect (interpersonal justice) and also on informational justice for honest adequate explanation (Colquitt et al, 2005). Yet, the researcher is examining the injustice perception, the terms will be distributive injustice, procedural injustice, and interactional injustice.

Nichols and Creegan (2010) has summarized the negative outcomes of injustice perception, less access to life chances and personal goals achievement, broken ontological security, worsening health and well being. Therefore, th three dimensions of injustice perception should be minimized so that fairness feeling is created to the employees.

A recent finding assessed that procedural justice has been more emphasized than distributive justice since the procedures used to measure outcomes could be more influential than the outcomes (Kelloway et al, 2010). Another statement said that employees are the most sensitive to distributive injustice dimension because it is related with personal outcomes directly (Colquitt et al., 2001; Roch & Shanock, 2006). Among these three dimensions, distributive and procedural has taken place more to be researched by other researchers, while interactional did not get much attention. Besides, there are only few researches that analyze the most significant injustice dimension. Hence, the researcher is motivated to conduct a research which analyze the effect of three injustice dimensions to CWB and find out which dimension will contribute the biggest effect to CWB.

In Mojokerto, an organization named UD SOPRO is considered as a medium industry with range of workers from 20-99 employees (<http://jatim.bps.go.id> referred on June, 5<sup>th</sup> 2014). As a medium industry, it has no independent Human Resource Department (HRD) and everything which deals with the human resource will be managed by the owner himself. Usaha Dagang (UD) is the simplest form of business in Indonesia that is owned by only one owner and there is no wealth distinction and liability distinction between UD and the owner (Purnamasari, 2012). There is no legal basis for UD in Indonesia though this business form is recognized by the country (HukumOnline.com).

Internationally, UD is known as Sole Proprietorship. The following is some of the characteristics of UD or sole proprietorship in Indonesia (Purnamasari, 2012):

1. Single ownership

This is the main characteristic of sole proprietorship, the sole proprietor is owning, managing, and controlling the organization. There is no difference between owner and the enterprise. Only death or insolvency of the owner will put the business to an end.

## 2. One-man control

Sole proprietorship is like a one-man show where the owner is responsible for management and control of the organization. The sole proprietor has full authority (personally responsible for the control and management) and no person can interfere to take decision.

## 3. Minimum legal formalities

Everyone can start and dissolve this business form anytime anywhere for it is subject to minimum legal formalities and government restrictions but full delineation of sole trader. Only few legal formalities are needed to form sole proprietorship.

Based on the preliminary interview done by the researcher, it is found that three of the characteristics mentioned previously exist at UD SOPRO. The owner said that he is the one who has ownership, management, control. Besides, there are minimum legal formalities and the employees do not have a labor union to legally protect them. With only one person handling human resource issues of more than fifty employees, it is so hard to be perceived fairly in treating all employees. System and regulation is made by him only and subjectivism will be involved in applying them. Since each employee has different point of view, the owner and the organization are easily considered as not being fair in treating all employees equally. This matter becomes more complex since the truth is whether the organization is treating the employees sincerely, transparently, and honestly or not, there will be people who still consider the organization is being unfair (<http://www.psychologyafrica.com> referred on June 13<sup>th</sup>, 2014). Therefore, the researcher wants to take UD SOPRO as the object of research so that the research can help improving human resource management knowledge for both the researcher and UD SOPRO management.

As a small and medium enterprise (SME) unit, it is very common in Indonesia that UD SOPRO tends to have loose regulation since it pays the employees under the minimum wage. Compared to big companies that pay the

employees based on minimum wage and emphasize on the work tasks in a clear manner, the flexibility in SMEs creates less stress to the employees and it will trigger employees to perceive injustice. Thus, even though stress is also a predictor of CWB, injustice perception is chosen to be the predictor of CWB in this proposed research since the employees experience more perceived injustice than stress.

Injustice perception and CWB are related and based on the description above, it is concluded that the previous study results are supporting the researcher to conduct this human resource management research to help the management of UD SOPRO to know deeper about the effect of injustice perception toward the CWB. Thus, the researcher wants to implement the concept that Injustice Perception affects CWB of the employees at UD SOPRO.

## **1.2 Research Problems**

According to the background, this study had five problems as follows:

1. What are the characteristics of employees at UD SOPRO?
2. Does Distributive Injustice Perception significantly affect the Counterproductive Work Behavior of employees at UD SOPRO?
3. Does Procedural Injustice perception significantly affect the Counterproductive Work Behavior of employees at UD SOPRO?
4. Does Interactional Injustice Perception significantly affect the Counterproductive Work Behavior of employees at UD SOPRO?
5. Are there significant combined effects of Distributive, Procedural, and Interactional Injustice Perception toward Counterproductive Work Behavior of employees at UD SOPRO?

## **1.3 Research Objectives**

The objectives of the research were as follows:

1. To know the characteristics of employees at UD SOPRO,
2. To understand whether Distributive Injustice Perception significantly affect the Counterproductive Work Behavior of employees at UD SOPRO,

3. To acknowledge whether Procedural Injustice Perception significantly affect the Counterproductive Work Behavior of employees at UD SOPRO,
4. To find out whether Interactional Injustice Perception significantly affect the Counterproductive Work Behavior of employees at UD SOPRO,
5. To verify whether there are significant combined effects of Distributive, Procedural, and Interactional Injustice Perception toward Counterproductive Work Behavior of employees at UD SOPRO.

#### **1.4 Research Contribution**

This research was expected to be useful for further studies in Human Resource Management in the application of Injustice Perception in relation to Counterproductive Work Behavior. In addition to that, there will be mainly two parties that could benefit from this research paper, which were:

##### **1.4.1 For The Company**

The result of this study will be useful to UD SOPRO regarding its human resource management. This proposed study might help the company to emphasize the importance of employees' perception toward organizational justice. Result of the research was expected to be an input to UD SOPRO in continuous improvement in its human resource management.

##### **1.4.2 For The Researcher**

This study increased the researcher's knowledge, in theory and practice, specifically on human resource management. The researcher also had the opportunity to apply the given theories and insights learned in Human Resource Management class. In the future, the result will help the researcher understand to what extent, organizational justice and injustice perception will affect employee behavior at UD SOPRO.

#### **1.5 Research Limitations**

This research gathered information from employees at UD SOPRO in Mojokerto, East Java, Indonesia as the research object. Time range of the research

is from September to October 2014. This research investigated four variables, namely: Distributive Injustice Perception, Procedural Injustice Perception, Interpersonal Injustice Perception, and Counterproductive Work Behavior. UD SOPRO is a pseudo name as advised by the owner. All the data given to the researcher from UD SOPRO and its owner is authentic and will only be used for the completion of the final thesis.

## **1.6 Research Outline**

Research outline explains the systematic writing of this study. The outline of this research proposal is divided into three chapters as follows:

Chapter I : This chapter sets up the research problem for the reader. It also provides the background information defining the issue and the important terms, it specifies the research objectives explored in greater detail to contribute to understanding the research problem.

Chapter II : This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of the theory that applies to the research problem, an explanation of why it is relevant, and how the modeling efforts address the hypothesis to be tested.

Chapter III : This chapter explains the detailed technical and scientific activities in which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.

Chapter IV : This chapter organizes a logical presentation of the findings that address the research questions, and focus on how these key findings relate back to the theory and prior researchers presented at the beginning of the study.

Chapter V : This chapter outlines the implications, conclusions, and recommendations supposed to advance the study of the research topic by its theoretical, methodological, or substantive contributions that may be necessary to overcome the limitations of existing empirical effects.