
Role of Procedural Fairness and Organizational Prestige in Mediating the Effect Organizational Control on Employee Trust in KPO PT. Bank Aceh Syariah

Rizki Auliani, Nasir and Amri

Department of Management, Universitas Syiah Kuala, Indonesia

Abstract

This study measures and analyzes the effect of organizational control on employee trust with procedural fairness and organizational prestige as the mediation variables. Respondent of this study is all 133 employees of Main Operational Office (KPO) PT. Bank Aceh Syariah. Questionnaires are used as research instrumental. Data is analyzed using HLM (Hierarchical Linear Modelling). The result concludes that organizational control effects employee trust, organizational control effects procedural fairness, organizational control effects organizational prestige, procedural fairness effects employee trust, organizational prestige effects employee trust, procedural justice partially mediates the effect of organizational control on employee trust, and organizational prestige partially mediates the effect of organizational control on employee trust in KPO PT. Bank Aceh Syariah. These results contributes to be premises in the realm of science. The model can be a reference for the practical managers, especially in the research object which is KPO PT. Bank Aceh Syariah. The novelty in the model lies in the combination from previous causality models found by others, and the model limitation resides in the research scope and object. Some recommendations is provided.

Keywords: Organizational Control, Employee trust, Procedural Fairness, Organizational Prestige.

1. Introduction

An organization, in their functional operation, will always abide to Human Resource (HR) management activities. HR management is a management function regarding planning, organizing, briefing, and control of HR. HR management is expected to produce result from employee according to their working condition and able to achieve great result to help an organization develop and create good reputation for the organization, which in turn will increase employee trust toward the organization.

Employee Trust in an organization is based on employee evaluation on competency and collective characteristics of the organization. Such as, effectively achieve purpose and responsibility combined with organization policy that sincerely consider employee well-being that correspond to generally accepted moral ethics (Gillespie and Dietz 2009). Employee trust can be achieved with good organization control mechanism, particularly in performance evaluation, compensation, and feedback, to achieve procedural fairness.

Each organization in general, need to apply organizational control as a safety measure for their employee, reducing risk and vulnerability in organization, which in turn, will increase employee trust (Weibel et al. 2016). Control system will increase consistency in performance, and increase accuracy in decision making related to procedural fairness.

Procedural fairness refers to decision making process that abide to equality in procedure. Procedural fairness is shown in some form of organizational control. This includes result control, managerial observation, and formalization (Hartmann and Slapničar 2009).

PT. Bank Aceh Syariah is a bank that already thoroughly change their conventional model to syariah model and operated in Syariah Islam principle. Al-syari'ah is defined as Islamic teaching based on ilahiyah norms. Whether in spiritual (doctrinal) or physical (legal-formal) conduct as an individual or islamic people collectively. In syariah banking, islamic laws expressly affect how a trade contract established between bank and customer and only transaction that abide by syariah law is allowed.

The conversion from conventional model to syariah model in Bank Aceh, which in hope based on equality, resulted in better prestige and increase employee trust. As a syariah bank, PT. Bank Aceh Syariah can be the epicentrum in economic development and bolster regional development in Aceh Province, Indonesia. Basically for generalization, each organization required to apply good organizational control, procedural fairness, and maintain their prestige to increase employee trust and achieve organization goal, including PT. Bank Aceh Syariah. This research focuses on the Main Operational Office (KPO) of PT. Bank Aceh Syariah, as the center of the bank operation.

2. Literature Review

Employee Trust

According to (Altuntas and Baykal 2010), organization trust is individual or group confidence in a whole that put all effort clearly or subtly to behave according to commitment. Honesty in a relationship can ensure commitment consequence and every person involved will have equal opportunity.

Trust in an organization will create mutual sharing of information and collaboration. An employee will have more creativity and initiative if their idea is respected. A superior that put their faith in their subordinates will not hesitate to delegates important responsibilities to them. Gillispie and Dietz stated, employee trust to their organization is based on employee evaluation and collective characteristics of an organization.

Organization Control

(Weibel et al. 2016) depicted control as a formal mechanism use by superior to direct their subordinates in achieving target. Organization control is defined as a process to maintain or adapt employee behaviour according to organization's goal (Cardinal, Sitkin, and Long 2009). Control is viewed as a process to set employee behavior to support organization aim (Das and Teng 2001). Control literature depicted two main approach to control. One approach focus on creation and application of rule, procedure, and formal policy to observe and reward as required, this is called formal control. Another approach, focused on enforcing law an norm, culture, and internalization of aim, is called informal approach.

Procedural Fairness

Procedure is a systematic steps that need to be regulated and systematically applied as foundation in organizational activities. (Robbins and Judge 2012) defined procedural justice as equality in a process to determine reward. Perception of procedural fairness is viewed as equal in reward process for employee (Beugre 2007). Procedural fairness is an image of employee perception related to equality from management (Colquitt 2001).

Organizational Prestige

Organizational prestige is depicted as positive image of the organization that affected by social status (Adams, Highhouse, and Zickar 2010). Organizational prestige is achieved from multiple resource, such as public opinion, publicity, and external information from other organization. Organizational prestige also refer to how external factor view an organization. Employee will have better motivation and achieve greater result if their organization viewed in good prestige by other organization, henceforth, it is profitable to maintain good prestige to other.

Framework

Based on the description above, authors formulate the conceptual model and research hypotheses as follows:

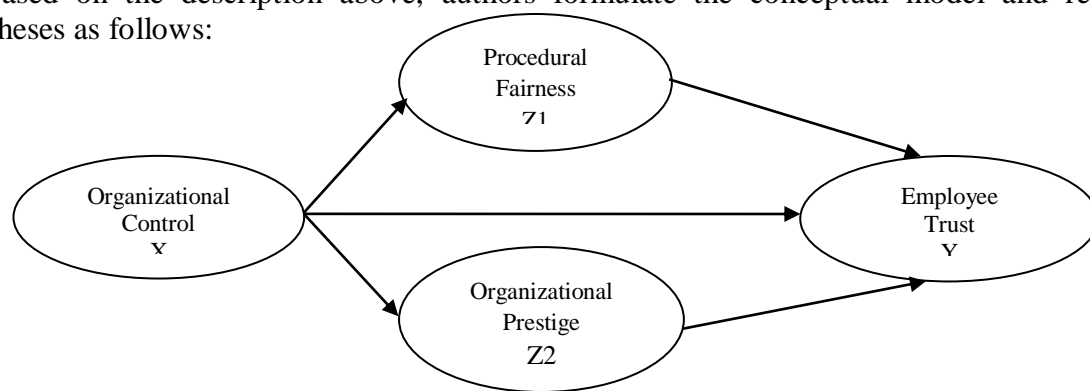


Figure 1. Research Paradigm

Hypothesis

H₁ : Organizational control effects procedural fairness

H₂ : Organizational control effects organizational prestige

H₃ : Organizational control effects employee trust

H₄ : Procedural fairness effects employee trust

H₅ : Organizational prestige effects employee trust

H₆ : Organizational control effects trust employee through procedural fairness

H₇ : Organizational control effects trust employee through organizational prestige

3. Research Method

Population dan Research Sample

The population this study is all employee in Main Operational Office (KPO) PT. Bank Aceh Syariah as much as 133 people. The sampling technique used in this study is a census sampling. Census sampling is executed by taking sample from all population (Sugiyono 2007).

Data Collection

Data is collected by distributing questionnaires to all employee in KPO PT. Bank Aceh Syariah.

Data Analysis Method

The data analysis technique of this research is quantitative analysis. The data is analyzed using Statistical Package for Social Science versi 22 (SPSS 22) and Hierarchical Linear Modelling (HLM) which aim to examine the effect between independent variable and dependent variable and mediating variable.

4. Result and Discussion

Characteristics

The sample in this study is 113 employees of KPO PT. Bank Aceh Syariah. The following table is the result of identifying the characteristics of respondents:

Table 1. Respondent Characteristics

No.	Description	Frequency (person)	Percentage (%)
1	Gender		
	Male	79	59.4 %
	Female	54	40.6 %
Total		133	100 %
2	Age		
	<25 years old	19	14.3%
	26-30 years old	51	38.3 %
	31-45 t years old	27	20.3 %
	46-50 years old	28	21.1 %
	>51 years old	8	6.0%
Total		133	100 %
3	Status		
	Marry	83	62.4%
	Singel	50	37.6%
Total		133	100 %
4	Level of Education		
	High School	9	6.8 %
	Diploma	40	30.1 %
	Bachelor	64	48.1 %
	Post Graduate	20	15.0 %
Total		133	100 %
5	Years of service		
	<3 years	20	15.0 %
	4-7 years	50	37.6 %
	8-11 years	27	20.3 %
	>12 years	36	27.1%
Total		133	100 %

Measurement Model

Each construct in the research model must have a loading factor greater than 0.40 (Hair et al. 2016). The analytical method used to determine the value of loading factor is the Confirmatory Factor Analysis (CFA).

After conducting a factor analysis, the data was also tested for its reliability value using the reliability test with Cronbach Alpha > 0.60. The following table shows the results of factor analysis and reliability test in this study. Cronbach Alpha result on all items of questions have a value of more than 0.60, thus, all items of question can be used for further research.

Table 2. Loading Factor Measurement Model

No.	Indicator	LF
Employee Trust		
1.	This organization is capable of meeting its responsibilities.	0.975
2.	This organization is known to be successful at what it tries to do.	0.975
3.	This organization does things competently.	0.575
4.	This organization is concerned about the welfare of its employees.	0.972
5.	Employee need and desire are important to this organization.	0.985
6.	This organization will try its way to help its employees.	0.592
7.	This organization would never deliberately take advantage of its employees.	0.965
8.	This organization follows commonly held ethical value.	0.954
Procedural Fairness		
1.	Job decisions are made in an unbiased manner.	0.864
2.	Employee concerns are heard before job decisions are made.	0.906
3.	To make job decisions, accurate and complete information is collected.	0.876
4.	Job decisions are applied consistently across all affected employees.	0.791
5.	Employees are allowed to challenge or appeal job decisions made by management.	0.763
Organizational Prestige		
1.	Employees are proud to say they work at this organization.	0.750
2.	This organization has a reputation of being an excellent employer.	0.861
3.	The goods and services produced by this organization are well received.	0.876
4.	This organization has a good reputation with its customers.	0.838
5.	This organization has a good reputation with its suppliers.	0.869
Organizational Control		
1.	Specific goals are established for my job.	0.741
2.	The extent to which I attain expected goals is monitored.	0.745
3.	I receive feedback from my work context (immediate supervisor or from team members) concerning the extent to which I achieve expected goals.	0.758
4.	My career progression depends on my performance relative to expected goals.	0.788
5.	There are written rules concerning many organizational activities.	0.836
6.	Written rules are strictly enforced.	0.870
7.	Written rules and procedures are followed.	0.891

No.	Indicator	LF
8.	There are clear formalized procedures for resolving conflict in this organization.	0.836
9.	When employees violate important norm, peer pressure is used to correct their behavior.	0.872
10.	Violations of unwritten norms are punished (e.g., employees who always gossip are shunned).	0.891
11.	Employees who violate important organizational values/ethics are disciplined (e.g., they get issued a caution).	0.889

Table 3. The Result of Reability

No.	Variable	Question Item	Cronbach Alpha		Remark
			Result	Standard	
1.	Employee Trust	8	0.952	0.60	Realible
2.	Procedural Fairness	5	0.896	0.60	Realible
3.	Organizational Fairness	5	0.891	0.60	Realible
4.	Organizational Control	11	0.954	0.60	Realible

Proof The Hypothesis

To prove the hypothesis in this study, data was processed with the results as follows:

Table 4. The Effect of Organizational Control toward Employee Trust

Model	Standardized Coefficients	T	Sig.
	Beta		
(Constant)		10.855	0.000
Organizational Control	0.749	12.948	0.000

The table above explains that the regression coefficient of organizational control is positive (0.749), this means that when organizational control increases, it will also increase the employee trust of KPO PT. Bank Aceh Syariah. The result in the table above shows that the hypothesis (H_1) is acceptable.

Table 5. The Effect Organizational Control toward Procedural Fairness

Model	Standardized Coefficients	T	Sig.
	Beta		
(Constant)		7,063	0,000
Organizational Control	0,676	10,494	0,000

The table above explains the regression coefficient of organizational control is positive (0.676), this means that when organizational control increases, it will also increase the procedural fairness of KPO PT. Bank Aceh Syariah. The result in the table above shows that the hypothesis (H₂) is acceptable.

Tabel 6. The Effect Organizational Control toward Organizational Prestige

Model	Standardized Coefficients	T	Sig.
	Beta		
(Constant)		6.656	0.000
Organizational Control	0.676	10.513	0.000

The table above explains that the regression coefficient of organizational control is positive (0.676), this means that when organizational control increases, it will also increase the organizational prestige of KPO PT. Bank Aceh Syariah. The result in the table above describes the hypothesis (H₃) is acceptable.

Tabel 5. The Effect of Organizational Control toward Employee Trust Which Is Mediated by Procedural Fairness and Organizational Prestige

Model	Standardized Coefficients	T	Sig.
	Beta		
(Constant)		6,693	0,000
Organizational Control	0,276	4,791	0,000
Procedural Fairness	0,158	2,287	0,024
Organizational Prestise	0,542	7,865	0,000

The regression equation above explains that:

1. Regression coefficient of organizational control is (0.276). It means the better organization control the higher employee trust will be.
2. The regression coefficient for procedural justice is (0.158), it describes the higher the procedural justice owned by the respondent, the higher the employee trust.
3. The regression coefficient of organizational prestige is (0.542), it explains the higher the organizational prestige of the respondent, the higher employee trust.

The Mediation Effect Testing on Procedural Fairness Variable toward the Effect of Organizational Control on Employee Trust

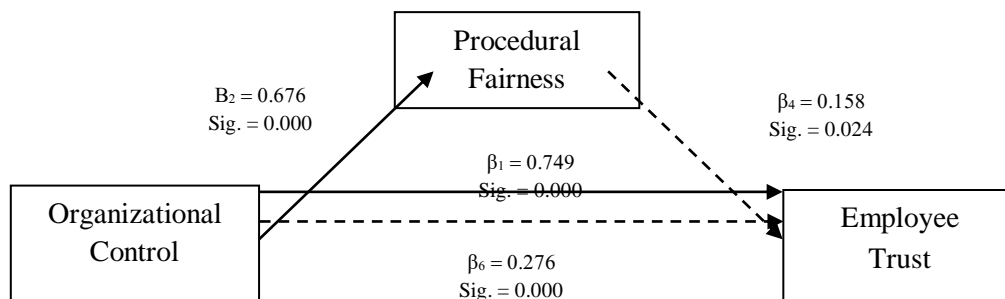


Figure 2. The Testing Mediation Effect of Organizational Control on Employee Trust Through Procedural Fairness

It can be seen that organizational control directly and indirectly affects procedural fairness and organizational trust and procedural fairness also affects employee trust. Mediation role resulted is a partial mediation.

The Mediation Effect Testing on Organizational Prestige Variable toward the Effect of Organizational Control on Employee Trust.

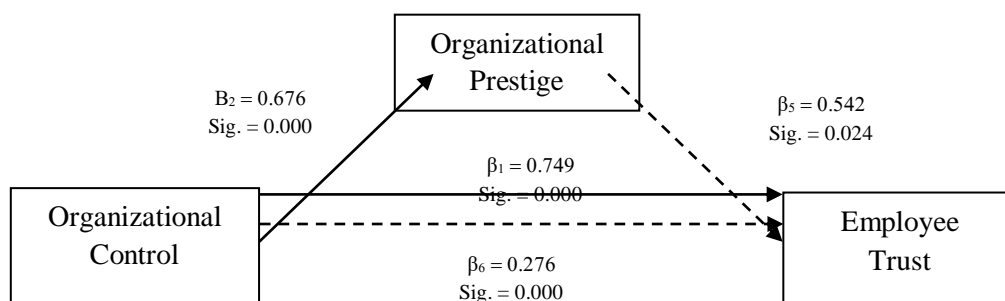


Figure 3. The Testing Mediation Effect of Organizational Control on Employee Trust Through Organizational Prestige

It can be seen that organizational control directly and indirectly affects organizational prestige and organizational trust, and organizational prestige also affects employee trust. Mediation role resulted is a partial mediation.

5. Conclusion

Based on the result showed, it concludes that organizational control effects employee trust, organizational control effects procedural fairness, organizational control effects organizational prestige, procedural fairness effects employee trust, organizational prestige effects employee trust, procedural justice partially mediates the effect of organizational control on employee trust, and organizational prestige partially mediates the effect of organizational control on employee

trust in KPO PT. Bank Aceh Syariah. These results contributes to be premises in the realm of science. The model can be a reference for the practical managers especially in the research object which is KPO PT. Bank Aceh Syariah. The novelty in the model lies in the combination from previous causality models found by others, and the model limitation resides in the research scope and object. Some recommendations is provided. KPO PT. Bank Aceh Syariah needs to improve their organization control system such as making rules that must be obeyed in order to ease employees in achieving their goals. The leaders need to apply procedural fairness in the workplace like allowing employees to appeal the work decisions made by management in order to increase employee trust on the organization. And, for further studies can use this model to develop new models.

References

- 1) Adams, Jason E., Scott Highhouse, and Michael J. Zickar. 2010. "Understanding General Distrust of Corporations." *Corporate Reputation Review* 13(1).
- 2) Altuntas, Serap and Ulku Baykal. 2010. "Relationship Between Nurses' Organizational Trust Levels and Their Organizational Citizenship Behaviors." *Journal of Nursing Scholarship* 42(2):186–94.
- 3) Beugre, Constant D. 2007. *A Cultural Perspective of Organizational Justice*. Charlotte, NC: Information Age Publishing, Inc.
- 4) Cardinal, Laura B., Sim B. Sitkin, and Chris P. Long. 2009. "A Configurational Theory of Control." in *Control in organizations: New directions in theory and research*, edited by S. B. Sitkin, L. B. Cardinal, and K. M. Bijlsma-Frankema. Cambridge, UK: Cambridge University Press.
- 5) Colquitt, Jason A. 2001. "On the Dimensionality of Organizational Justice:A Construct Validation of a Measure." *Journal of Applied Psychology* 86(3):386–400.
- 6) Das, T. K. and Bing-Sheng Teng. 2001. "Trust, Control, and Risk in Strategic Alliances: An Integrated Framework." *Organization Studies* 22(2):251–83.
- 7) Gillespie, Nicole and Graham Dietz. 2009. "Trust Repair after an Organization Level Failure." *The Academy of Management Review* 34(1):127–45.
- 8) Hair, Joseph F., G. Tomas M. Hult, Christian Ringle, and Marko Sarstedt. 2016. *A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM)*. 2nd ed. New York: SAGE Publications, Inc.
- 9) Hartmann, Frank and Sergeja Slapničar. 2009. "How Formal Performance Evaluation Affects Trust between Superior and Subordinate Managers." *Accounting, Organizations and Society* 34(6–7):722–37.
- 10) Robbins, Stephen P. and Timothy A. Judge. 2012. *Organizational Behavior*. 15th ed. edited by S. Yagan. San Diego: Pearson.
- 11) Sugiyono. 2007. *Kualitaitaif Dan R&D, Bandung: Alfabeta, 2010*. Bandung: Alfabeta.
- 12) Weibel, Antoinette, Deanne N. Den Hartog, Nicole Gillespie, Rosalind Searle, Frédérique Six, and Denise Skinner. 2016. "How Do Controls Impact Employee Trust in the Employer?" *Human Resource Management* 55(3):437–62.