








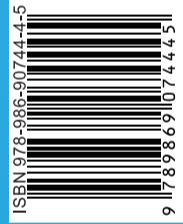




International Conference of Organizational Innovation

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PROCEEDINGS OF 2016 ICOI THE INTERNATIONAL CONFERENCE ON ORGANIZATIONAL INNOVATION

July, 26 – 28, 2016

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WELCOMETO THE INTERNATIONAL CONFERENCE ON ORGANIZATIONAL INNOVATION, BEIJING, CHINA



On behalf of the International Association of Organizational Innovation, I welcome you to the 2016 The International Conference on Organizational Innovation. This conference is the largest ever!

It is an honor and a pleasure for me to be in this great city of Beijing and to interact with all of you distinguished scholars and business men & women at this conference! I look forward to exploring the city and the country of China.

The International Association of Organizational Innovation has had a great year! The main activities of the Association are hosting this conference and publishing *the International Journal of Organizational Innovation*. As a presenter at this Conference, you are automatically included as a member of the Association.

Besides hosting this conference, I also serve as the Editor of the *International Journal of Organizational Innovation*, the journal sponsored by this Association. I encourage all of you to consider submitting the papers that you are presenting at this conference for publication in the journal (You will receive a 33% discount if you submit the paper you present at this conference - see the details in your Conference Materials). Another professional opportunity available to you is to serve as an Assistant Editor for the journal and review paper submissions to the journal. Send an email to me if you are interested in serving as an Assistant Editor of IJOI.

I would like to thank all of the people who worked very hard to organize this conference. I know the effort that they had to use in getting this conference together. I especially thank the Administrators, Faculty and Staff of the College of Economics and Management at the Beijing University of Chemical Technology for hosting this conference. I would also like to thank my colleague and former student, Dr. Chich-Jen Shieh for his hard work organizing this conference.

I look forward to meeting you all and working with you over the next few days.

For those of you who have published in the Journal or serve as an Assistant Editor, please come up and introduce yourself to me.

Please take the opportunity to explore this exciting city and country. Enjoy the conference!

Dr. Frederick Dembowski,

President, The International Association of Organizational Innovation

Editor, The International Journal of Organizational Innovation

Hibernia National Bank Endowed Professor, Southeastern Louisiana University

ijoinnovation@aol.com

DATE : July, 26 2016, Tuesday

LOCATION :

Room D , Beijing China

Time	Topic of Seminar	Country/Region
	Chair : Dr. Bal Kishan Dass, University of Delhi, India	
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	2.16R-037: Organizational Culture Assessment at Faculty of Economics and Business, Diponegoro University	Ismi Darmastuti, Indonesia
	3.16R-027: Finished Products Damage Analysis in the third Party Logistics Facility	Puspandam Katias Indonesia
	4.16R-061: Financial Distress and Corporate Information Disclosure	Fitri Ismiyanti Indonesia
	5.16R-081: Quality Culture and Capabilities Process Supply Chain of SMES	Ayi Tejaningrum Indonesia
14 : 50 15 : 00	Tea Time	
	Chair : Dr. Tanti Handriana, Universitas Airlangga, Indonesia	
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	2.16R-079: The Antecedents and Consequences for the Absorptive Capacity of Export	Nurullaily Kartika, Indonesia
	3.16R-033: Organizational Trust and Organizational Identification : As Mediator of The Relationship between Procedural Justice and Employee Engagement	Praptni Yulianti, Indonesia
	4.16R-029: Entrepreneurial Competencies of Agribusiness in East Java, Indonesia	Y. Lilik Rudianto Indonesia
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Organizational Trust and Organizational Identification : As Mediator of the Relationship between Procedural Justice and Employee Engagement

Praptini Yulianti
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Abstract

Employee engagement in the workplace is very important, especially for the organizational competitive advantage. Workplace procedural justice is an important motivator for employee work attitude and performance. Employee engagement in the workplace can be built through procedural justice, organizational trust and organizational Identification.

This research is an explanatory research that will explain the causal relationship between variables or through hypothesis testing. The sample in this study was collected through 100 respondents. The criteria of the selected respondents were the ones that working in the production division, since production division is the core of industrial companies. The sampling technique in this study used Partial Least Square.

The results of this study supports that organizational trust and organizational identification as mediator the relationship of procedural justice and employee engagement.

Keywords : Procedural Justice, Organizational Trust, Organizational Identification, Employee Engagement

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You're sincerely



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Organizational Trust and Organizational Identification : As Mediator of the Relationship between Procedural Justice and Employee Engagement

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Abstract

Employee engagement in the workplace is very important, especially for the organizational competitive advantage. Workplace procedural justice is an important motivator for employee work attitude and performance. Employee engagement in the workplace can be built through procedural justice, organizational trust and organizational Identification.

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Keywords : Procedural Justice, Organizational Trust, Organizational Identification, Employee Engagement

INTRODUCTION

When an economic recession happened in 2008, many companies in the world have begun to realize the importance of the human role in organization. Many companies have started to be more focused to manage the human capital of the company. Employee engagement in the workplace has contributed its role for company performances and competitive advantages. Company's role is not only doing the recruitment and retaining their best employees but also expecting them to have an emotional attachment toward the company and their work.

The result of Employee engagement measurement in the world shows an upward trend, while in Asia Pacific is still very low (Aon Hewitt, Download, March, 2015). Employee engagement in Indonesia is still at its lowest level in Asia Pacific, but in Southeast Asia, Indonesia is still better than Malaysia (Aon Hewitt, Download, March, 2015). Employee engagement has a very strong effect on the employees' performance compared with the effect of the intrinsic motivation, involvement, and job satisfaction. Employee engagement reflects the happiness of the employee rather than the job satisfaction. (Rich et al., 2010).

High Employee engagement is showed by Say, Stay and Strive of the employees (Aon Hewitt, Download, as of March, 2015). Say is to speak positively about the organization to co-workers, potential employees and customers. Stay is to have an intense desire to be a member of the organization, and Strive is the behavior of the employee that they will do their best to achieve the organization business success.

Furthermore, Employee engagement is not just a physical presence in the organization, but it's more about emotional attachment which shown by the employees' focus on their performance. Schaufeli et al. (2003) explained that employees who have engagement on their job will be more energetic, enthusiastic, and happy in carrying out their work. Those employees will also have the initiative and can contribute in enhancing innovation for their company (Hakanen et al., 2008). Macey et al. (2011) states that the fully engaged employee is only when they feel treated fairly in the decision-making procedures for their reward, and in interaction, they get the attitude of mutual support and respect from their leaders and colleagues. The employees who feel treated fairly in procedural will trust to the organization, so it will have an impact their engagement with their work (Chungtai and Finian, 2009). Theoretically, procedural justice is based on the social exchange relationship between the employee and the organization. The law of reciprocity states that a person who was being treated fairly by the others will feel obliged to treat the others with a good treatment as well (Blau, 1964: 88). A good treatment that is received by the employees will be able to increase employees' trust toward their organization. Empirical studies have shown that trust in the organization has been linked with positive attitude in the workplace. When employee believes in organization, the norms of reciprocity will happen and the employee will exchange the good treatment from the organization with strong engagement with their job. Moreover, procedural justice can make employee prouds as a member or part of the organization (Tyler and Blader, 2003; Tyler, 2000). The pride as a member or Organizational Identification (OID) will impact the employee engagement because OID can make employee sees that the organization's success is their success too (Ashforth and Mael, 1989; Mael and Ashforth, 1992).

The total number of labor force in Indonesia per February 2014 has increased by 5.2 million people compared to August 2013, but the employment structure has not changed, in which Agriculture, Trade, and Industry Sectors are still the biggest employers in Indonesia (BPS,

2014). But if the number of the labor force increasing without the number of the employment, it can lead to the unfair treated from the company to its employee, and it will hinder the development of trust in the organization.

But the unfairness in determining the rewards for the employee in those sectors are still happened. That unfairness occurs due to the low level of salary and education of the workforces. In Indonesia elementary levels workforces are still dominating (46.80 percent), while vocational colleges education workforces are around 3.1 million people (2.65 percent) and workforces with University education level are just 8.8 million people (7.49 percent) (BPS, 2014). The low employment growth and a low level of education of employees who work in industry led to many industrial companies do not consider the employees as human capital but as a cost which affects the unfair treatment for employee.

Based on the description that has been described previously, the focus of this research is to build employee engagement through procedural justice that mediated by organizational trust and organizational identification of employees in the industrial company.

THEORY AND HYPOTHESES

1. Procedural Justice

Procedural justice is the procedures that are used by the organization to distribute the results and the resources of the organization to its members. Procedural justice in an organization will be more about the implementation of formal regulations that exist in the organization. Colquitt (2001) describes that procedural justice is a process of the procedural rules in an organization, such as consistent, unbiased, accurate and ethical. Those rules become one assessment of employees' perception to see the organizational level of procedural. Procedural fairness include: a) Structural components: the organization's policy and regulatory that are based from the employees' opinion or their feedback to the organization, b) Informational components: organizations explanation about the decision that has been made. c). Interactional components: the quality of the interpersonal treatment received by employees.

2. Work Engagement

Work engagement concept was introduced by Kahn (1990). Work engagement is defined by Kahn (1990) as "the use of the organization's member role in their work". Maslach and Leiter (1997) defined Work engagement as the opposite of burnout, energy, engagement, and sense of efficacy. But Schaufeli et al. (2003) did not conceptualize work engagement as an opposite of burnout. Work engagement is a positive motivational condition for the employees' self-esteem. Work engagement is a combination of high energy (spirit) and strong engagement.

Schaufeli et al., (2003) took a different approach about work engagement's concept, he conceptualizes it as a positive antithesis to burnout, as claimed by Maslach and Leiter (1997). Work engagement is defined as something positive, fulfilling the obligations, and related to the mind, it's characterized by psychic powers, dedication, and absorption (Schaufeli et al., 2003). Psychic power is showed through the high levels of energy and mental abilities while working, willingness to invest more efforts to the job, even the continuing to do the job despite the difficulties. Dedication is showed through a strong involvement on the job and a sense of enthusiasm, inspiration, pride, and challenge. Absorption is showed through the concentration and interest of the employees' in their job that made the employees happy, feel that the times pass quickly and find it difficult to leave his/her job (Saks, 2006).

3. Organizational Trust

Trust according to Mayer et al. (1995) is: "The willingness of a party to be vulnerable to the actions of another party based on the expectation that the other party will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party". Empirical study by Mayer et al. (1995) and Schoorman et al. (1996) explained that trust will be able to enhance the ability of the employees on doing teamwork and the employees who trust their organization will expand their role in the work especially on doing their teamwork. According to social exchange theory, people will support the social exchange as long as they get the benefits that were given by the partner (Blau, 1964). Mayer et al. (1995) suggested that trust is based on the expectation that others will commit acts that are considered important by the trustor, without the need to be monitored or controlled by the trustor (Brockner et al., 1997). Mayer et al., (1995) argued that something or someone that considered as reliable is depend on their ability, benevolence, and individual integrity. Integrity shown by someone's honesty in a relationship, often cited as a basis of trust and may be formed by procedural justice (Brockner et al., 1997). If the procedure used by the trustee is seen as procedurally fair by the trustor, there's no need to monitor the trustee. Someone who is considered to be kind and like to help the others is usually likeable, and consequently considered to be trustworthy.

A leader should have the ability to develop the trust level of the employees in the organization. Skill, competence and relevant personalities found as an integral part of the ability (Mayer et al., 1995). Trust also refers to the expectations of the kindness (benevolence) and integrity (Schoorman et al., 1996).

4. Organizational Identification

Organizational identification occurs when employees perceive oneness with or belongingness to an organization (Mael & Ashforth, 1992). Organizational identification is a construct which used to representing relational between individual and organization where they came from (Parker and Haridakis, 2008). When a member is identify with organization, their membership will help them to determine who they are and how they act (Patchen, 1970). According to Cheney and Tompkins (1983), organizational identity not something owned by individual or organization, but something made together by interaction. OID is estimated can affect individual's behavior in organization with instilling norm and value within all of member which can affect their rational and irrational decision making (Simon, 1976; Tompkins and Cheney, 1983).

Employee with higher OID is tend to enjoy their involvement with their job because they think that the relationship between their contribution and organization where they work to is mutually benefit (He and Brown, 2013).

Cognitive dimension that used to measure OID is feeling insulted when someone criticize organization, have an interest when someone think about organization, strong identification so that always said "we" instead of "them", pride because think that organization's success is their success too, the feeling when someone praise the organization where they work, and also considering the consequence of their act to organization everytime they make a decision in their job (Ashforth and Mael, 1989). Employee with higher OID is tend to enjoy their nvolvement with their job because they think that the relationship between their contribution and organization where they work to is mutually benefit (He and Brown, 2013).

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5. RELATIONSHIPS BETWEEN VARIABLES

5.1. The Relationship of Procedural Justice to Employee Engagement

The relationship between procedural justice and employee engagement can be viewed as the social exchange theory perspective. Employee that treated fairly will exchange it with an expected behavior. Employee can assess how fair they are being treated by organization from procedural justice. Procedural justice is defined as an equality formal procedure that underlying organizational decision making for their employees (Tekleab et al., 2005). The relationship between procedural justice with employee engagement can be explain by equity theory, that if organization expected employees to have a good performance, they will treat them fairly.

Based on the statements, the hypothesis is :

H1 : Procedural Justice is positively related to employee engagement.

5.2. Mediating role of organizational trust on The relationship between Procedural Justice and Employee Engagement

Stinglhamber et al. (2006) state that “there is relationship between procedural justice and trust”. According to Blau (1964), trust play a key role into these relationships and act as a mechanism where justice can affect employees’ outcome.

Mayer et al. (1995) state that fairly treatment can allowing the emergence of trust. Fair treatment produces an expectation from employees that the future and those longterm relationships will fair too. Trust in supervisor can cause a higher engagement, when employees believe to their supervisor or organization, they will focused on organization’s aim achievement without any worries to get disappointment treats from organization, so in the job they will full of dedication (Kahn, 1990; Rothbard, 2001).

Based on the statements, the hypothesis is :

H2 : Organizational Trust as mediator of the relationship between Procedural Justice and Employee Engagement.

5.3. Mediating role of organizational Identification on The relationship between Procedural Justice and Employee Engagement

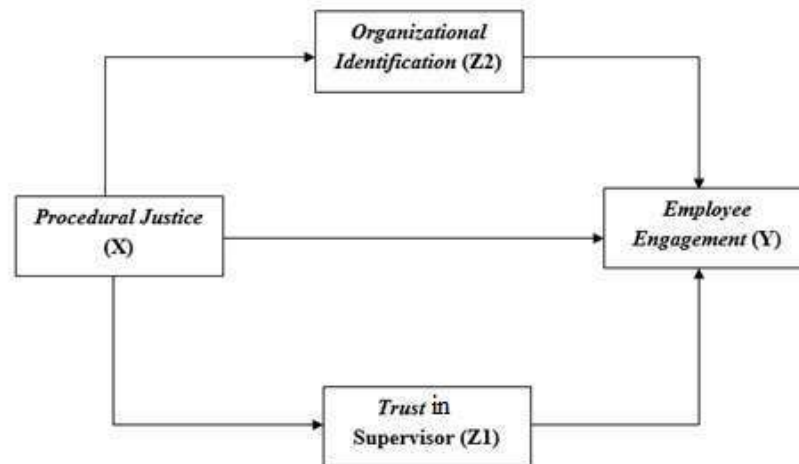
Procedural justice is linked to procedures that used by organization to distribute organizational outcomes and resource to its members. Organization which act fairly can grow positive emotions that will make employees feel like have a responsibility to care with organization and also help the organization to reach its aim and to direct the employees to uniting status role into their social identity (Rhoades and Eisenberger, 2002).

Mael and Ashforth (1992) contend that employee who have a higher identification will think and act from organization’s point of view and OID will be strengthened by some factor which can make the organization seems interesting as employees see, so that it can grow positive emotions among the employees. The stronger identification can caused a motivation to be engaged with the job.

Based on the statements, the hypothesis is :

H3 : Organizational Identification as mediator of the relationship between Procedural Justice and Employee Engagement.

6. Conceptual Framework :



7. Research Method

The samples in this study were the employees in the industrial company. The selected respondents are the ones working in the production division, since production is a major part in industrial companies. The questionnaires were distributed conducted through online media, 102 questionnaires were answered but the questioners that met the criteria are only 100 questionnaires. The examples of industrial companies are printing, chemicals and household items companies. The various types of company has done different test and there is no significant different showed in the result.

8. Measurement

a. Procedural Justice

Procedural justice is respondents' perception of fair treatment received from organization, not only justice in treatment but also justice in policy-making for employees. Measurement of indicator is using several items that developed by Shore and Shore (1995).

b. Employee Engagement

Employee engagement is respondents' attitude about scale of level energy, strong involvement in job and concentration, and also interest that makes them happy in working. Schaufeli et al. (2003) have used Utrecht Work Engagement Scale (UWES) to measure employees' work engagement by three dimension, that is Vigor, Dedication, and Absorption.

c. Organizational Trust

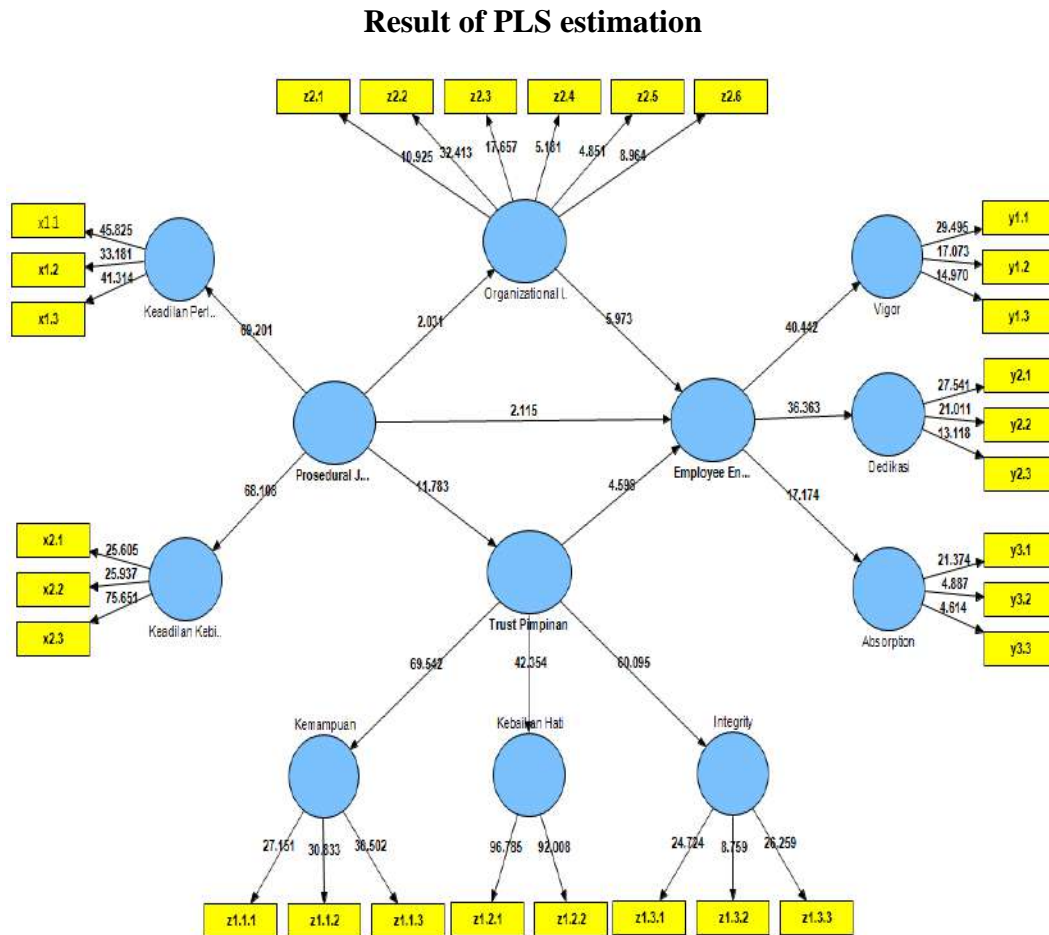
Organizational Trust is respondents' perception about the level of their trust that supervisors have an ability, benevolence, and integrity (Mayer et al., 1995). Trust in supervisor is measured by three dimension , that is ability, benevolence, and integrity.

d. Organizational Identification

Organizational identification is respondents' perception about cognitive dimension because their pride to be a member of organization. Mael and Ashforth (1992) have used cognitive dimension to measure OID.

9. Result and Discussion

a. Research Result



The value of outer loading for each indicators in procedural justice, organizational trust, organizational identification and employee engagement are valued > 0,50. Therefore, it means that the indicators that used in this research is fulfilled the convergent validity.

Table 1
Value of Composite Reliability

Variable	Composite Reliability
<i>Procedural Justice</i>	0,9316
<i>Trust in Supervisor</i>	0,9390
<i>Organizational Identification</i>	0,9315
<i>Employee Engagement</i>	0,9010

Source: smartPLS output result

Table 1 had shown that value of composite reliability for procedural justice, trust in supervisor, OID, and employee engagement are more than 0,70. Therefore in the research model, each variables that used for this research are fulfilled the composite reliability.

Hypothesis testing with *Inner Weight*

The results of PLS analysis inner weight path coefficient :

Table 2
Total Effects (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)	Ket
Employee Engagement -> Absorption	0.771001	0.773894	0.044894	0.044894	17.173690	Sign
Employee Engagement -> Dedication	0.894278	0.895262	0.024593	0.024593	36.362503	Sign
Employee Engagement -> Vigor	0.894787	0.893737	0.022125	0.022125	40.442111	Sign
Prosedural Justice -> fairness in policy	0.934097	0.934319	0.013715	0.013715	68.108473	Sign
Prosedural Justice -> fairness in treatment	0.936245	0.936060	0.013529	0.013529	69.201057	Sign
Organizational Trust -> Integrity	0.930927	0.929939	0.015491	0.015491	60.095355	Sign
Organizational Trust -> Benevolen	0.902790	0.902945	0.021315	0.021315	42.354158	Sign
Organizational Trust -> Ability	0.934332	0.933408	0.013435	0.013435	69.542141	Sign

Table 3
Path Coefficients (Mean, STDEV, T-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)	Result
Organizational Identification -> Employee Engagement	0.410031	0.414597	0.068649	0.068649	5.972837	Sign
Prosedural Justice -> Employee Engagement	0.189013	0.181609	0.089352	0.089352	2.115363	Sign
Prosedural Justice -> Organizational Identification	0.221416	0.249820	0.108999	0.108999	2.031355	Sign
Prosedural Justice -> organizational trust	0.706340	0.699797	0.059943	0.059943	11.783439	Sign
Organizational Trust -> Employee Engagement	0.388381	0.396749	0.084460	0.084460	4.598409	Sign

b. Discussion

Theoretical Implications

Means, standard deviation and correlations among all the variables are presented in Table 3. The relationship of procedural justice with employee engagement indicates significant, which is consistent with past research (He, *et al.*, 2014). The result of this research make a number significant theoretical contributions to the literature of procedural justice, job engagement, organizational identification and organizational trust. Work place procedural justice is an important motivator for employee work attitude and performance. Organization implements equity of formal procedures which underlying the organization's decision making to their employees, it will grow the engagement of employees to the organization. It can be viewed through social exchange theory, where the employee who has been treated fairly will exchange it with organization's expected behavior. The main objective of this study is to prove that organizational trust and organizational Identification as mediator of the relationship between procedural Justice and employee engagement. Results of studies have proven that organizational trust and organizational Identification as partially mediated the relationship of procedural Justice and employee engagement. Procedural justice can directly affect employee engagement. Procedural justice can also affect employee engagement through organizational trust and organizational Identification. The study is also justifying the social exchange theory, someone who is being treated fairly by the other party will feel the obligated to reciprocate it with good treatment as well (Blau, 1964: 25). Organizational trust play a key role into these relationships and act as a mechanism where procedural justice can affect employee engagement. Trust in supervisor can cause a higher engagement, when employees trust to their supervisor or organization, they will focused on organization's aim achievement without any worries to get disappointment treats from organization, so in the job they will full of dedication (Kahn, 1990; Rothbard, 2001). Results of this study also proves that organizational Identification as mediator of the relationship between procedural Justice and employee engagement, procedural justice can make

employee prouids as a member or part of the organization (Tyler and Blader, 2003; Tyler, 2000). The pride as a member or Organizational Identification (OID) will impact the employee engagement because OID will enable individuals to view, and internalize and organization's success his/her success (Ashforth and Mael, 1989; Mael and Ashforth, 1992). Employees with higher OID tend to enjoy increased engagement with their work because they view doing so is mutually beneficial (He, et al., 2014).

Practical Implications

There are several practical implications of the current research. Our research findings suggest that managers should be aware of the positive impact of procedural justice on employee engagement. It is important for managers to implement justice not only fair treatment but also justice in the organization's policy for employees. Employee engaged at work when they feel treated fairly in the decision-making procedures for their reward, and in interaction, they get the attitude of mutual support and respect from their leaders and colleagues. The employees who feel treated fairly in procedural will be having trust and sense belonging to the organization, so it will have an impact on their engagement at work. Employees of production division in industrial company are very sensitive to unfair treatment. Increasing numbers of workforce that are not followed by increased numbers of employment in Indonesia led to unfair treatment received by the employees. Employees need fairness, especially the unfair treatment from their supervisors and they want their voices to be heard and used in making the organization's policies. Employees, who feel the existence of procedural fairness, will believe that their leaders have the ability, integrity and concern about them.

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