

# The Effectiveness Of Corporate Policy On Job Satisfaction And Employee Performance

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**Abstract** – This study aims to determine the effect of corporate policy effectiveness on job satisfaction and employee performance, with organizational justice as an intervening variable between. The research method used quantitative approach by distributing questionnaires to 75 samples of employees at PT Pundi Kencana Banten Indonesia, selected through stratified random sampling technique. Research data were analyzed using Partial Least Squares (PLS). The results showed that corporate policy to have a significant effect of organizational justice. Organizational justice to have a significant effect on job satisfaction and Job satisfaction to have a negative significant effect on employee performance. But , direct correlation corporate policy have not a significant on job satisfaction. Conclusion, organizational justice are unable to mediate the relationship between corporate policies to job satisfaction and employee performance. Recommendation, For the case in this company, job satisfaction will be enhanced if it is indirectly influenced by organizational justice.

**Index Terms** - Corporate Policy, Organizational Justice, Job satisfaction and Employee Performance

## INTRODUCTION

The highly rapid development of technology and information today brings a positive impact on company in implementing efficiency such as paperless program and automated system in the production. However, there is also a negative impact resulted from the rapid technological development, especially on the human resources, in this case employee. It is not impossible that it decreases job satisfaction or even no longer regards it since companies prefer to employ automated system or robots in the production process.

To guarantee the acceptance and well implementation of corporate policy, a company or organization has to be able to socialize that policy well. In other words, it is important for a company to maintain communication inside the organization [1].

The members of organization have to make decisions in order to have an effective work. These organizational decisions can be used to attach themselves to the organization by being honest in doing the work, taking chances in the organization, supporting the coworkers and other members of the organization, performing tasks creatively and offering innovative ideas to build a perfect organization along with its operations. This is supported by previous studies highlighting a sig-

nificant relationship between organizational communication and job satisfaction [2], [3], [3].

One of the problems concerning job satisfaction took place in PT. Pundi Kencana. This Foreign Direct Investment (FDI) that runs their business in grain processing has total human resources of 307 employees. It is not rare for this company operating in Cilegon Industrial Estate II to receive dissatisfaction complaints on the corporate policy.

TABEL 1  
Corporate Policy in PT. Pundi Kencana, Banten Indonesia

No	Types of policy	Problems
1	Working days	Difference between the number of working days between <i>Grade II- IV</i> employees and <i>Grade V- VI</i> employees
2	Employee Transportation	Difference on the transportation facility that the fee is paid from the salary of <i>Grade II-IV</i> employees while <i>Grade V-VI</i> employees go by the company's bus
3	Permit during recess	Each employee who wants to go outside the working area during recess has to get permit
4	Fee per shift	The amount of fee per shift is still quite low
5	Employee development	The workshop and development of employees have not reached all levels

Source: Results of observation and interview on the field

Based on the observation conducted, working days become quite the issue among the employees in PT. Pundi Kencana. This is due to the difference between *Grade II-IV* and *Grade V-VI* employees. *Grade V-VI* employees are required to fulfill five working days (Monday to Friday) with eight hours per day. Meanwhile, *Grade II-IV* employees are also hoping to fulfill five working days though they have to add the working hours up to eight hours per day due to various reasons such as the lack of recess time.

Furthermore, from the interview with several employees, there appeared to be some problems on the field. One of

the problems is related to corporate policy considered to be unequal and unfair for employees, both in the implementation and quality. Besides, the policy seems to be unilateral only for one group of employees. All these things are suspected to affect job satisfaction, which in turn also results in the employee performance and loyalty to the company.

A study finds out that the perception of justice in the policy implementation has positive effect on the job satisfaction [5]. The management in the banking sector be transparent in creating and implementing new policies [5]. These programs have to be well directed so that they will raise job satisfaction. Meanwhile, the policy makers are suggested that they should pay more attention to job satisfaction since it can affect employee commitment to the organization.

Other study also shows that corporate policy gives positive effect on job satisfaction [6]. Similar to that, a study overall shows that the policy about job promotion and development has positive effect on job satisfaction [7].

However, that is assert a policy especially related to finance such as salary, incentive, and retirement fund actually have negative effect on job satisfaction [8]. The difference of study, indicates that there is inconsistency on the results about the effects of policy on job satisfaction. This inconsistency led us to conduct another study about the effects of corporate policy on the job satisfaction using the variable of organizational justice intervention.

Organizational justice is a perception of organization members about the sense of justice that they experience in an organization. A sense of justice will appear when the organizational authority is consistent and not biased in decision making, especially related to salary and promotion. When organizational justice is implemented, it will improve the job satisfaction. Organizational justice is a strong prediction tool to measure job satisfaction. [9], [10], [11], [12], [13], [14].

## 2. LITERATURE REVIEW DAN HIPOTESIS DEVELOPMENT

### 2.1 *Corporate Policy and Job satisfaction*

Corporate policy that is implemented rationally in an organization and the organization's ability to reach the target lead to an effective organization. Theoretically, effectivity is seen as the final goal by most organizations [15]. An effective policy is measured if the target that policy has been reached. Policy effectivity refers to the success of policy implementation because the goal is achieved in timely fashion.

To maintain the consistency and job satisfaction level based on the existing phenomena and research gap, the factor that needs to be considered seriously is the corporate policy effectivity. This is because the success and failure of each organization depends on how well a sense of justice is experienced by the employee in the policy implementation [5].

The concludes that there is a positive and significant impact between policy implementation and job satisfaction [5]. This conclusion is in line with the stating that corporate policy

has positive impact on job satisfaction [16]. The other study argues that partially, there is a positive relationship between job satisfaction, colleagues, work environment, policy, and work procedures [6].

Based on the studies mentioned, the hypothesis can be formulated as follows:

H<sub>1</sub> : Corporate policy has effects on the job satisfaction

### 2.2 *Corporate Policy and Organizational Justice*

The success and failure of each organization depend on the sense of justice felt by the employees in the policy implementation [5]. (Baah, 2014). Corporate policy will not run effectively when the company members or employees do not experience justice in their company—if they feel that they are treated differently than others.

Organizational justice refers to a situation in which an individual feels they are treated equally with the others in their organization [17]. Organizational justice is the sense of justice felt by the employees toward the decisions made by the higher-ups [18]. To ensure the acceptance and implementation of policy, sense of justice has to be focalized so that the job satisfaction is reached.

Several studies conducted state that there is a relationship between organizational justice and corporate policy [5], [19]. Based on the studies mentioned, another hypothesis can be formulated as follows:

H<sub>2</sub> : Corporate policy has effects on organizational justice.

### 2.3 *Organizational Justice and Job Satisfaction*

The state that organizational justice includes the sense of justice experienced by the members in an organization [20]. The sense of justice will appear when the organization authority is consistent and not biased in making organizational decisions especially related to salary and promotion. Organizational policy that is inconsistent and biased toward individuals leads to perceived discrimination felt by individual [11].

Organizational justice is a strong prediction tool to measure job satisfaction [9]. This is supported by the studies stating that there is a positive relationship between organizational justice and job satisfaction [10], [11], [12], [13], [14]. It is safe to say that the perceived organizational justice is an important aspect in the organizational decision making and is related to the job satisfaction [9].

Based on the previous studies, a hypothesis can be formulated in this study as follows:

H<sub>3</sub> : Organizational justice has effects on job satisfaction.

### 2.4 *Job Satisfaction and Employee Performance*

Every company wishes for the best performance from their employees, because good performance affects the company positively. To keep the employee performance in line with the company's expectation, it is important for the company to ensure employee job satisfaction.

Job satisfaction is a specific implementation from social behavior [21], and it can be concluded from employee placement on behavioral object (job) in the evaluation scale [22],

[23]. In line with this behavioral conceptualization, we adopt the definition of job satisfaction as an internal circumstance described affectively and cognitively in evaluating jobs that have undergone a little assistance or issue [24]. The current definition asserts that behaviors (such as job satisfaction) serve a number of psychological functions in collecting knowledge schemes and formulations, providing evaluative strategy for problem solving, helping manage and reserve memory, and even influencing types of stimulus followed by individual [24], [25].

In line with the studies showing that job satisfaction has influence on employee performance, it is important for companies to make sure that employee job satisfaction is fulfilled so that employee performance is according the expectation.

Based on the results of studies discussed before, a hypothesis can be formulated as follows:

H<sub>4</sub> : Job satisfaction has influence on employee performance.

According to the literature, the research model that describes such a relationship is as follows:

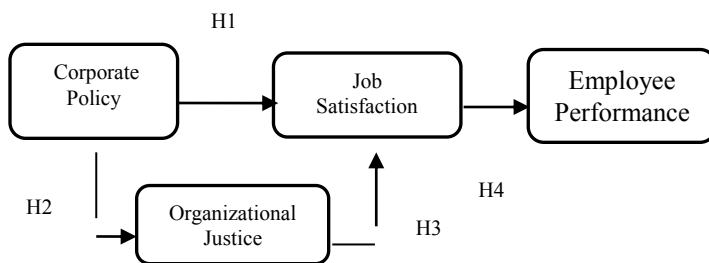


Figure 1. Theoretical Research Model (The hypothesis testing uses analysis PLS - SEM)

### 3. METHODOLOGY

#### 3.1 Sample

This study used a non-experimental and predictive survey of Design. The population consists of 307 employees of PT. Pundi Kencana in Banten Indonesia. The inclusion criteria include full-time and part-time employees in production positions. Employees working in manager positions, charge, or educator are not included in the study. The last sample of 220 completed and acceptable surveys was obtained for a 48% response rate. The sample size was set as many as 106 employees suggested enough for the model equation structure [30]. (Hu & Bentler 1995, Kline 2005).

The samples were very homogenous individuals in terms of the company size and activities done at PT. Pundi Kencana in Banten Indonesia. The samples included 55 male employees (88%) and 20 female ones (12%). The average working period of the employees was 10 years. Sixty five per-

cent of the samples had senior high school certification, and 25% held bachelor's degree.

#### 3.2 Measurement

Corporate policy is measured using 8 indicators [26], organizational justice is measured using 5 indicators [27], job satisfaction is measured using 8 indicators [18] and employee performance is measured using 8 indicators [28]. For each questionnaire is measured using 10 scales of measurement, in which one scale provides options of "absolutely disagree" and 10 scales provide "absolutely agree." The data analysis in this study used Software PLS. 20. PLS was used to determine the complexity of the relationships between other constituents and constants, and the relationship between a construct and its indicators [29].

## 4. RESULTS AND DISCUSSION

#### 4.1 Statistic Description

Table 1 includes original samples, mean samples, deviation standard, T-Statistic, P Value, and the correlation among all variables. The inter-correlation shows that there are three relationships having P Value of < 0.05, indicating significant relationship; and one relationship having P Value of > 0.05, indicating that there is no significant relationship. Corporate policy has positive and significant correlation with the organizational justice (p. 0.009), but not correlated with the employee job satisfaction (p. 0.480). Organizational justice has positive and significant correlation with the employee job satisfaction (p. 0.000), and employee job satisfaction has negative but significant correlation with employee performance (p 0.000).

TABLE 1.  
PATH COEFFICIENTS

	Original Sample	Mean Sample (M)	Deviation Standard (STDEV)	T- Statistic	P Values
CP -> JS	0,128	0,134	0,180	0,710	0,480
CP -> OJ	-0,327	-0,360	0,076	4,295	0,000
OJ -> JS	0,486	0,498	0,076	6,359	0,000
JS -> EP					
OJ -> JS					

#### 4.2 Hypothesis Testing

Hypothesis 1 states that corporate policy has influence on employee job satisfaction. The result of the analysis explains that corporate policy does not have any influence on employee job satisfaction. This is depicted in Table 1: T-Statistic value is 0.70 (<1.96). Thus, this finding does not support hypothesis 1.

Hypothesis 2 states that corporate policy has influence in organizational justice. The result of the analysis shows that

corporate policy has positive effect on organizational value. This is explained in Table 1: T-Statistic value is 2.669 ( $> 1.96$ ). Therefore, this finding supports hypothesis 2.

Hypothesis 3 states that organizational justice has influence on job satisfaction. The result of the analysis explained that organizational justice has positive and significant effect on organizational value. This is shown in Table 1: T-Statistic value is 6.359 ( $> 1.96$ ). Thus, this finding supports hypothesis 3.

Hypothesis 4 states that job satisfaction has influence on employee performance. The result of the analysis depicted that job satisfaction has negative but significant effect on employee performance. This is explained in Table 1: T-Statistic value is 4.295 ( $> 1.96$ ). Therefore, this finding does not support hypothesis 4.

TABLE 2  
INDIRECT EFFECT

		Original Samples	Mean Sampel (M)	Deviation Standard (STDEV)	T- Statistic	P Values
CP	->	-0,091	-0,108	0,067	1,359	0,178
EP						
CP	->	0,152	0,165	0,061	2,498	0,015
JS						
CP	->					
OJ						
JS	->					
EP						
OJ	->	-0,159	-0,179	0,047	3,399	0,001
EP						
OJ	->					
JS						

### 4.3 Discussion

The current study has a theoretical and methodological contribution to the literature. This study aims at investigating the effect of corporate policy on the employee job satisfaction. This finding is not in line with the study expectation, in which the result shows that corporate policy does not have any important effect on the employee job satisfaction. This finding is produced from Path Coefficient with T-Statistic Value of 0.70 ( $< 1.96$ ) and P Value of 0.480 ( $> 0.05$ ) as shown in Table 1. Original sample estimate appears to be positive: 0.128, indicating that the relationship between corporate policy and employee job satisfaction is positive despite the insignificant influence. This finding is valuable since it makes up for previous inconsistent studies. Further research is needed to support positive proposition that contributes to the studies about the influence of corporate policy on job satisfaction [5], [6].

Analysis on the mediator shows a partial mediating effect for organizational justice based on the criteria by [9], [9], [11]. The results of the mediating testing show that organizational justice bridges the relationship between corporate policy and job satisfaction. This turns out as expected: organizational justice mediates corporate policy and employee job satisfac-

tion. This finding is produced by the value of indirect effects in Table 2, with T-Statistic value of 2.498 ( $> 1.96$ ) and P Value of 0.015 ( $< 0.05$ ). This finding is an important contribution to the literature since it shows organizational justice as an important mechanism of the relationship between corporate policy and job satisfaction. Organizational justice becomes the mediator of corporate policy since the organizational justice's role is to help corporate policy improve employee job satisfaction. If organizational justice is implemented consistently and unbiased, and if it is felt by all employees, then every corporate policy made effective by the higher-ups will improve job satisfaction. Organizational justice is a strong prediction tool to measure employee job satisfaction [9], [11]. Besides, perceived organizational justice is an important aspect in organizational decision making and is related to employee job satisfaction [9].

Furthermore, the notion about the influence of employee job satisfaction on the employee performance is not as expected. The finding resulted from the path coefficient value in Table 1 shows there is a significant influence between the two aspects, as shown by T-Statistic value of 4.295 ( $> .96$ ) and the P Value of 0.000 ( $< 0.05$ ). However, the original sample estimate is negative, indicated by the value of  $-0.327$ , showing a negative relationship between job satisfaction and employee performance. This suggests that employee job satisfaction has not been fully felt, especially related to salary and promotion in the company.

### 4.4 Implication

The current study repeats previous studies and tests a new finding. This study has many implications, such as on corporate policy, job satisfaction, organizational justice and employee satisfaction. This study bridges all of corporate policy, job satisfaction and employee performance with organizational justice as an intervening variable. The theoretical contribution of this study is its argument about the function of the intervening variable, organizational justice. This study employs integrated approach to cover the organizational justice factor. Even though there is indeed a strong intuitive relationship between the corporate policy and job satisfaction, the current study is the first to investigate that relationship.

The practical implication of this study is improving the job satisfaction and employee satisfaction. First, the manager can increase employee job satisfaction both in the organizational level and job and individual level by giving aid and assistance as well as job training more autonomically. The HR and OD practitioners can support the manager and employee by providing effective HR services, such as those on the salary and promotional system. Besides, the higher-ups should be able to change the organizational culture, develop transformational and supportive leadership, designing more challenging autonomic tasks, and employing as well as maintaining proactive employees.



## 5. CONCLUSION

### 5.1 Limitations

Several limitations on this study are especially related to the methodological aspects. First, this study relies on the memory and reflection of the employees as respondents on the constructed indicators that reveal their participation. Because of the perceptual nature of data, there might be bias. Second, this empirical study limited itself on the cross-sectional survey method, leaving room for speculations about inter-variable causality. Longitudinal study will strengthen the conclusion of the current study. Besides, the sampling of this research mostly includes male employees with high school diploma. The sampling might be limited to a certain group having similar demographic characteristics.

### 5.2 Recommendation for Future Studies

To overcome several limitations mentioned before, methodologically, further studies have to be based on objective indicators and many sources. Besides, there should be more longitudinal studies with other groups to compare so that causality can be fully formed. Finally, to maximize the generalization, similar study has to be conducted more in many industries representing various demographics. Specifically, this study is focused on the knowledge of employee with high school diploma. Further studies are recommended to choose samples with different educational backgrounds since the result might be different as well. The corporate policy effectiveness, organizational justice, job satisfaction and employee performance are explored in the current study. Even though this is a comprehensive study covering contextual characteristics as well as individual ones, it is still far from complete. Therefore, the findings of this study can be considered as incomplete since there is a possibility that the effects of moderating variables on other mediators take place in the relationship between suggested constructs. Further studies have to continuously test the different factors on other personal disposition and other factors on employee performance.

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