

# Revisiting the Relationship between Justice and Extra-Role Behavior: The Role of State Ownership

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**ABSTRACT** State ownership is an important phenomenon in the world economy, especially in transition economies. Previous research has focused on how state ownership influences organizational performance, but few studies have been conducted on how state ownership influences employees. I propose that different ownership structures trigger different relational models among employees, who pay attention to organizational justice consistent with their model to guide their extra-role behavior. Specifically, state-owned organizations reinforce employees' relational concern and direct employees' attention to procedural justice, whereas privatized organizations highlight employees' instrumental concern and direct their attention to distributive justice. I leverage a sample of organizations in China to explore how different ownership structures activate different relational models among employees and alter the relationship between organizational justice and employees' extra-role behaviors. I find that state ownership attenuates and even reverses the positive relationship between distributive justice and extra-role behaviors. Conversely, state ownership exaggerates the positive relationship between a critical procedural justice dimension (participation in decision making) and employee extra-role behaviors. Implications for the micro-foundations of corporate governance and institutional change, organizational justice literature, and cross-cultural research are developed. This study also generates new insights for transition economies such as China.

**KEYWORDS** distributive justice, extra-role behavior, procedural justice, relational model, state ownership

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## INTRODUCTION

Ownership structure is a key characteristic of corporate governance and holds important implications for organizational strategy and productivity (Hill & Snell, 1989). State ownership – the degree to which an organization's property interest is vested in the state or a public body representing the state – is still an important phenomenon in the world economy (La Porta, Lopez-De-Silanes, & Shleifer, 1999). State-Owned Enterprises (SOEs) contribute approximately 10% of the world's GDP (Bruton, Peng, Ahlstrom, Stan, & Xu, 2015) and still exist in countries including the United States, Germany, France, Italy, China, Brazil (Pargendler, 2012), Canada, the United Kingdom, New Zealand, Finland, Sweden, Hungary,

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33 Norway, the Philippines, Malaysia, Singapore, Egypt, Serbia, Turkey, Bhutan,  
34 Chile, Ghana, Kenya, India, Pakistan, Peru, South Africa, Zambia, Korea, and  
35 many other countries (World Bank, 2014). Therefore, Peng, Bruton, Stan, and  
36 Huang (2016) suggest that state ownership is one of the mainstream organizational  
37 forms and holds important implications for organizational theories. Existing  
38 research on state ownership has focused on its implications for organizational  
39 performance (Le & O'Brien, 2010; Ramaswamy, 2001) and found that state  
40 ownership is on average associated with decreased labor productivity and  
41 corporate performance (Chen, 2001; Xu & Wang, 1999). However, privatization  
42 reform, which aims to reduce state ownership, has only achieved mixed results  
43 (Dharwadkar, George, & Brandes, 2000). Because employees are an important  
44 stakeholder of organizations and driver of organizational performance (Aguilera &  
45 Jackson, 2010), how state ownership and its reduction influence employee behavior  
46 may provide a clue about the transition effect. However, very few studies have  
47 paid attention to their experiences under state ownership (Fiss, 2008). Therefore,  
48 more research is needed on the micro foundation of ownership reform (Cuervo  
49 & Villalonga, 2000; Parker, 1995). A few micro studies found that employees in  
50 SOEs prefer egalitarian distribution (He, Chen, & Zhang, 2004) and perform  
51 extra-role behaviors that align with SOEs' goals (Farh, Zhong, & Organ, 2004).  
52 However, it is unclear what motives drive SOE employees to engage in extra-  
53 role behaviors. To fill this gap, this study focuses on how organizations with  
54 different ownership structure motivate employee behavior that is important for  
55 organizational performance – extra-role behavior.

56 In this study, I propose that SOEs rely on a distinctive mechanism to  
57 motivate employees' extra-role behavior. SOEs foster a strong collective identity  
58 among employees and encourage them to treat their enterprises as families.  
59 This objective is achieved through widespread participation in organizational  
60 governance. As the reform emphasizing market efficiency and organizational  
61 productivity proceeds, privatized companies reinforce employees' concern about  
62 their individual outcomes and utilize equitable allocation of outcomes to motivate  
63 employees. Thus, employees in SOEs and privatized companies will hold  
64 different relational models about their relationships with their organizations and  
65 pay attention to organizational practice that is consistent with their relational  
66 model. In particular, I suggest that the communitarian and egalitarian relational  
67 model in SOEs accentuates positive reactions to procedural justice, whereas  
68 the market and exchange relational model in privatized companies accentuates  
69 positive reactions to distributive justice. To test this argument, the present  
70 research draws upon the variability in ownership structure of organizations  
71 during China's transition to explore how ownership structure moderates the  
72 effects of distributive justice and procedural justice on employees' extra-role  
73 behavior.

74 The current work contributes to existing theory and research in a number  
75 of ways. First, I bridge micro and macro research on China's economic

reform (Naughton, 1996; Ramamurti, 2000), developing a theory regarding how ownership structure influences employee relational model and reactions to organizational practices. This is key to understanding the micro-foundations of institutional reform. I suggest that ownership structure is not associated with different levels of employee motivation (Burawoy & Lukacs, 1985), but rather associated with different predictors of employee motivation. Thus, whether these differences are acknowledged and addressed properly during the transition may help explain the mixed results of transition effects in macro research.

Second, by exploring how ownership structure serves as a key contextual factor altering the well-known relationship between organizational justice and extra-role behavior, I offer new insights into the boundary conditions of justice effects. Because different ownership structures rely on different approaches to motivate employees, it will shape which mechanism of justice is operative – social exchange or social identity. Specifically, distributive justice, by emphasizing equitable allocation of outcomes, is especially important in soliciting employee extra-role behavior in privatized organizations. Procedural justice, by verifying individuals’ collective identity, plays an important role in state-owned organizations. Thus, I show how different justice dimensions matter in different contexts.

Finally, this study holds important implications for designing reform measures in transition economies. Previous reform efforts are based on the assumption that SOE managers and employees lack incentives and motivation, and the main reform measure is to privatize SOEs. This study uncovers an unrecognized predictor of employee extra-role behavior in SOEs. I suggest that SOEs do not simply lack motivation but motivate employees in different ways than privatized organizations. Recognizing this new motive can generate more creative ways to reform and manage SOEs, given the increasing presence of state ownership around the globe (*The Economist*, 2012).

## **THEORETICAL BACKGROUND AND HYPOTHESES**

In this article, I propose that ownership structure is associated with the relational model that individuals hold regarding their relationships with their organizations and their primary concerns in organizations. Ownership structure and the role of labor are two important dimensions in corporate governance (Aguilera & Jackson, 2010). Because ownership structure defines the social relations among organizational actors (Fiss, 2008), it will influence how employees construe their relationships with their organizations. In addition, ownership structure shapes organizational goals (Fiss, 2008), which will influence the primary concerns among employees. For instance, a state owner focuses more on organizational solidarity and treats workers as ‘master of enterprises’ (Chiu, 2006), whereas private owners may focus more on organizational productivity and treat labor as a means to achieve organizational productivity. Thus, their relative weights in the ownership

117 structure of organizations will influence how employees construe their relationships  
118 with their organizations – as enterprise master or exchange partners – and  
119 whether they are primarily concerned with social identity or exchange outcomes.  
120 The relational schemas that employees hold and their primary concerns will  
121 direct their attention to different organizational practices (Thornton, Ocasio, &  
122 Lounsbury, 2012), with implications for which form of justice is important for  
123 guiding employee extra-role behavior. I selected China as the empirical setting  
124 to examine this proposal because its transition from planned economy to market  
125 economy generates great diversity in the ownership structure of organizations.

126 In the context of China, I suggest that state ownership and privatization reform  
127 activate different relational models people apply to their organizations. These  
128 relational models are the cognitive schemas that people use to process complex  
129 information and guide their actions. These cognitive schemas are constructed in a  
130 specific institutional environment and mediate the impact of institutions on human  
131 behaviors (Seo & Creed, 2002). Therefore, only one or a few relational models  
132 are salient in a specific context, and economic development generally moves the  
133 relational model from communal sharing to market pricing (Fiske, 1992). Eco-  
134 nomic development generally moves the relational schema from communal sharing  
135 to market pricing (Fiske, 1992). Applying this theory to employee-organization  
136 relationships in China, I argue that the communal sharing model is dominant in  
137 SOEs, and the market pricing model is dominant in privatized companies. The  
138 following sections will develop these arguments based on previous research.

### 139 **State Ownership in China**

140 State ownership is an important characteristic of China's pre-reform socialist  
141 economy. China adopted the Soviet model shortly after its revolution (Jackson,  
142 1992), leading SOEs to play a central role in the composition of its planned  
143 economy (Groves, Yongmiao, McMillan, & Naughton, 1994). State ownership  
144 is associated with obligations and privileges that have evolved historically. In  
145 particular, SOEs have alternative goals beyond financial performance, such  
146 as maintaining political stability, increasing employment, and providing public  
147 facilities (Walder, 1989; Zif, 1981). In conjunction with these obligations, they  
148 have greater access to government loans and purchases and face softer budget  
149 constraints (Bai & Wang, 1998; Dong & Putterman, 2003). The incentive system  
150 of SOEs has been historically characterized by high social benefits and low cash  
151 wages (Walder, 1983), both of which are allocated equally within classes of workers  
152 (Giacobbe-Miller, Miller, & Zhang, 1997). SOEs also provide employment security  
153 and used to grant all employees lifelong employment until retirement (Naughton,  
154 1996). SOE employees have more secure employment than employees of non-state-  
155 owned organizations (Gong & Chang, 2008).

156 SOEs' equal treatment of workers in their need satisfaction foster a communal  
157 sharing schema (Fiske, 1992) in which those within a group are not differentiated

and taken care of by the group. Based on interviews with 30 employees and a survey of 500 employees of two SOEs in northeast China, Liu (2003) found that SOEs emphasize group solidarity and treat employees as families. This family culture is further intensified by the socialist ideology, which regards workers as the ‘leading class’ and ‘master of socialist society’ (Wang & Greenwood, 2015). This ideology cultivated a collective identity of SOE employees as the ‘master of enterprises’ (*zhurenweng*) (Chiu, 2006). This identity is manifested in their reactions to unemployment. Due to their sense of class status and entitlement, laid-off workers prevalently experienced loss of face and a sense of betrayal (Mok, Wong, & Lee, 2002; Wang & Greenwood, 2015), and state workers resorted to this identity to defend their rights and resist SOEs’ downsizing effort, as illustrated in interviews with eight steel SOEs throughout China in 1997 (Hassard, Morris, Sheehan, & Yuxin, 2006). SOEs’ family culture and collective identity have been acknowledged by private companies during their acquisition of SOEs, as documented in a case study (Xing & Liu, 2016). The above studies unanimously show that SOEs activate a communal sharing relational model among SOE employees, as reflected in their culture and collective identity as ‘master of enterprises’.

A very important institutional embodiment of that identity is the widespread participation opportunities of SOE employees in the governance of SOEs. SOEs institutionalize widespread employee participation in organizational affairs through daily production meetings, yearly workers’ congress, various management committees, and incentive-suggestion systems (Tang, 1993; Walder, 1981). Although these participation opportunities are limited by central planning and party control over leadership selection (Walder, 1981), they still have a symbolic function of enhancing the communal sharing model in SOEs. Based on case studies of six enterprises in Shanghai from 1997 to 1998, Benson and Zhu (1999) found that SOEs are characterized by traditional management systems including teamwork, information sharing, and harmonious work conditions. In these organizations, unions and work congress participate in important organizational decision making, including redundancy decisions, organizational restructuring, developing training, and welfare and housing. In addition, employee creativity is recognized as an asset during ownership transformation, and employees can receive shares or form new companies based on their adopted ideas (Benson & Zhu, 1999). Participation opportunity has become so deeply grounded in SOE employees’ model that they rely on it to evaluate new management practices. For instance, a study of 194 employees from four SOEs in northeast China in 2008 showed that procedural justice, especially being able to participate in the performance appraisal process, is very important for employees’ perception of the system (Tsai & Wang, 2013). Therefore, procedural justice, especially the opportunity to participate in organizational decision making, plays an important role in upholding SOE employees’ collective identity and sustaining their motivation.

201 **Gradualist Reform in China**

202 China's economy has experienced an unprecedented change as it transitions from  
203 a centrally-planned socialist economy to a market-oriented capitalist economy  
204 (Guthrie, 1999). However, the capitalist economy in China is centrally-managed  
205 capitalism, where the state plays an important role in many aspects of the  
206 economy (Lin, 2011). Under this background, ownership reform in China adopts a  
207 gradualist approach, with SOEs coexisting with organizations of hybrid ownership  
208 (Nee, 1992). For example, SOEs are partially privatized via public listing on  
209 stock exchanges, building joint ventures with local or foreign private firms, or  
210 transferring property rights to private holders (Walder, 1995). Analogous to other  
211 gradual reforms in China, this privatization reform is only a partial one in  
212 the sense that the state remains as a dominant shareholder in many privatized  
213 firms. Typically, public listing of SOEs allows the state to retain between 40%  
214 and 50% of the company's shares. Between 20% and 30% of the shares are  
215 designated for institutional shares, and the remaining 30% are designated for  
216 public consumption as free-floating shares (Guthrie, 1999; Xu & Wang, 1999).  
In

217 joint ventures, foreign parent companies often control half or more of the shares  
218 of joint ventures, and state-owned parent companies hold the other half or less  
219 (Guthrie, 1999). These privatized companies constitute an important sector in  
220 China's economy (Walder, 2011). The privatization reform abolished privileges  
221 provided by the government, tightened budget constraints, and increased market  
222 pressure in privatized companies (Zahra, Ireland, Gutierrez, & Hitt, 2000). As a  
223 result, privatized companies place a higher priority on efficiency and productivity  
224 as organizational goals than SOEs do (He et al., 2004).

225 Along with change in ownership structure, management practices of privatized  
226 companies are different from SOEs as well. The capitalist market exchanges  
227 human activities based on prices generated from market competition (Friedland  
228 & Alford, 1991). Under this logic, privatized companies allocate rewards based  
229 on individual performance and contribution to the organization (Giacobbe-Miller,  
230 Miller, Zhang, & Victorov, 2003), provide opportunities for career advancement  
231 to motivate their employees (Gong & Chang, 2008), and use meritocracy as  
232 the basis for promotion (Zhao & Zhou, 2004). That is, the incentive system of  
233 privatized organizations follows the rule of equity (Chen, Meindl, & Hui, 1998).  
234 Although SOEs are also increasingly adopting these labor practices, such as  
235 bonus payment and piece-rate wages (Groves et al., 1994; Keister, 2002), their  
236 movement towards a modern human resource management system is constrained  
237 by government involvement and union strength (Benson & Zhu, 1999). According  
238 to a survey of 600 Chinese companies in 2003, SOEs adopt less strategic human  
239 resource management practices than foreign-invested enterprises and private-  
240 owned enterprises (Ngo, Lau, & Foley, 2008).

241 With the change in ownership structure and management practices of privatized  
242 companies, the relationship between employees and their organizations change as

well. As privatized companies reward individuals according to their contribution, employees will adopt the market pricing model – in which they view their relationship with organizations as exchanges and pay attention to the ratio between their output and input (Guthrie, 2002). Accordingly, they will expect that every effort that they contribute to the organization is fairly rewarded. Indeed, compared to SOE employees, employees of public firms and joint ventures have a stronger preference for equitable allocation based on individual contribution and a lower preference for equal allocation of outcomes (Choi & Chen, 2007; He et al., 2004). At the same time, the introduction of private owners and multinational companies downplays the status of workers in corporate governance (Hassard, Morris, & Sheehan, 2002). Indeed, the majority of workers perceive stricter management control after the reform (Chiu, 2006), and privatized organizations, such as private enterprises and joint ventures, have lower employee participation than SOEs (Chiu, 2002). As a result, employees of privatized companies may be less likely to regard themselves as ‘master’ of their organizations than SOE employees. The different relational models in SOEs and privatized companies can also be evidenced by employees’ organizational commitment. SOE employees had higher continuance commitment than employees of private enterprise (Chiu, 2002) and foreign-invested enterprises (Wang, 2004). In contrast, employees of foreign-invested enterprises perceive higher value congruence with organizations than SOE employees, due to their common interest in the exchange relationship.

Overall, previous research has found a significant difference between SOEs and privatized companies in organizational practices and employee models. SOEs create a family culture and activate a communal sharing model among employees. Accordingly, SOE employees participate widely in organizational activities and develop the collective identity as ‘master of enterprises’. In contrast, privatized companies emphasize productivity and foster a market pricing schema. As a result, employees regard themselves as exchange partners of their organizations and expect fair treatment for their contribution. In the following sections, I explicate that the different relational models in SOEs and privatized companies will influence how employees react to organizational justice.

## **Organizational Justice and Extra-Role Behavior**

An important indicator of employees’ contribution to their organizations is extra-role behavior (Van Dyne, Cummings, & Parks, 1995). Extra-role behaviors are those that lie outside of formal role requirements, are directed toward benefitting the organization, and are not explicitly rewarded (Van Dyne et al., 1995).<sup>[1]</sup> Extra-role behaviors reflect employees’ engagement with the organization and have been associated with important organizational outcomes, such as sales, efficiency, quality, and customer satisfaction (Organ, Podsakoff, & MacKenzie, 2006; Podsakoff, Whiting, Podsakoff, & Blume, 2009). Indeed, it may be extra-role behaviors that

284 partly justify the existence of organizations within markets by lowering transaction  
285 costs and increasing coordination at little tangible cost to the firm (Coase, 1937;  
286 Williamson, 1981). Previous research has found that the ownership structure of  
287 organizations is related to different *forms* of extra-role behaviors that individuals  
288 perform (Farh et al., 2004). For instance, because SOEs incorporate social welfare  
289 as an indicator of organizational performance, SOE employees engage more in  
290 behaviors that are community-oriented, such as participating in social welfare, than  
291 non-SOE employees. On the other hand, because SOEs place a lower emphasis on  
292 organizational efficiency than non-SOEs, SOE employees engage less in extra-role  
293 behaviors that enhance organizational efficiency – such as taking initiatives and  
294 saving and protecting organizational resources – than non-SOE employees. In the  
295 current study, I take a different perspective and focus on extra-role behaviors that  
296 have been widely regarded as important to all kinds of organizations. I examine  
297 how ownership structure influences predictors of these extra-role behaviors that  
298 are essential for organizational effectiveness.

299 I argue that ownership reform changes people's models of their relationships  
300 with organizations, and the different relational models of employees in SOEs and  
301 privatized companies will lead them to pay attention to different organizational  
302 practices. Perceived justice is an important way through which organizational  
303 practices increase employees' extra-role behaviors. Organizational justice includes  
304 distributive justice – the allocation of outcomes according to individuals'  
305 performance and contribution – and procedural justice – the fair process  
306 of organizational decision making, such as allowing individuals to participate  
307 (Colquitt, 2001). Both distributive justice and procedural justice robustly predict  
308 employees' motivation and extra-role behaviors (Cohen-Charash & Spector, 2001).  
309 However, individuals don't take all forms of justice into consideration when making  
310 a decision about their extra-role behaviors (Lind, 2001). Instead, they rely on the  
311 most salient form of justice in their environment to make an overall evaluation of  
312 their organization and rely on that evaluation to guide their extra-role behaviors  
313 (Lind, Kray, & Thompson, 2001). Based on relational models theory (Fiske, 1992),  
314 I propose that which form of justice becomes salient in a context will depend on  
315 the relational model in that context because relational model guides individuals'  
316 information processing. Information that is consistent with the model is attended  
317 to and becomes salient, whereas information that is inconsistent with the model  
318 is ignored or downplayed (Fiske, 1992; Sanchez-Burks, Nisbett, & Ybarra, 2000).  
319 As a result, the salience of distributive justice and procedural justice in a specific  
320 context depends on the dominant relational model in that context.

321 Based on cross-cultural research, I suggest that distributive justice is especially  
322 salient under the market pricing model, whereas procedural justice is especially  
323 salient under the communal sharing model. When people hold the market pricing  
324 model, they are primarily concerned with the ratio of their output to their input,  
325 which is exactly the definition of distributive justice (Adams, 1965). Social exchange  
326 theory suggests that individuals strive to maximize the resources they receive



in social exchanges, and distributive justice makes sure that individuals' inputs 327  
into social exchange are fairly rewarded (Colquitt et al., 2013; Organ, 1990). 328  
Because distributive justice is fair distribution of outcomes, people pay attention 329  
to distributive justice when their instrumental concern is highlighted. For instance, 330  
distributive justice is especially important for countries high in materialism, such 331  
as China and Korea (Kim & Leung, 2007), or when the productivity goal is high- 332  
lighted (Chen et al., 1998). In contrast, when the relational concern is highlighted, 333  
people attend to procedural justice to make sense of their relational status. Because 334  
procedural justice, such as whether people can participate in the decision making 335  
process, carries expressive value of how people are treated in their groups and 336  
helps individuals address their relational concern (Tyler, 1989, 1994). According 337  
to the relational model of justice, procedural justice signals to individuals that they 338  
are valued members of their groups and plays an important role in enhancing em- 339  
ployee cooperation in organizations (Tyler & Blader, 2000). Procedural justice leads 340  
individuals to interpret their interactions with organizations as social relationships, 341  
rather than economic transactions (Tyler, DeGoey, & Smith, 1996; Tyler & Lind, 342  
1992), and such interpretation reinforces the communal sharing model. Empirical 343  
research also shows that procedural justice is especially important when people care 344  
about their relationships (Kwong & Leung, 2002). For instance, procedural justice is 345  
especially important for people with interdependent self-construal, i.e., those who 346  
define themselves according to their relationships (Brockner, De Cremer, van den 347  
Bos, & Chen, 2005). When their highlighted relational concerns are addressed 348  
by procedural justice, they don't pay attention to distributive justice any more 349  
(Brockner, Chen, Mannix, Leung, & Skarlicki, 2000; Kwong & Leung, 2002). All 350  
of these studies suggest that procedural justice is especially salient when people are 351  
primarily concerned with relationships, whereas distributive justice plays a large 352  
role when people are primarily concerned with outcomes. 353

### **The Moderation Effect of Ownership Structure** 354

In this section, I argue that the effects of organizational justice will depend on the 355  
ownership structure of organizations. As stated above, the ownership structure of 356  
organizations is associated with the dominant relational models employees hold, 357  
and the relational models will direct people's attention to the justice practice that 358  
is consistent with the dominant model. Specifically, the communal sharing model 359  
in SOEs lead SOE employees to pay attention to procedural justice to address 360  
their relational concern, whereas the market pricing model in privatized companies 361  
will lead employees to resort to distributive justice to address their instrumental 362  
concern. Thus, the ownership structure of organizations will moderate the impact 363  
of organizational justice on individual behaviors. 364

I propose that the communal sharing model in SOEs reinforces the importance 365  
of procedural justice in verifying employees' collective identity. Scholars have 366  
drawn upon social identity theory to explain why procedural justice elicits 367

368 extra-role behaviors – described in the group engagement model (Tyler & Blader,  
369 2003). This model suggests that organization members have a need to belong to the  
370 organization and therefore identify with it (Lind & Tyler, 1988; Tyler, 1989), and  
371 procedural justice satisfies that need because it enhances members’ sense of pride  
372 and respect (Tyler & Blader, 2000). I argue that this identity mechanism of justice  
373 is especially salient in highly state-owned organizations, where employees hold the  
374 communal sharing model and value their organizational membership. Because  
375 procedural justice enhances their pride about their organizational membership  
376 and makes them feel respected and honored in SOEs, it leads them to invest  
377 their social identities in their organizations and engage in extra-role behaviors to  
378 express that identity. Thus, employees in state-owned organizations will display a  
379 stronger positive reaction to procedural justice via extra-role behaviors than those  
380 in organizations with lower levels of state-ownership.

381 *Hypothesis 1: State-ownership will moderate the positive relationship between procedural justice*  
382 *and employee extra-role behaviors, such that the relationship will be stronger for employees of*  
383 *organizations with higher levels of state ownership.*

384 In privatized companies, where employees are more concerned about their  
385 economic outcomes, I propose that distributive justice will be a more important  
386 driver of individual extra-role behaviors than in SOEs. According to social  
387 exchange theory, both justice and extra-role behavior are social resources used in  
388 the exchange between organizations and employees, and their exchange follows  
389 the rule of reciprocity (Colquitt et al., 2013). This is consistent with the market  
390 pricing model, which matches input to output proportionally (Fiske, 1992). As  
391 employees of privatized organizations view their relationship with organizations as  
392 exchanges, they will match their extra-role behaviors to the outcomes received from  
393 their organizations. When these employees perceive the outcomes they receive  
394 from organizations to be fair, they will reciprocate by engaging in extra-role  
395 behavior. In addition, distributive justice may lead employees to increase extra-role  
396 behavior to exchange for outcomes they value. Although extra-role behaviors are  
397 not prescribed in role-definitions, employees deem these behaviors instrumental to  
398 increase their performance evaluation and promotion opportunities (Hui, Lam,  
399 & Law, 2000; MacKenzie, Podsakoff, & Fetter, 1991). When people perceive  
400 their companies to be fair and believe these behaviors are reciprocated by their  
401 organizations, they are more likely to engage in extra-role behaviors (Podsakoff,  
402 MacKenzie, Paine, & Bachrach, 2000). Taken together, employees of privatized  
403 organizations will pay more attention to distributive justice to make a decision  
404 about whether to engage in extra-role behaviors than SOE employees. Therefore,  
405 I hypothesize that:

406 *Hypothesis 2: State-ownership will moderate the positive relationship between distributive*  
407 *justice and employee extra-role behaviors, such that the relationship will be stronger for employees*  
408 *of organizations with lower levels of state ownership.*

behaviors varies with the ownership structure of organizations. SOEs activate 410  
the communal sharing model and relational concern among employees, who 411  
pay attention to procedural justice to determine whether to engage in extra-role 412  
behaviors. In contrast, privatized organizations reinforce the market pricing model 413  
and instrumental concern among employees, who resort to distributive justice to 414  
determine whether to engage in extra-role behavior. To examine these hypotheses, 415  
I first conducted a qualitative study to examine the relational models dominant 416  
in different kinds of organizations. After that, I conducted a field survey with 417  
employees from organizations with different degrees of state ownership to directly 418  
test my hypotheses. 419

## **QUALITATIVE STUDY** 420

### **Sample and Procedure** 421

Because Fiske (1992)'s relational models are targeted to interpersonal relationships, 422  
existing measures of relational models – such as Haslam and Fiske (1999) – 423  
are not suitable to characterize employee-organization relationships in this study. 424  
Therefore, I conducted a qualitative study to investigate the different relational 425  
models under different ownership structures. This is consistent with the qualitative 426  
methodology employed in research of relational models (Fiske, 1991). In order to 427  
understand employees' relational models in organizations with different ownership 428  
structures, I selected four firms under the same group company, including one 429  
state-owned firm (Case 1), two public firms (Case 2 and 3), and one joint venture 430  
(Case 4). I interviewed six human resource managers from these four firms. 431

The interviews were conducted at the managers' offices. The interviews were 432  
designed in a semi-structured approach. First, I asked about the history of 433  
the firm and the career history and responsibilities of the manager. Second, I 434  
asked about ownership structure, organizational goals, and requested a chart of 435  
organizational structure. Third, I asked how they carry out the functions of human 436  
resource management, including recruiting, training, performance evaluation, 437  
compensation, and career management. Finally, I asked how employees construe 438  
their relationships with their company. I took notes of all interviews and recorded 439  
and transcribed the interviews for which approval was granted. The duration of 440  
interviews varied between one to two hours. 441

### **Results** 442

The management practices of the four cases are summarized in [Table 1](#). Because 443  
Case 2 and Case 3 were both public firms, and their practices were very similar, 444  
I combined them into one category. As shown in [Table 1](#), the cases represented 445  
organizations with various degrees of state ownership. In terms of organizational 446

Table 1. Organizational information of state-owned enterprises, public firms, and joint ventures. Summary of case organizational information

Case Number	1	2, 3	4
State Ownership	100%.	47%, 45%	30%
Organizational type	SOE	Public Firm	Joint Venture
Organizational goals	Faithful to state, Contribution to economy, Harmony of top management team, Employee satisfaction	Board evaluation, Continuous profit, Functional coordination, Industry reputation	Brand recognition, Product quality, Market share, Personnel development
Board composition	Party secretary, Top management team	Party secretary, Top management team, Independent board members, Union representative	Delegates of parent companies
Organizational structure	Simple Three functional departments	Complex Multiple functional departments	Simple Multiple functional departments
Performance evaluation	No evaluation	Key-Performance Indicators Balanced Score Card	Goal achievement Self-evaluation Supervisor evaluation
Compensation	Fixed wages No evaluation-based bonus	External competitiveness Internal fairness	Job requirements Individual performance Market competitiveness
Training	Basic position training	Monthly safety training Continued education EMBA for top managers	Externally required/ mandatory training Individual skill training Education sponsorship policy
Participation	Worker congress meeting Incentive-suggestion system	Worker congress meeting Incentive-suggestion system	Informal communication Incentive-suggestion system

447 goals, employee satisfaction was one of organizational goals in SOEs, but not in  
448 public firms or joint ventures, indicating the special employee status in SOEs.  
449 According to company law in China, limited companies with two or more state-  
450 owned investors need to have a union representative on the board to represent the  
451 interest of workers, as reflected in Cases 2 and 3. These characteristics indicate  
452 that in SOEs and public firms, employee satisfaction is an ends rather than a  
453 means to achieve organizational profit. This is different from the schema in highly  
454 privatized organizations, such as the joint venture. Their organizational goals  
455 focus on personnel development, which treats employees as human resources for

achieving organizational goals. Therefore, different organizational goals regarding employees reflect different relational models. 456 457

In SOEs, employees rely on their organizations to satisfy their needs, reflecting the communal sharing schema (Fiske, 1992). An SOE manager commented about SOE employees' loyalty (Case 1): 458 459 460

*The workers of SOEs are very loyal. They think that they belong to the firm even after death, and the firm will send them a wreath (hua quan). Our employees have a very high happiness index, and this index is even higher after they retire. If employees are hospitalized, the firm will visit them. I buy employees casualty insurance. If they get cancer, I give them 100,000 Yuan. I visit them during holidays. If an employee dies, I cover a series of services. Overall, employee loyalty is highest in SOEs, less in public firms, and even less in joint ventures.* 461 462 463 464 465 466

Another SOE manager commented about the organizational culture of the SOE and how it compares with the market pricing schema in joint ventures (Case 1): 467 468 469

*With the development of the times, employees of SOEs are not as committed as in the past. If the firm is performing well, people have hope. SOEs value people and give employees many opportunities, such as rotation. Although the foreign companies pay well, people have to work very hard. My friends working there admire my job.* 470 471 472 473

SOEs and public firms hold annual worker congress meetings, which institutionalize employees' participation in organizational decision making. During these meetings, top managers debrief employee representatives, who evaluate managers' performance, express the concerns of employees, and vote on important organizational policies. A public firm manager described the procedures for employee participation (Case 2): 474 475 476 477 478 479

*I have a series of democratic management procedures, including employee representative meetings, evaluation of top management teams, publicity of party and administrative policies and affairs. If employees have some big problems, they may even go to the top managers.* 480 481 482

The public firms and the joint venture inherited the incentive-suggestion system (*helihua jianyi*) from former SOEs, in which employees provide suggestions for improving the work process and receive recognition or bonuses (in case 4) for their valuable suggestions. Yet in the joint venture, employees' suggestions become a resource of exchange, because the division of labor is clear – managers are responsible for making decisions, and employees are to execute decisions. Their communication is mostly carried out in the informal way, in which employees directly express their concerns to their supervisors. 483 484 485 486 487 488 489 490

The incentive systems are different between the three kinds of organizations I studied, reflecting different underlying relational models. In the SOE, factory managers are evaluated via financial indicators, but there is no formal performance evaluation or performance-based bonus for employees. The equality in outcomes is aligned with the solidarity goal and communal sharing schema in SOEs (Chen 491 492 493 494 495

496 et al., 1998). The joint venture evaluates and rewards individual performance  
497 consistent with the market pricing model. Their incentive system emphasizes not  
498 only internal equity but also external competitiveness, i.e., it ensures that employees  
499 are compensated for the value they create for their organizations. A joint venture  
500 manager, who was dispatched to the joint venture from an SOE in 2009, described  
501 the incentive system of joint ventures this way (Case 4):

502 *Our system is objective, scientific, and based on data and evidence. It's not like SOE, where*  
503 *bonuses often come as surprises. The incentive system gave priority to performance in evaluation,*  
504 *reward, and promotion. The organization and managers and employees at each level set goals*  
505 *at the beginning of every year. With reference to the goals, the evaluation of employees is carried*  
506 *out every year, combining self-evaluation and supervisor evaluation. The compensation is based*  
507 *on the result of evaluation, adjusting up to 20% above or below the salary band for each level.*  
508 *The salary levels are adjusted annually for market competitiveness by comparing with market*  
509 *salary data.*

510 The public firms were experimenting with different evaluation and incentive  
511 systems, such as Key-Performance Indicators (KPI) and balanced score card and  
512 experiencing some tension during the transition. A public firm manager described  
513 the challenges that she encountered in enforcing the new incentive systems (Case  
514 3). Because the firm used to be SOE, employees still held the communal sharing  
515 model and react negatively to the management practices that contradict this  
516 model.

517 *I have established all the institutions relying on economic measures. However, when the (firm)*  
518 *performance is not good, I can't enforce these institutions, because I don't have so much money.*  
519 *SOE employees are not as qualified (su zhi) as joint venture employees, and their attitudes are*  
520 *not good. When you evaluate their performance, they think that you are going to deduct their*  
521 *wages. Therefore, I can't do performance evaluation right now. The rules can't rule the mass*  
522 *(fa bu ze zhong). I will hold KPI trainings this year.*

523 The interviews and case studies corroborated my argument that highly state-  
524 owned organizations activate a communal sharing model whereas highly privatized  
525 organizations reinforce a market pricing model. The evidence provided support  
526 for my theoretical argument that different relational models underlie different  
527 ownership structures. The following quantitative study further tests my hypotheses  
528 regarding how ownership structure moderates employees' reactions to different  
529 justice practices.

## 530 **QUANTITATIVE STUDY**

531 Utilizing the ownership diversity of organizations in China, this study examines the  
532 moderating effect of state ownership on individual behaviors in a variety of firms  
533 located in Shanghai, China. The quantitative study was conducted with Shanghai  
534 State-owned Assets Supervision and Administration Commission (SASAC) from

2009 to 2010. In 2008, Shanghai SASAC supervised 40 group companies, which were composed of 3923 enterprises; the total revenue of these enterprises was equivalent to 101.49 billion US dollars, and their total profit was 1.66 billion dollars. Among the organizations under the supervision of SASAC, I selected three types of organizations with different degrees of state ownership: (1) entirely state owned, which have the most state ownership, (2) publicly-traded, which typically have a middle-level of state ownership, and (3) international joint ventures, which typically have the lowest level of state ownership. This unique design has three advantages. First, examining and comparing organizations under the same city's governance reduces the potential influence from other contextual factors because the same state office standardizes the governance of local enterprises under its supervision (Naughton, 2005). Second, because all these firms used to be SOEs before the reform, the cross-sectional sample can provide a clue about the transition effect. Third, because the state directs and controls the transition process, the mobility and transfer of personnel between organizations is kept at a minimum. Thus, the observed relationships are more likely to be driven by change in ownership structure than personal selection.

### Sample and Procedure

Among the 40 group companies supervised by Shanghai SASAC, four agreed to participate in my survey study. These companies covered a wide range of industries, including food, commercial, chemical, and automobile. I varied ownership structure within each industry and selected 12 firms, including four state-owned firms, three public firms, and five joint ventures. I requested 50 to 100 respondents from each firm, summing up to 800 respondents from the 12 firms altogether. In order to create a random sample of each firm, I requested that managers of each firm select respondents from employee rosters randomly based on the sample size that they agreed on. Finally, 721 participants returned the questionnaires, resulting in a response rate of 90%. The distribution of the sample among the three types of organizations was 282 from SOEs, 230 from public firms, and 209 from joint ventures. The hierarchical composition of the sample was 42% general employees, 28% supervisors, 21% middle managers, and 9% top managers. The respondents had an average age of 39 years and an average tenure of 13 years. In addition, 39% were females, 56% were Chinese Communist Party members, and 78.2% of the respondents had college or higher education.

The questionnaire was translated from English to Chinese by the author and back translated to English by a research assistant, following the procedure suggested by Brislin (1980). In addition, the wording of the questions was discussed with a local manager to ensure that employees can understand it. Questionnaires enclosed in envelopes were distributed to employees at their workplaces, and they were informed that the survey was only for research purposes and assured of

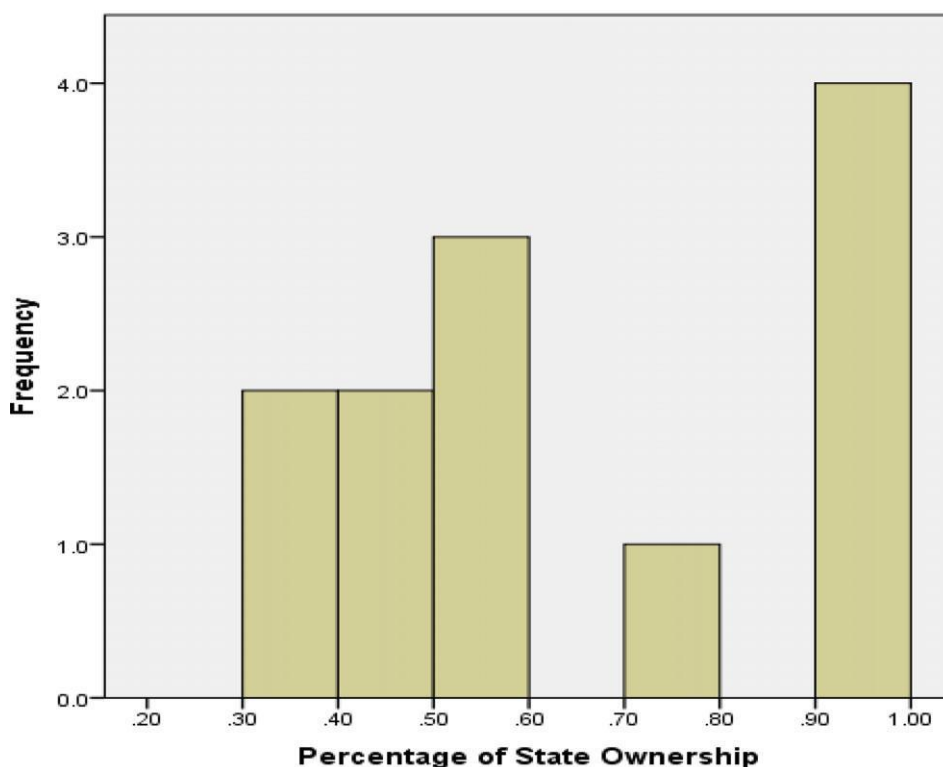


Figure 1. (Color online) Histogram of state ownership in 12 organizations.

576 the anonymity of their responses. They were required to seal the envelopes after  
 577 completing the survey and drop the envelopes at a central location. After the survey,  
 578 the companies returned the envelopes to the author.

## 579 **Measures**

580 *Independent variables.* I obtained the annual statistics of all the firms from the  
 581 government office and calculated the *degree of state ownership* by the proportion of  
 582 state-owned equity in the total equity of each organization, following the example  
 583 of previous research (Le & Buck, 2009; Le & O'Brien, 2010). The information of  
 584 state-owned equity was readily available in the government report (SASAC, 2008),  
 585 and the total equity was calculated by subtracting total liabilities from total assets.  
 586 The distribution of state ownership in the sample is presented in Figure 1.

587 Following the example of previous literature (Colquitt, 2001), distributive justice  
 588 was measured by the extent to which the outcomes are allocated based on  
 589 individual contribution. I selected a scale widely used in previous studies (Blader &  
 590 Tyler, 2009; Tyler & Blader, 2000, 2003). This scale contained five items, including  
 591 'The resources I receive are linked to how well I do my job' and 'In general,



resources are fairly allocated among employees at my organization' ( $\alpha = 0.91$ ). 592  
Responses were made with a five-point scale (1-highly disagree, 5-highly agree). 593

One of the most important manifestations of procedural justice is organizational 594  
members' participation in organizational decision making (Bies & Shapiro, 1988), 595  
and the function of participation in conveying the relational value of procedural 596  
justice has been found to be cross-cultural (Lind, Tyler, & Huo, 1997). Therefore, 597  
I measured *procedural justice* with a scale asking about employees' participation 598  
in organizational decision making (Hage & Aiken, 1969). The scale has four 599  
questions, such as 'How frequently can you participate in the decision on the 600  
adoption of new programs?' and 'How frequently can you participate in decisions 601  
on the adoption of new policies?' (1-never to 5-always,  $\alpha = 0.90$ ). 602

*Dependent variable.* Since my objective is to examine extra-role behavior that is 603  
important for all types of organizations, I adopted the widely-used measure of *extra-* 604  
*role behavior* that represents individuals' engagement with organizations (Blader & 605  
Tyler, 2009; Tyler & Blader, 2000, 2003). With a five-point scale ranging from 1- 606  
'never' to 5-'always', respondents rated the frequency of how often they engage in 607  
six behaviors, such as volunteering to do things that are not required in order to 608  
help the organization; putting extra effort into doing their jobs well, beyond what 609  
is normally expected; working extra hours even when they would not receive credit 610  
for doing so; and helping others with work related problems ( $\alpha = 0.91$ ). 611

*Control variables.* I controlled for demographic variables including *gender*, *education*, 612  
*tenure* (how many years they had worked in the organization), and *position* in the 613  
hierarchy, which have been found to be related to extra-role behaviors in previous 614  
research (Morrison, 1994; Podsakoff et al., 2000). Gender was a dummy variable 615  
(1= Female, 0 = male), whereas the other variables were treated as continuous 616  
variables. Previous research suggests that another dimension of organizational 617  
justice – the treatment individuals receive from their leaders, i.e., interactional 618  
justice – also influences their extra role behavior (Colquitt, 2001). Therefore, this 619  
study controlled for *interactional justice*, which was measured with a four-item scale 620  
used in previous research (Blader & Tyler, 2003a, 2003b). Respondents indicated 621  
to what extent their supervisors consider their views, respect their rights, care 622  
about employees' well-being, and give them an explanation for the decisions made 623  
when there is a disagreement (1-highly disagree, 5-highly agree;  $\alpha = 0.92$ ). In 624  
order to rule out the alternative argument that the effect of state ownership 625  
is due to individual differences on value of groups and relationships, I also 626  
included psychological collectivism and interdependent self-construal, which have 627  
been found to either enhance extra-role behaviors (Moorman & Blakely, 1995) 628  
or moderate the effect of procedural justice (Brockner et al., 2005). *Psychological* 629  
*collectivism* is individuals' value of groups and was measured by selecting five items 630  
with the highest loadings on each dimension of the psychological collectivism scale 631  
(Jackson, Colquitt, Wesson, & Zapata-Phelan, 2006). The selected items were: 'I 632

633 preferred to work in groups rather than working alone'; 'I felt comfortable trusting  
634 group members to handle their tasks'; 'I followed the norms of groups'; 'I was  
635 concerned about the needs of groups'; and 'Group goals were more important  
636 to me than my personal goals' (1-highly disagree, 5-highly agree;  $\alpha = 0.85$ ). I  
637 measured interdependent self-construal with four items with the highest loadings in  
638 the relational-interdependent self-construal scale (Cross, Bacon, & Morris, 2000):  
639 'my close relationships are an important reflection of who I am'; 'when I feel very  
640 close to someone, it often feels to me like that person is an important part of who  
641 I am'; 'I think one of the most important parts of who I am can be captured by  
642 looking at my close friends and understanding who they are'; and 'when I think of  
643 myself, I often think of my close friends or family also' (1-highly disagree, 5-highly  
644 agree;  $\alpha = 0.71$ ).

## 645 **Results**

646 Firstly, I tested whether missing data was a serious problem in the sample.  
647 Missing value analysis showed that the majority of missing values occurred in  
648 the demographic variables (the number of observations for other variables ranged  
649 from 716 to 721). I divided the sample into two subsamples: one without any  
650 missing values of *gender*, *tenure*, *education*, and *position* ( $N = 464$ ), and the other with at  
651 least one missing value ( $N = 255$ ). The two subsamples did not have a significant  
652 difference on extra-role behaviors ( $t(458) = 1.63$ ,  $p = 0.10$ ). Therefore, missing  
653 data did not cause a serious concern. After that, I also examined whether SOEs  
654 and privatized organizations differ in age or tenure because of the different histories  
655 of these organizations. ANOVA results showed that SOEs, public firms, and joint  
656 ventures did not have a significant difference on employee age ( $F(2, 646) = 1.00$ ,  
657  $p = 0.37$ ) or tenure ( $F(2, 596) = 2.65$ ,  $p = 0.07$ ).

658 Secondly, I conducted confirmatory factor analysis to examine whether the  
659 measurement of variables was valid. The confirmatory factor analysis showed  
660 that the six-factor model, using all the items of the measured variables without  
661 parceling, fit very well with the data ( $\chi^2(390) = 1579.68$ ,  $p < 0.001$ , CFI =  
662 0.92, TLI = 0.91, RMSEA = 0.06). In order to examine whether a substantial  
663 common method variance was present, I conducted the one-factor test as suggested  
664 in previous studies (Podsakoff, MacKenzie, Jeong-Yeon, & Podsakoff, 2003). The  
665 model that loaded all the items on a common method factor did not fit the  
666 data well ( $\chi^2(405) = 7234.70$ ,  $p < 0.001$ , CFI = 0.52, TLI = 0.48, RMSEA  
667 = 0.15), which suggested that the common method cannot account for the  
668 relationship between variables. I also compared the measurement model with  
669 several alternative models. For instance, the six-factor model fit better than a five-  
670 factor model that combined distributive justice and procedural justice ( $\chi^2(5) =$   
671 1207.72,  $p < 0.001$ ) and a four-factor model that combined distributive justice,  
672 procedural justice, and leader treatment ( $\chi^2(9) = 2172.27$ ,  $p < 0.001$ ). These  
673 comparisons suggest that distributive justice, procedural justice, and interactional

justice measured in this study represent distinctive aspects of organizational justice. 674  
I also compared the measurement model with a five-factor model that combined 675  
psychological collectivism and interdependent self-construal, and the latter fit the 676  
data significantly worse ( $\chi^2(5) = 219.49, p < 0.001$ ), indicating that collectivism 677  
and interdependent self-construal represent distinctive aspects of cultural values. 678

The means, standard deviations, and correlations among all the variables are 679  
presented in Table 2. 680

Thirdly, I used the software HLM7 to test my hypotheses. Considering the 681  
nested nature of my data, I constructed a three-level hierarchical linear model to 682  
control for industry and firm effects. The results are presented in Table 3. In the 683  
intercept-only model, both firm effects and industry effects were significant, which 684  
indicated the necessity of controlling for these effects. In Model 1, I entered the 685  
demographic variables into the model. Both position and tenure had significant 686  
and positive effects on extra-role behaviors. To test my hypotheses that state 687  
ownership accentuates the effect of procedural justice (H1) and attenuates the effect 688  
of distributive justice (H2) on extra role behavior, I centered procedural justice and 689  
distributive justice around their group means and centered state-ownership around 690  
its grand mean, following the suggestion of previous research (Aguinis, Gottfredson, 691  
& Culpepper, 2013).<sup>[2]</sup> In Model 2, I entered state ownership, distributive justice, 692  
and procedural justice into the model. Consistent with previous research, both 693  
distributive justice and procedural justice had significant and positive effects on 694  
extra-role behaviors. To test the moderation effect of state ownership, I entered 695  
these interaction terms in Model 3. The interaction effects significantly improved 696  
model fit ( $\chi^2(2) = 11.74, p = 0.003$ ) and explained 3% of individual-level variance 697  
and 5% of industry-level variance according to the procedure suggested by Hox 698  
(2010). According to Cohen's standard, the effect sizes were above the low level 699  
(0.02) and under the medium level (0.15). Besides the variances explained which 700  
indicate explanatory power, Aguinis et al. (2013) also recommended reporting 701  
predictive power as indicated by the coefficients of moderation effect. The 702  
interaction effect between state ownership and procedural justice ( $\gamma = 0.30$ ) was 703  
significant and positive, which supported H1. This effect has achieved the medium 704  
standard of effect size (Cohen, 1988). I did a simple slope analysis at one standard 705  
deviation above, at, and below the mean level of state ownership (Preacher, Curran, 706  
& Bauer, 2006) and plotted the simple slopes in Figure 2. Simple slope analysis 707  
showed that the effect of procedural justice on extra-role behaviors was positive 708  
at high (simple slope = 0.21 *s.e.* = 0.05,  $t = 4.19, p < 0.001$ ) and medium levels 709  
(simple slope = 0.14, *s.e.* = 0.04,  $t = 3.94, p = 0.001$ ) of state ownership, but the 710  
effect became non-significant at low level of state ownership (simple slope = 0.07, 711  
*s.e.* = 0.05,  $t = 1.58, p = 0.115$ ). 712

In Model 3 of Table 3, the interaction effect between state ownership and 713  
distributive justice was significant and negative; supporting H2 that state ownership 714  
attenuates the positive effect of distributive justice on extra-role behaviors. The 715  
effect size of the coefficient ( $\gamma = -0.69$ ) was large according to Cohen's standard 716

Table 2. Correlations and descriptive statistics<sup>a</sup>

<i>Variables</i>	<i>Mean</i>	<i>SD</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>
1. State ownership	0.64	0.25										
2. Procedural Justice (Participation)	2.51	1.06	- 0.03	0.90								
3. Distributive Justice	3.51	0.71	- 0.09	0.52	0.91							
4. Extra-role behavior	3.66	0.70	- 0.16	0.43	0.35	0.91						
5. Interactional justice	3.70	0.67	- 0.13	0.41	0.67	0.42	0.92					
6. Psychological collectivism	3.97	0.52	- 0.12	0.31	0.42	0.56	0.49	0.85				
7. Interdependent self-construal	3.58	0.55	0.04	- 0.23	- 0.32	- 0.35	- 0.30	- 0.46	- 0.71			
9. Education	3.31	1.12	- 0.08	0.19	- 0.01	0.16	0.11	0.08	0.07	- 0.01		
10. Position	1.96	1.00	- 0.04	0.46	0.18	0.27	0.18	0.16	0.14	- 0.12	0.36	
11. Tenure	13.29	9.75	0.00	- 0.04	- 0.11	0.04	- 0.17	- 0.06	0.01	- 0.08	- 0.32	0.11

Notes: <sup>a</sup> Entries on the diagonal are Cronbach's alphas. Significance levels are based on two-tailed tests. For position, 1 = Employee, 2= Supervisor, 3 = Middle manager, 4 = Top manager. For education, 1 = Middle school, 2 = High school, 3 = College, 4 = Bachelor, 5 = Master or higher.  
 p < 0.05;    p < 0.01

Table 3. Hierarchical linear models of extra-role behavior

<i>DV: Extra-role behavior</i>	<i>Intercept-only model</i>			<i>Model 1</i>			<i>Model 2</i>			<i>Model 3</i>			<i>Model 4</i>			
	<i>b</i>	<i>s.e</i>	<i>p</i>	<i>b</i>	<i>s.e</i>	<i>p</i>	<i>b</i>	<i>s.e</i>	<i>p</i>	<i>b</i>	<i>s.e</i>	<i>p</i>	<i>b</i>	<i>s.e</i>	<i>p</i>	
Intercept	3.63	0.12	<0.001	3.18	0.15	<0.001	3.23	0.14	<0.001	3.19	0.14	<0.001	3.26	0.12	<0.001	
State ownership							- 0.36	0.22	0.138	- 0.36	0.22	0.137	- 0.39	0.17	0.058	
Female				- 0.08	0.06	0.15	- 0.03	0.06	0.58	- 0.04	0.06	0.533	- 0.06	0.05	0.279	
Education				0.04	0.03	0.22	0.06	0.03	0.048	0.07	0.03	0.016	0.07	0.03	0.015	
Position				0.15	0.03	<0.001	0.07	0.03	0.038	0.07	0.03	0.041	0.05	0.03	0.094	
Tenure				0.01	0.00	0.04	0.01	0.00	0.01	0.01	0.00	0.01	0.01	0.00	0.003	
PJ							0.13	0.04	<0.001	0.14	0.04	<0.001	0.13	0.03	<0.001	
PJ state ownership										0.30	0.14	0.038	0.32	0.13	0.013	
DJ							0.14	0.05	0.003	0.13	0.05	0.005	- 0.08	0.05	0.12	
DJ state ownership										0.69	0.20	<0.001	0.79	0.19	<0.001	
Interactional justice										-			-	0.12	0.06	0.027
Collectivism													0.46	0.06	<0.001	
ISC													0.10	0.05	0.04	
Collectivism DJ													- 0.07	0.08	0.382	
Collectivism PJ													0.07	0.06	0.231	
ISC DJ													-	0.14	0.08	0.082
ISC PJ													-	0.02	0.06	0.704
<b>Random part</b>	<i>Var</i>	<i>p</i>		<i>Var</i>	<i>p</i>		<i>Var</i>	<i>p</i>		<i>Var</i>	<i>p</i>		<i>Var</i>	<i>p</i>		
$\sigma^2$ individual	0.43			0.36			0.33			0.32			0.26			
$\sigma^2$ firm	0.03	<0.001		0.02	<0.001		0.02	<0.001		0.02	<0.001		0.01	0.004		
$\sigma^2$ industry	0.04	0.002		0.02	0.011		0.01	0.013		0.01	0.016		0.00	0.086		
$R^2$ individual				0.17			0.09			0.03			0.19			
$R^2$ firm				0.43			0.15			0			0.42			
$R^2$ industry				0.57			0.16			0.05			0.69			
Deviance	1460.35(4)			858.98(8)			811.70(11)			799.96(13)			699.79(20)			

Notes: ISC=Interdependent Self-Construal. DJ= Distributive justice. PJ= Procedural justice (participation). For position, 1 = Employee, 2= Supervisor, 3 = Middle manager, 4 = Top manager. For education, 1 = Middle school, 2 = High school, 3 = College, 4 = Bachelor, 5 = Master or higher.

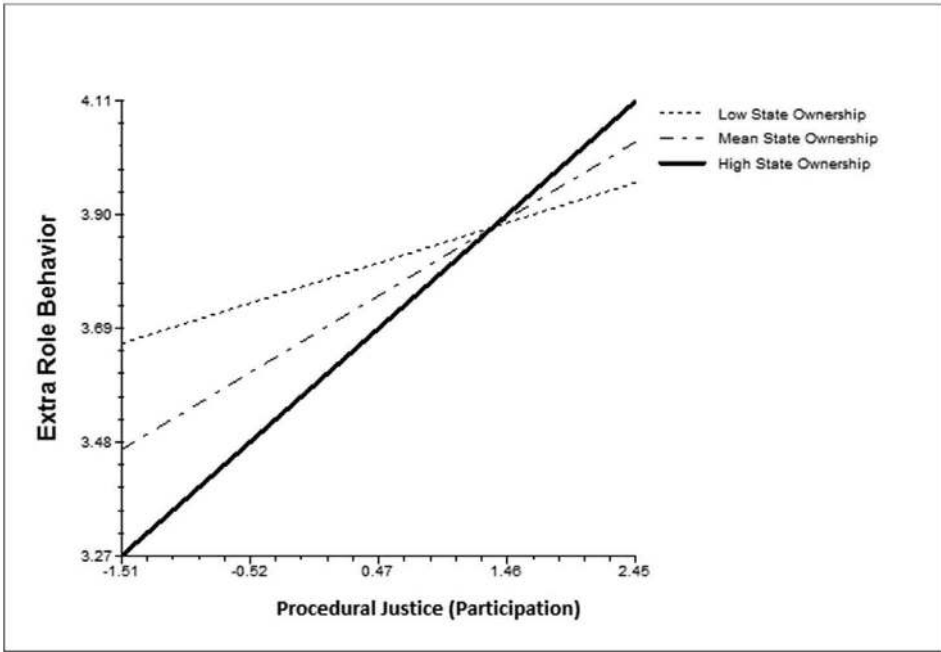


Figure 2. The interaction effect of procedural justice and state ownership on extra-role behavior.

717 (above 0.50) (Cohen, 1988). The results of simple slope analysis are presented in  
 718 [Figure 3](#). Distributive justice had a positive effect on extra-role behaviors among  
 719 organizations with medium (simple slope = 0.13, *s.e.* = 0.05, *t* = 2.83, *p* = 0.005) or  
 720 low levels (simple slope = 0.29, *s.e.* = 0.06, *t* = 4.54, *p* < 0.001) of state ownership.  
 721 At high level of state ownership, distributive justice did not have a significant effect  
 722 on extra-role behaviors (simple slope = -0.03, *s.e.* = 0.07, *t* = -0.43, *p* = 0.66).

723 Finally, I conducted robustness checks to test whether the moderation effects  
 724 of state ownership are driven by individual differences on collectivism and  
 725 interdependent self-construal. To achieve that objective, I first tested whether  
 726 state ownership was associated with cultural values. I regressed cultural values on  
 727 state ownership in hierarchical linear models. After controlling for demographic  
 728 variables, state ownership did not have a significant effect on psychological  
 729 collectivism (*b* = -0.05, *s.e.* = 0.16, *p* = 0.76) or interdependent self-construal (*b*  
 730 = 0.00, *s.e.* = 0.11, *p* = 0.99). Therefore, state ownership was not systematically  
 731 related with individual difference in cultural values. Next, I entered cultural values  
 732 and their interaction effects with distributive justice and procedural justice in the  
 733 model. In Model 4 of [Table 3](#), both psychological collectivism and interdependent  
 734 self-construal had a significant and positive effect on extra role behavior.  
 735 Controlling for these effects and their moderating effects, the hypothesized  
 736 interaction effects remained significant. It indicates that the moderation effects  
 737 of state ownership were not due to individual differences on collectivism,  
 738 interdependent self-construal, or their interaction effects with justice. I also tested

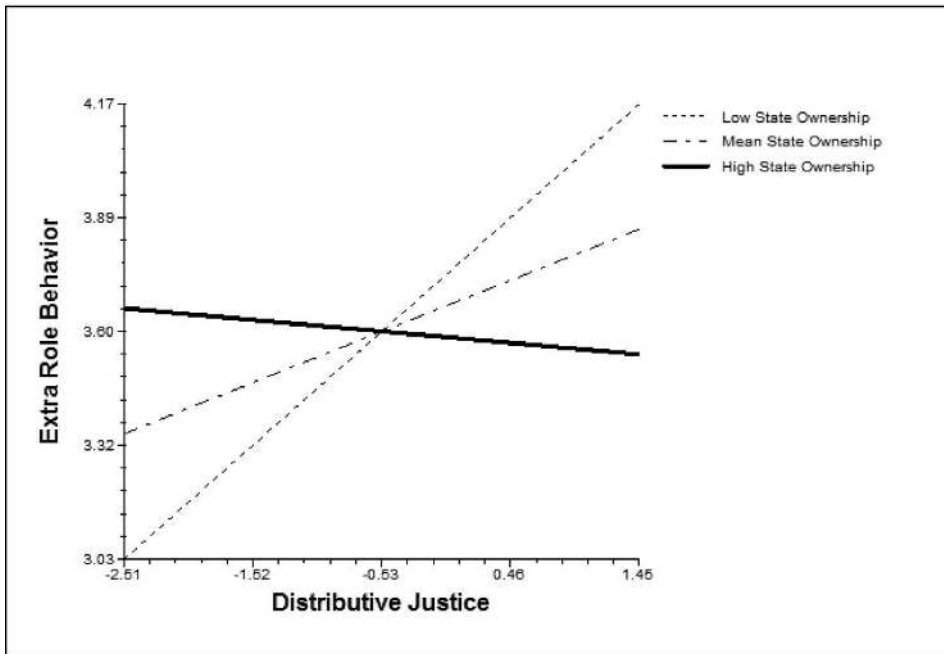


Figure 3. The interaction effect of distributive justice and state ownership on extra-role behavior.

whether the hypothesized interaction effects were robust after controlling for the effect of interactional justice. Interactional justice had a positive effect on extra-role behavior, and this effect was not moderated by state ownership ( $b = -0.35$ ,  $s.e. = 0.23$ ,  $p = 0.12$ ). After controlling for the main effect of interactional justice, the hypothesized moderation effects remained significant.<sup>[3]</sup> Therefore, the results were robust to individual difference in cultural values and interactional justice individuals receive.

## DISCUSSION

Drawing on the institutional diversity in the reform context of China, this study demonstrates that ownership structure moderates the effects of justice on extra-role behavior. Specifically, distributive justice is positively associated with extra role behavior in privatized organizations but has no effect (or even negative effect after controlling for individual values and interactional justice) in highly state-owned organizations. In contrast, participation in decision making – a key component of procedural justice – is positively associated with extra-role behavior in organizations with high and medium levels of state ownership, but its effect became non-significant in highly privatized companies. The moderation effect of state ownership is not reducible to individual difference in cultural values. Therefore, the findings support my proposal that employees pay attention to the form of justice that is consistent with their relational schema to guide their extra role behavior.

760 The findings also indicate that the effect of state ownership on employee  
761 behavior depends on perceived justice. Specifically, employees of privatized  
762 organizations demonstrate less extra-role behavior than SOE employees when  
763 distributive justice is low, whereas SOE employees engage in less extra-role  
764 behavior than employees of privatized organizations when they perceive low  
765 procedural justice or high distributive justice. In other words, people react  
766 negatively when their dominant relational schema is not verified, but people in  
767 different organizations react differently to practices that are inconsistent with their  
768 schemas, depending on whether such practice is irrelevant or contradictory to  
769 their schemas. Since participation is irrelevant to privatized companies' market  
770 pricing schema, it is ignored by their employees, and their extra-role behavior is  
771 not reduced. In contrast, distributive justice is not only inconsistent with SOEs'  
772 communal sharing schema, it contradicts that schema by undermining the equal  
773 status of employees. As a result, employees of SOEs engage in less extra-role  
774 behavior than privatized companies when distributive justice is high.

### 775 **Theoretical Contributions**

776 This study makes important theoretical contributions to multiple literatures.  
777 First, this study contributes to research on the micro-foundations of corporate  
778 governance. Research on corporate governance has called for more attention to  
779 the role of labor and research on the transition economies (Aguilera & Jackson,  
780 2010; Fiss, 2008). Many countries' SOEs have employee representatives on board  
781 (World Bank, 2014), and even more organizations have various forms of worker  
782 participation, such as employee stock ownership plans (Doucouliagos, 1995).  
783 This study suggests that these organizations should pay attention to the unique  
784 relational schema triggered by these institutions. Increasing labor representation  
785 in corporate governance can change the nature of how employees relate to their  
786 organizations. Employees will regard themselves as owners of organizations and  
787 attend to participation opportunities to verify their owner identity. Meanwhile,  
788 they will be less sensitive to the outcomes they receive. Therefore, even minor and  
789 symbolic change in corporate governance can have far-reaching implications for  
790 employee motivation.

791 In addition, I offer a theory of the micro foundations of institutional  
792 transition. I find that the relationship between perceived justice and individual  
793 behavior depends upon ownership structure and, likewise, the relationship  
794 between ownership structure and individual behavior depends upon justice  
795 perceptions. Thus, the favored variables of micro and macro scholars do  
796 not work independently – they combine interactively to influence individual  
797 behaviors. I found that ownership structure is not associated with different  
798 levels of employee motivation (Burawoy & Lukacs, 1985), but rather associated  
799 with different predictors of employee motivation. This finding helps explain  
800 the mixed results on the transition effect. Since the transition effect depends



on how people perceive organizational practices, the method of transition may greatly influence its effectiveness. For instance, previous research found that non-state controlled firms are more likely to enhance post-transformation performance than state-controlled companies (Li, Xia, Long, & Tan, 2012). One explanation is that removing state control can change the relational schema of employees and facilitate their adaptation to new organizational practices after transition.

Furthermore, this study discovers a boundary condition of the well-established effects of organizational justice. Previous research has proposed at least two reasons for why justice is important – instrumental reason represented by social exchange theory and relational reason represented by social identity theory. The current study suggests that justice is important for different reasons under different organizational contexts, and distributive justice and procedural justice are differentially positioned to serve people’s instrumental or relational needs. Specifically, when organizational contexts foster a communal sharing schema, the function of procedural justice in satisfying individuals’ relational needs and verifying their social identity is especially important. In these contexts, the well-established positive effect of distributive justice becomes non-significant or even reversed. In contrast, when organizational contexts emphasize productivity and efficiency, distributive justice plays an important role in fulfilling people’s instrumental motive. Therefore, this study highlights the importance of organizational context and its underlying relational model as factors that shape why people care about justice and which aspect of justice people care about.

Finally, this study contributes to cross-cultural research by highlighting the importance of organizational context and relational model in activating cultural knowledge and guiding individual behaviors. Cross-cultural research has investigated how national differences in cultural values influence individuals’ reactions to justice (Kirkman, Chen, Farh, Chen, & Lowe, 2009). However, studies relying on different cultural values generate conflicting predictions regarding how people within the same culture react to justice. For instance, since Chinese are high on both materialism and interdependent self-construal, both distributive justice and procedural justice should be important for them (Brockner et al., 2000; Brockner et al., 2005; Kim & Leung, 2007). At the same time, because Chinese people are high in power distance and traditional values, justice – especially procedural justice – should be less important for them (Brockner et al., 2001; Farh, Earley, & Lin, 1997; Kim & Leung, 2007). These contradictions are not specific to China. Given that power distance and collectivism are highly correlated with each other (Hofstede, 2001), it would be challenging to predict whether justice is more or less important for a particular culture. Fiske (1992) argued that all cultures share the four relational schemas in social relationships. Indeed, the correlations between collectivism values and relational models are generally small (Realo, Kästik, & Allik, 2004; Vodosek,

844 2009). It is the specific context within a culture that determines which relational  
845 model is salient. As found in this study, organizational context provides a  
846 better prediction about organizational members' reaction to justice than cultural  
847 values.

### 848 **Implications for Management Practices**

849 First, this study generates important implications for applying justice practices.  
850 This study suggests that distributive justice is especially suitable for satisfying  
851 instrumental need, whereas procedural justice is especially important for satisfying  
852 relational need. Thus, organizations may emphasize different aspects of justice  
853 under different organizational agenda. If organizations aim to achieve high  
854 productivity, they should emphasize distributive justice and use practices such  
855 as performance evaluations and pay for performance. If organizations want to  
856 solicit employee identification, they should emphasize procedural justice and  
857 establish institutions for employees to participate in organizational decision  
858 making.

859 In addition, this study generates new insights for transition economies such  
860 as China by emphasizing the perspective of employees in reform design. The  
861 institutions of state ownership cultivated a communal sharing schema among  
862 SOE employees. As a consequence, they do not react positively to distributive  
863 practices such as pay for performance because it contradicts their identity as  
864 enterprise masters. Therefore, managers and policymakers should recognize this  
865 relational schema while changing the incentive system of SOEs. Just as the  
866 manager in Case 3 did, managers should transform employees' relational schemas  
867 through training and communication before implementing practice change. At  
868 the same time, this sense of ownership can be regarded as a unique legacy  
869 of SOEs and be leveraged to their transformation. Reform methods such as  
870 profit sharing and employee stock ownership can protect employees' collective  
871 identity and reinforce its motivating force. In addition, the reform process should  
872 also preserve SOE employees' social identity by inviting them to participate in  
873 the design and implementation of the reform. If the reform simply privatizes  
874 SOEs and discharges workers without recognizing their relational schema, the  
875 reform will encounter unforeseen resistance and lose the motivational legacy of  
876 SOEs.

### 877 **Limitations and Future Research**

878 Despite the important contributions, this study has some limitations. First, although  
879 the degree of state ownership was measured with archival data, the measurement of  
880 justice and extra-role behaviors may be subject to common-method bias. However,  
881 'in the absence of true effects, it is extremely unlikely for common-method  
882 variance to generate significant cross-level interactions. In fact, if a true cross-level

interaction exists, common-method variance tends to lower the likelihood of its identification' (Lai, Li, & Leung, 2013: 243). Therefore, the findings of cross-level interactions argue against a common-method variance explanation. Furthermore, common-method variance cannot explain the existence of non-significant simple slopes. If common method bias was driving the results, it would have caused all the relationships between justice and extra-role behaviors to be significant. Nonetheless, future research should measure behaviors with another source and corroborate the results.

Second, although I have conducted qualitative studies to investigate the relational schemas under different ownership structures, I did not measure relational models in the quantitative study. The primary reason for this limitation is because the existing scales are targeted to interpersonal relationships and not suitable for the current study. This limitation makes it difficult to rule out alternative explanations. For instance, one might argue that it's the authority ranking relational schema in SOEs that constrains participation opportunities in SOEs, which further makes participation especially scarce and important for SOE employees. This alternative explanation is not consistent with previous research and theory. Previous research found non-significant difference in hierarchical organizational culture between SOEs and privatized companies, such as foreign-controlled enterprises (Ralston, Terpstra-Tong, Terpstra, Wang, & Egri, 2006). Relational models theory (Fiske, 1992) predicts that people attend to information consistent with their relational schema and behave accordingly. Under the authority ranking schema, employees will not expect participation opportunities but instead simply comply with their authorities. Thus, they will not pay attention to participation opportunities to guide their extra-role behavior. This alternative explanation does not fit well with the data either. My qualitative studies indeed found the widespread participation opportunities enjoyed by SOE employees, and my quantitative study didn't find a negative correlation between state ownership and participation. Therefore, it is not very likely that this explanation can explain the findings. Future research should develop scales of relational schemas for employee-organization relationships and directly test the moderating effects of relational schema.

Another limitation is that the cross-sectional study could not make causal argument about the observed relationships. However, the unique design of this study reduces the likelihood of reverse causality. In the sample design, all the organizations used to be SOEs, and the majority of the participants used to be SOE employees. Because the reform in Shanghai was carried forward with close state control, the labor transfer between organizations during transition was controlled by the state and kept at a minimum level. Thus, the different relationships between justice and extra-role behaviors observed in different organizations are more attributable to ownership change than individual self-selection. Future research can employ longitudinal study to track individual behaviors during the reform and corroborate my findings.

926 **CONCLUSION**

927 Drawing on the institutional diversity during ownership reform in China, this  
928 study shows that the ownership structure of organizations influences why people  
929 care about justice and which aspect of justice people value. In state-owned  
930 organizations, the socialist legacy activates a communal sharing schema among  
931 employees and renders participation an important factor for verifying their  
932 social identity. As the privatization reform emphasizes productivity and efficiency,  
933 employees of privatized organizations construe their relationships with their  
934 organizations as social exchanges and pay close attention to equitable allocation  
935 of outcomes. Therefore, policymakers and managers should acknowledge the  
936 different schemas activated by different ownership structures and design reform  
937 methods and management practices creatively.

938 **NOTES**

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943 support of Shanghai State-Owned Assets Supervision and Administration Commission (SASAC).  
944 [1] A critical subset of extra-role behaviors are organizational citizenship behaviors (OCB's; Van  
945 Dyne et al., 1995). The present research is designed to explore extra-role behaviors but, in some  
946 instances, the literature that I draw upon focuses on specific categories of extra-role behaviors,  
947 especially OCB's.  
948 [2] The results are in the same pattern when centering distributive justice and procedural justice on  
949 their grand means.  
950 [3] After controlling for the effects of interactional justice and cultural values, the simple slope of  
951 procedural justice did not change much. The simple slope of distributive justice was significantly  
952 positive when degree of state ownership was lower than 0.37 and became significantly negative  
953 when the degree of state ownership was higher than 0.67.

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