negotiation and conflict management research

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Is Organizational Justice the New Industrial Relations? A Debate on Individual Versus Collective Underpinnings of Justice

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Abstract

This study is based on a debate about the nature of two intellectual domains, industrial relations (IR) and organizational behavior (OB). Ray Hogler (Colorado State University) argues that the distinguishing feature of IR is its collectivist approach to work and organizations. As OB came to dominate the academic landscape, the research landscape shifted to a microanalytical focus. In consequence, business schools have failed to engage with the social problem of inequality of wealth. Early figures in American economic development, such as John D. Rockefeller, Jr., offered a more expansive vision of firms and labor than the current intellectual climate driven by an *agency theory* of management aimed at short-term profit. In his response, Stephen Gilliland (University of Arizona) asserts that the individualistic orientation of organizational justice provides a much more strategic and aligned approach to employee–employer relations. Unions provide a broad brush approach grounded in adversarial relationships and unfairness. By satisfying individual interests of fair treatment, leading through organizational justice provides benefits for employees, organizations, and their stakeholders. Fair treatment of employees has a ripple effect that impacts customer treatment and satisfaction. Whether the organization's strategy is based on value, customer service, or innovation, organizational justice can be aligned with strategic goals for the benefit of all.

The theme for the 73rd annual meeting of the Academy of Management held in Orlando, Florida, was "Capitalism in Question." Broadly, the conference theme challenged historical notions of capitalism regarding market competition among profit-driven firms, wage employment within these firms, and limited government over them. New to the academy meetings at the 2013 conference were plenary sessions—one sponsored by each division. For its plenary session, the Conflict Management Division sponsored a debate on organizational justice as it pertains to the conference theme. The debate dialogue was transcribed, and an edited version of the discussion and the intellectual contribution from the transcription is presented in this manuscript.

We would like to thank the Conflict Management Division, Academy of Management who sponsored the transcriber for our debate at the 2013 Academy of Management Meeting, Orlando, FL.
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The debaters, Ray Hogler and Stephen Gilliland, provided a discussion aimed at advancing our understanding of the connections between industrial relations and workplace justice as they pertain to economic inequality, and, in a broader context, the theme of the conference. The debate contrasts internal workplace justice systems and the intellectual domain of industrial relations from a historical standpoint, focusing particularly on economic justice. The dialogue makes a contribution to the study of management by linking economic fairness and workplace justice to the social issue of inequality. The different perspectives raise issues about the nature of organizations in the United States in the 21st century and offers directions for future research. Michael Gross, the Conflict Management Program Chair, organized and facilitated the debate and introduced the debaters.

Raymond Hogler: Justice is Economic from a Historical Context to the Present Day

I'd like to start off talking a little bit about labor history. And as you can see in this photograph (pointing to image on left side of Figure 1), this is a picture of Mother Jones (2013a), marching down the street in Trinidad, Colorado, in 1913 (http://www.newberry.org/newberry-seminar-labor-history). She was helping organize a miners' strike at Ludlow. This turned into one of the great workplace disasters of the

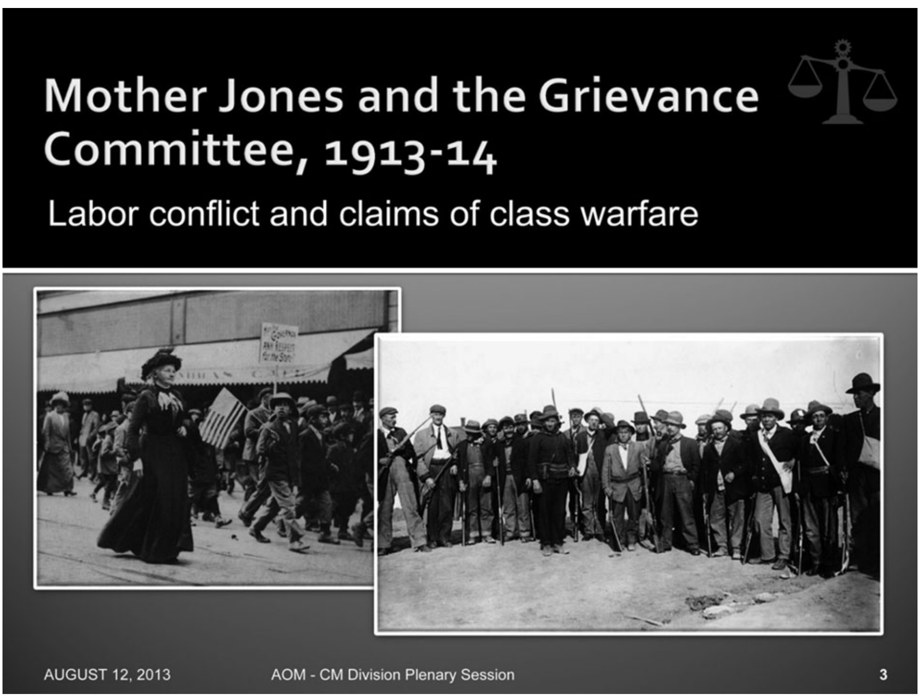

Figure 1. In 1913, Mother Jones (left) was in Trinidad, Colorado, to help organize a miners' strike at Ludlow. It became one of the great industrial disasters of the modern era due to the level of armed conflict between labor and management—symbolized by the Grievance Committee (right) of armed strikers—during the Colorado Coal Field Strike and War of 1913–1914. The Ludlow Massacre was such a shocking event it focused national attention on conditions in Colorado coal camps as well as general labor conditions in the U.S. and has come to symbolize the wave of industrial violence that led to progressive labor reforms. The Mother Jones photograph (left) is titled "Midwest-MS-Kerr-Bx_5-Fl_#79,-Mother-Jones,-march,-Colorado" and was acquired at http://www.newberry.org/newberry-seminar-labor-history. The Grievance Committee photograph (right) is titled "Armed strikers" was acquired at http://www.du.edu/ludlow/gallery5.html.

modern era, but it also turned into a crucial event in industrial relations. The strike lasted from September 1913 until April 1914, when it culminated in an event now known as the Ludlow Massacre. Two women and 11 children died in a fire when soldiers in the Colorado Militia overran the tent colony at Ludlow. It attracted national attention in such newspapers as the *New York Times* and led to intense public criticism of large corporate employers. John D. Rockefeller, Jr., was personally attacked by prominent historical figures such as Upton Sinclair (Rees, 2010; Figure 2).

One of the important consequences that arose out of Ludlow was armed conflict between labor unionists and their corporate employers. This incident had a very bloody outcome and people paid a great deal of attention across the country. And you can see in this picture (Figure 2), as for final and binding conflict resolution systems, there's a body lying here near the railroad tracks. And this person, you can't see it very well—but in the original photograph—you can see, he's trying to surrender. Here's another armed participant with a rifle down in the right bottom corner. The upshot of this confrontation was a national news event. The *New York Times* started to carry the story about Ludlow on the front page, and it knocked news of World War I off the headlines. It focused a lot of attention on the Rockefeller family—especially John D. Rockefeller, Jr.—and as a result, a formative labor relations development came about, because not only was the state government implicated here, but in fact, there was a civil war in Colorado.

At the urging of Denver citizens, the Colorado Governor, Elias Ammons, wrote to President Woodrow Wilson and requested the intervention of federal troops because civic authorities had lost control of the government in the state (Andrews, 2008, p. 281). Wilson sent federal troops in to quell the riot, but as a condition of doing that, the Wilson Administration urged Rockefeller, Jr., to take steps to ameliorate future industrial conflict. One of the things that Wilson and federal administrators particularly favored was recognizing and bargaining with the United Mine Workers union. Rockefeller was not sure about

Figure 2. Death is a final and binding form of conflict resolution as demonstrated by the presence of a slain miner's body during the 1913 Ludlow Massacre in southern Colorado. Retrieved from http://www.loc.gov/pictures/resource/ggbain.15857.

that. So what Rockefeller did was to implement an innovative step in industrial relations. He hired this man in the next picture (Figure 3).

This is John D. Rockefeller, Jr., standing with Mackenzie King, the Canadian Minister of Labor, and a mine manager. You might wonder why the richest man in the world and a prominent politician are dressed up in miners' outfits. Rockefeller came out to Ludlow with King to visit the mining camps, and Rockefeller asked the question, "What can I do to try to create conditions which will make this a better workplace and to ameliorate the conditions that led to this strike?" King was an expert on labor relations, and between the two of them, they came up with a device called an employee representation plan. The idea was already well established in American industry and had been used at least since the 1850s in the Straiton and Storm cigar manufacturing industry (Hogler & Grenier, 1992). The employee representation plan was simple. It allowed employees to form into a committee and elect representatives from among themselves to act on behalf of the work group. So, it's just like a union, except that it did not include outside union representation. A report in the *Denver Post* ("Rockefeller grants men all union demands but unionism," 1915, p. 1) noted, "The Rockefeller plan, as it will undoubtedly come to be called, has many points absolutely unique." Among other features, it provided for arbitration of grievances and guaranteed levels of wages.

The influence of employee representation plans was tremendously important in the early years of industrial expansion. Kaufman (2004), a leading scholar of industrial relations, concluded that John Commons and John D. Rockefeller, Jr., were the founding fathers of industrial relations in the United States, which is a little amazing if you stop to think about it. Commons, a scholar and educator—somebody who was very interested in all dimensions and aspects of work—and the richest man in the world at the time, independently acting to create a system of industrial relations. The reason Professor

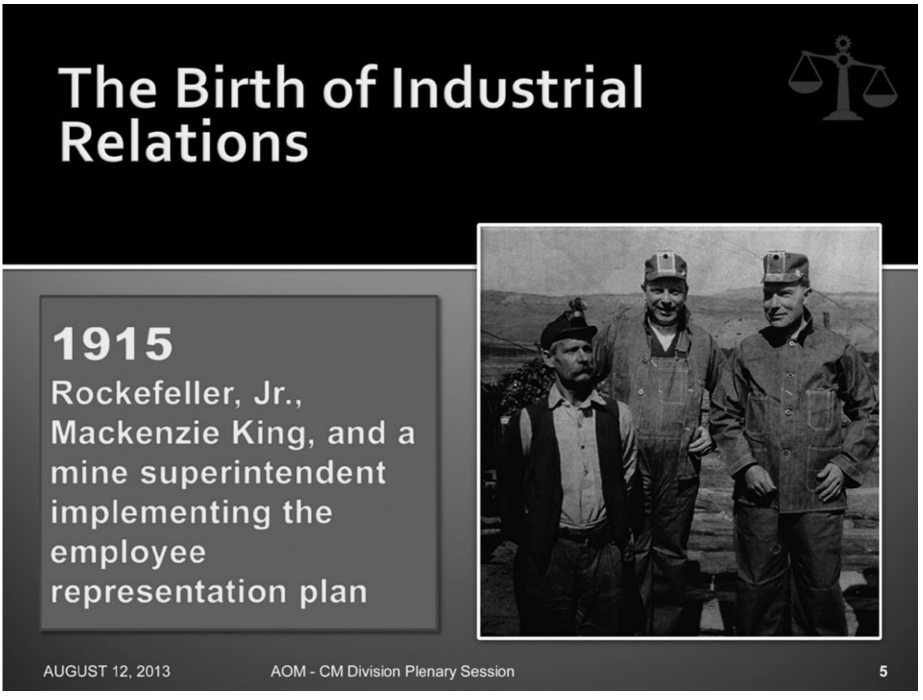

Figure 3. W.L.M. King in Frederick, Colorado, with Archie Dennison (left) and John D. Rockefeller, Jr., (right) where the three men studied industrial relations under the auspices of the Rockefeller Foundation. Photograph titled "William Lyon Mackenzie King, Archie Dennison and John D. Rockefeller, Jr., 1915" acquired at http://data2.collectionscanada.gc.ca/ap/c/c029350.jpg.

Kaufman thinks that Rockefeller was instrumental in founding industrial relations was the creation of employee representation plans in the modern industrial world. As Rockefeller saw it, there was a cooperative adjustment and mutual interest without the need of unions, and he widely promoted his vision of industrial harmony in the aftermath of Ludlow through his Colorado Industrial Plan (Rockefeller, 1916).

During World War I and into the early 1930s, employee representation schemes were widespread in American workplaces, in part because the government encouraged them. The National War Labor Board told employers—particularly steel employers—that during the war, the demand for war materials would not be interrupted by labor disputes and employers should develop systems of employment relations to avoid strikes and work stoppages (Hogler, 2007). As an alternative to collective bargaining with trade unions, employers chose to adopt employee representation plans. William M. Leiserson, one of the best-known scholars in American labor relations, writing at the end of the 1920s, said that perhaps "the most important contribution of Personnel Management" was the "development of employee representation machinery for managing economic and governmental problems as distinguished from the purely personnel problems" (Leiserson, 1929, p. 154). He emphasized that the plans afforded employees a voice in the decision-making activity of the firm. According to a classic modern treatment of collective bargaining (Freeman & Medoff, 1984), the *voice* function of employee organization remains a crucial dimension of unionism.

Why did employee representation plans disappear? What happened was the Depression. The first response to the Depression was Section 7(a) of the 1933 National Industrial Recovery Act (NIRA), recognizing the right of workers to form unions. The NIRA made up the cornerstone of Roosevelt's New Deal strategy, but the Supreme Court declared it unconstitutional in 1935 (Bernstein, 1969). At the same time, Senator Robert Wagner was developing the National Labor Relations Act or Wagner Act. When Wagner and his staff wrote the legislation, they created the architecture of the modern labor movement as we know it in the United States today. One interesting point about the NLRA was that Wagner saw a need to ban these so-called company unions, the employee representation plans. From his earliest drafts of the bill in 1934, Wagner included provisions outlawing internal organizations that represented employees' interests (Hogler, 2007).

The simple explanation for Wagner's decision to ban company unions is economic. Wagner believed, and so did John Commons, that unions were able to negotiate for economic benefits and to create a wider distribution of wealth but that employee representation systems lacked similar bargaining power (Commons, 1934; Wagner, 1934). Wagner and other policymakers during the Depression saw high levels of inequality as cause of the Depression rather than monetary policy, as many experts now believe (Bernanke, 2004). In his widely publicized speeches, Wagner noted substantial increases in productivity during the 1920s, but he argued that the benefits of productivity were not distributed to workers. The ensuing decline in earnings of workers dampened consumer demand, which in turn caused a downturn in industrial production necessitating further layoffs and declines in consumer prices. As this condition spiraled downward and the Depression deepened, Wagner (1934) said in his policy explanation of the NLRA that the best way to get out of the Depression is to create demand by creating a broader distribution of wealth through unionization. That's the essence of American collective bargaining policy, pure and simple (Hogler, 2007). We still carry on political debates about appropriate economic policies, such as the current issues involving minimum wages and unemployment insurance. To Robert Wagner and his fellow legislators between 1933 and 1935, the solution to the economic collapse needed no extended discussion. The macroeconomic benefit of collective bargaining, which Freeman and Medoff (1984) refer to as the *monopoly* effect, continues to be a major justification for unionism.

Between 1945 and 1975, collective bargaining in this country created a system whereby many workers were able—even with one wage earner—to achieve a standard of living that allowed a decent remunerative life. Stiglitz (2013) published a column in *The New York Times*, an opinion essay. He talked about growing up in Gary, Indiana, and the system that sent him through Amherst and MIT and on to win a

Nobel Prize in economics. Then, he said, "It's gone." And why is it gone? "Not necessarily because of changing economics," he said, "but partly because of changing social attitudes." I think what he means is that, as unions begin to weaken and die out, wealth becomes more unequally distributed and we are more willing to accept inequality. That was his argument. So, my argument is that justice is economic, not individual. It's nice to talk about workplace justice, but when talking about workplace justice, why don't we talk about economic justice? Economic justice is distributive. I think we're going to talk a lot about other forms of workplace justice, but I would argue that, mainly, it's economic. What did unions do? They bargained for those conditions. They created conditions whereby economic needs were generally satisfied throughout the economy.

There's been a very significant interest in inequality just recently. *The Journal of Economic Perspective's* most recent issue focuses on that (Alvaredo, Atkinson, Piketty, & Saez, 2013). People are writing articles, including one which I think is a particularly significant contribution. Western and Rosenfeld (2011), writing in the *American Sociological Review*, traced the effect of unions. They concluded that the persistent "decline of unions accounts for a third to a fifth of income inequality in this country" (2011, p. 517). The underlying foundation of organizational behavior research is a prescription for further policy paralysis. How are you going to argue that inequality is a problem when you talk about markets, you talk about individuals, you talk about merits, you talk about all this stuff, but how do you look at the bigger picture and try to deal with inequality? And I think that is an important question facing capitalism right now. For Wagner and Roosevelt and the New Deal Congress, it was the cause of the great crash of 1929.

The problem is, we had a *great crash* in 2007–2008, and it didn't do anything except make most people worse off. There was an interesting article in *The Economist*—the issue before last—talking about the British middle class being squeezed ("Squeezed Middle," 2013a). The British middle class used to be fairly well off. Now they're getting squeezed worse and worse, although a few people are getting much richer. And I guess I would just end this point with one further comment. I'm watching the business news on NBC's Today (Ronalds-Hannon, 2013), and heard them talking about airline seats. Maybe you saw this report—about these low-cost airlines—they're now thinking about adding high-class, first-class cabins. And the commentator said, "You can fill an entire airplane with coach passengers and not make a nickel. You can fill the entire first-class section of one of those 737s and make a profit, even if there's nobody in coach." (http://www.nbcnews.com/travel/how-economy-first-class-are-growing-even-farther-apart-6C10930052) So, we're now moving to segregated airlines, and, you know—the implication being—it's not going to get better. It's going to get worse. Pretty soon, if you want to go somewhere, you'll need to ride first class on the airplane or ride the bus. Further, I fail to see how the present state of affairs in business education is going to make any radical changes.

What does academic research have to do with all this? I would contend that the field of organizational behavior has everything to do with a microanalytical framework that deals with individuals and almost nothing to do with the normative content of managerialism and corporate power. A recent article appearing in the top management journal in the field perfectly illustrates the matter (Grant, 2013). The study explores how employees can successfully petition their bosses for a redress of grievances or exercise a voice in the workplace. Not surprisingly, employees typically fear reprisals from their supervisors if they express their views, and employees therefore should learn to manage their emotions. The article presents a sophisticated quantitative model showing how *emotional regulation* consisting of *deep acting* and *surface acting* to disguise the emotions underlying the impulse to complain will result in better performance evaluations for employees. The world depicted in this stylized and decontextualized treatment can be regarded as an updated version of the *Downtown Abbey* workplace. The people who actually perform useful labor, in order to survive encounters with their superiors, must exhibit a mix of servility, deference, ingratiation, and attentiveness to social status. And as in Downtown Abbey, no one needs to worry about a union steward.

I have one last slide to close with. You might think today's economy is not doing well, but look at what's happened since 1979 (Figure 4).

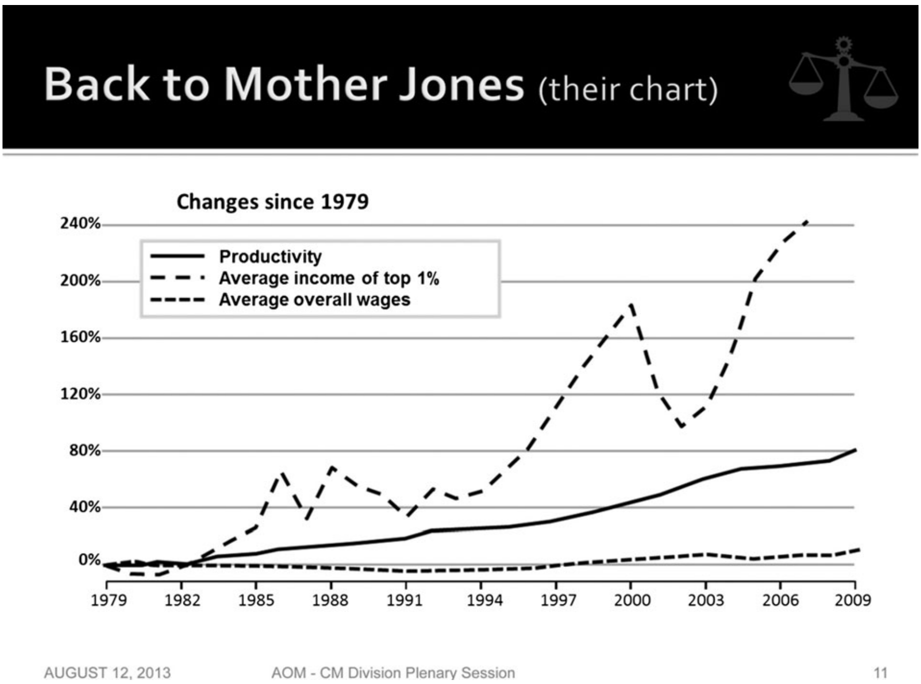

Figure 4. This *Mother Jones'* chart illustrates changes in productivity, income of the top 1%, and wages since 1979. “Productivity has surged, but income and wages have stagnated for most Americans. If the median household income had kept pace with the economy since 1970, it would now be nearly $92,000, not $50,000.” Chart titled “You Have Nothing to Lose but Your Gains” acquired at http://www.motherjones.com/politics/2011/02/income-inequality-in-america-chart-graph.

Here's the average income of the top 1%. Here is productivity in the middle. You see productivity steadily goes up. And down here, you see this flat line, that's wages. This chart comes from the website of the *Mother Jones* (2013b) magazine (http://www.motherjones.com/politics/2011/02/income-inequality-in-america-chart-graph). And I think *Mother Jones* sums it up pretty nicely, productivity goes up, wealth goes up in this country, it goes up for the top 1%. If you read Wagner's speeches and his addresses promoting the National Labor Relations Act, he was talking about exactly this. He talked about a period of rising productivity, talked about a period of rising inequality, and then he talked about the economic collapse that followed, and hence, the Depression. But things are different now. What's going to change it? Who will try to ameliorate inequality? I don't know, but I venture to say, it's not going to be organizational behavior's pallid conception of workplace justice stripped of any real balance of power.

Stephen Gilliland: Organizational Justice Satisfies Individual Needs and Protects Against Unfair Economic Distribution

Unions have clearly had an important role in the evolution of organizations and workplaces. Through the voice they have given to employees, work conditions have improved, policies have become more employee friendly, and organizations have realized the value of listening to employees. However, unions do not necessarily deliver justice from an individual perspective, and the adversarial approach can be damaging at the collective level. In contrast, organizational justice theories provide a more contemporary approach for ensuring individual and even collective needs and generating positive value for firms. In short, I am suggesting that modern organizations have evolved beyond unions and can gain competitive advantage when the fully embrace principles of organizational justice.

There are a number of problems with the approach taken with most unions. First, unions provide broad brush representation by focusing at the level of the collective rather than individual. Sometimes individual interests and rights are lost in the union. A small example is when workers are required to pay union dues but must wait a probationary period before becoming a member of union. In paying dues but not gaining formal voice, it is clear that interests and goals of the union supersede interests of the individual. Second, unions have traditionally taken an adversarial approach to the relationship between workers and management. When workers have problems with management, unions address those problems. Instead of a strategic alignment of the workers and leadership, the necessity for and power of unions come from managing this adversarial relationship. If workers and management were fully aligned, there would be no need for a union. Third, unions are fundamentally grounded in principles of unfairness, with the need for unions as a mechanism for addressing unfairness. People seek union representation when they feel they are not getting their fair share. However, leading through organizational justice provides an alternative way to address fairness and is strategically more advantageous than a union approach.

Clearly, unions were valuable at their time. But modern organizations are moving beyond that time now, and organizational justice provides a new model of industrial relations. The workforce looks very different today than it did back then. The picture on the right of Figure 5 looks very different from the

Figure 5. Problems with union approach versus justice-based employee relationships are demonstrated by comparing how very different the work environment of the women (left) who spent their day standing at a conveyor belt stamping hams with the USDA grade and Oscar Mayer label differed from people working at Google today (right). Photograph (left) titled “Women on Assembly Line Stamping Hams” acquired at http://www.flickr.com/photos/whsimages/998243013/. Original photograph (right) is titled, “Fortune names Google ‘Best Company to Work For’” with the caption, “We think Google is a great place to work, but don’t just take our word for it. Fortune awarded Google the number one spot in its 2013 list of ‘100 Best Companies to Work For.’ This marks our fourth time at the top and the honor reflects our ongoing efforts to create a unique workplace and culture.” Retrieved from http://www.google.com/about/jobs/lifeatgoogle/best-company-to-work-for-fortune-2013.html.

traditional assembly line on the left from an era when unions had their most value. The modern picture is from an office space at Google (http://www.google.com.hk/about/jobs/lifeatgoogle/), which does not have unions. They appear to be treating their workers pretty well, even the ones playing foosball in the back. I think organizations and their assumptions and approach to dealing with employees have changed and have evolved beyond the need for unions.

Organizational Justice

To better understand how organizational justice provides a new approach to industrial relations, I provide a brief summary of the main concepts from organizational justice research. Organizational justice scholars have identified three domains in which people seek fairness in their interactions with organizations (Cropanzano, Bowen, & Gilliland, 2007). The first one is the outcome or distribution that they receive (distributive justice). Distributive justice can apply to any work-related outcome, from compensation and performance evaluations to discipline and layoffs. The second domain is procedural justice, which refers to the fairness of processes and procedures used determine how outcomes are allocated. At the heart of procedural justice are concepts of providing voice or representation in decision making, consistency of decision standards, and accurate, unbiased decision criteria. The third domain of organizational justice is the way in which decisions are communicated and implemented. Providing timely, informative information on decisions and treating employees with dignity and respect when implementing decisions are the informational and interpersonal components of interactional justice. As summarized in Figure 6, these three domains of organizational justice all provide different antecedents of perceptions of overall fairness (Ambrose & Schminke, 2009).

A model of organizational justice developed by Folger, Sheppard, and Buttram (1995) is called the SAN model. They suggested that what constitutes fairness for individuals is different at different times. Sometimes people want to be treated like *some* other people (the S in SAN), which can be seen in the case of equity. With distributive justice perceptions of equity, individuals want to be treated similarly to people who are contributing the same amount, with the same background, and making the same impact on the firm. Other times, people want to be treated like all other people (the A in SAN). From a distributive justice perspective, this would be exemplified in the principle of equality. For example, we expect to receive equal retirement and health benefits to other workers at our firm. The procedural justice principle

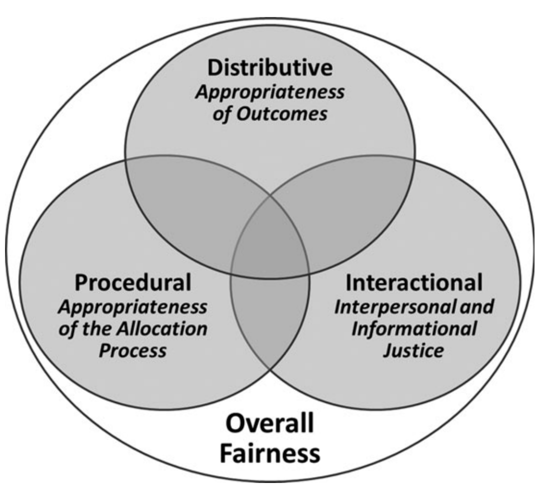

Figure 6. Model representing three domains of organizational justice; they contribute to overall fairness perceptions (Ambrose & Schminke, 2009).

of consistency also reflects the desire for everybody to receive the same approach or treatment. The N in SAN recognizes that sometimes people want to be treated like no other person. Sometimes people want to be treated uniquely. Consider the concept of reasonable accommodation for individuals with disabilities; this is a situation where an individual is being asked to be treated like no one else. In this case, fairness comes from being treated uniquely instead of consistently. The apparent conflict between the three approaches suggested by the SAN model can be resolved by recognizing that people want different types of treatment in different situations. For example, everyone should have equal access to reasonable accommodation of disabilities, but specific accommodation is provided on a unique individual basis. I argue that the union model addresses the A in SAN. Unions are designed to treat everybody the same in terms of both consistency and equality. On the other hand, organizational justice captures many more of the nuances of differentiation, even down to the individual level.

Organizational justice concepts have been applied and studied in most areas of employee relations including hiring, evaluation, compensation, conflict management, discipline procedures, and layoffs in the organization (Greenberg & Colquitt, 2005). Interestingly, these are the same issues traditionally addressed by unions. I suggest that if organizations adopt a justice perspective in managing their areas of employee relations, there is not a need for unions in the workforce. The justice perspective addresses all of the interests and needs that unions try to achieve.

Why does organizational justice provide a better approach than unions to industrial relations? At the most basic level, justice satisfies individual employee needs, not just collective needs. There are three types of *needs* that underlie much of why people want to be treated fairly (Cropanzano, Byrne, Bobocel, & Rupp, 2001). From a *self-interest perspective* (Gillespie & Greenberg, 2005), people want to be treated fairly so they get their fair share. That is, fairness ensures interests at the individual level are being satisfied.

The second need or reason why people want to be treated fairly is so they know they are valued members of the group or organization (Tyler, Degoey, & Smith, 1996). This is similar to what unions try to do, but there is also an individual element. People want to ensure that they are a *legitimate part of their group* and that their individual contributions will not be exploited or ignored. Note that in the earlier example of a situation where a new employee is paying union dues but is not yet a member of the union, the employee is likely to feel that his or her relational interests are not being satisfied through the union.

The third reason people seek justice is for deontic or moral reasons—*because it's fair and the right thing to do* (Folger, Cropanzano, & Goldman, 2005). This suggests there is an ethical component to fairness that is not negotiable. Fundamentally, people deserve to be treated fairly. If one considers the protests against unfair distributions because of the widening gap between the very rich and everybody else—the protests over the corporate greed—a likely source of motivation for these protests is based in the deontic principle that extreme wealth gaps are simply not right or fair.

Strategic Advances of Organizational Justice

Clearly, individual interests are satisfied through management that adheres to principles of organizational justice. But why should organizations care about these individual interests? Research has demonstrated that when people feel fairly treated, it impacts the way they do their jobs and the way they treat others around them (Colquitt et al., 2013). This can be viewed as the justice ripple effect, or the ripple effects of *fair management* (Figure 7). The idea is that if you treat employees fairly, it's going to have a ripple effect in terms of what they do on the job. We see that fair treatment of employees leads to higher productivity, greater organizational citizenship behaviors, lower absenteeism, lower turnover rates, higher creativity, and a whole variety of behavioral consequences (Colquitt, Conlon, Wesson, Porter, & Ng, 2001). Importantly, this is more than simple reciprocation in that responses to fair treatment are not simply directed toward the source or focus of that treatment (Colquitt et al., 2013).

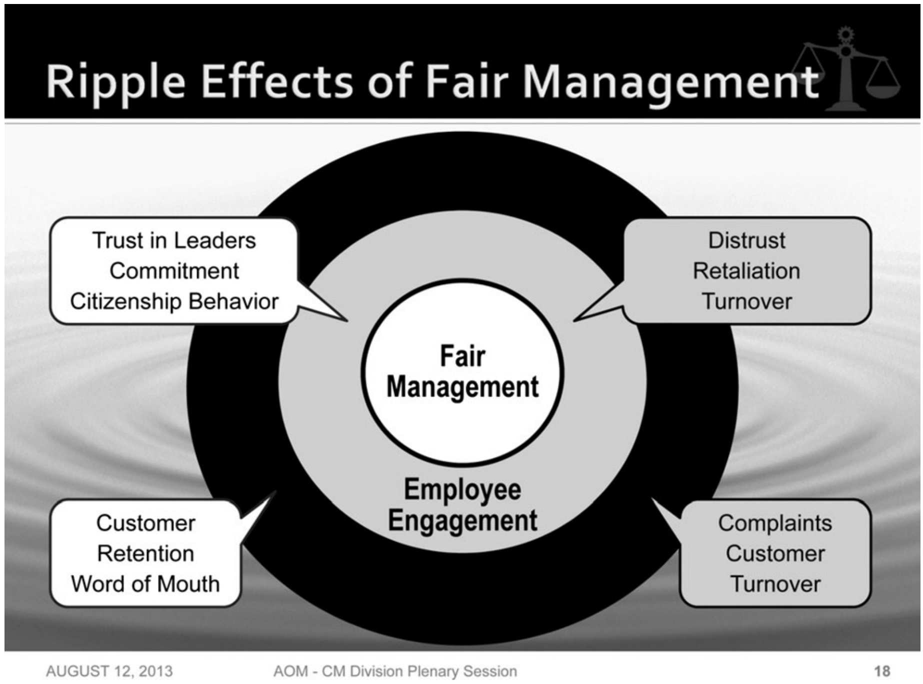

Figure 7. Ripple effects of fair management practices improve customer's experience and increase customer loyalty when interacting with employees who are happy at work. Unhappy employees are less likely to impress customers and encourage repeat business (Bowen et al., 1999; Maxham & Netemeyer, 2003).

The original ideal behind this ripple effect is that when leaders treat their employees fairly, the employees tend to engage in positive behaviors that spill outside the work environment and pass further ripples to their customers (Bowen, Gilliland, & Folger, 1999). Research has demonstrated positive ripple effects in increased customer satisfaction, customer retention, and word-of-mouth recommendations (Maxham & Netemeyer, 2003). That is, through leading fairly, we get a workforce that is more productive and more engaged, resulting in a customer base that is more engaged and more satisfied. This ripple effect provides a strong a strategic reason for adopting principles of organizational justice.

You do not tend to see this same sort of ripple effect from unions. You do not get the same sort of employee engagement, innovation and creativity, and customer service with a union—at least not the last time I stood in line at MVD trying to get my driver's license updated. The reader can probably think of lot of examples where a collective unionized approach has not led to the most ideal customer service.

The flip side of the ripple effect is that it also happens in reverse (Figure 7). This can be viewed as two sides of the same justice coin (Cropanzano et al., 2007). On the unfairness side, if workers are treated unfairly it tends to result in lack of engagement, increased distrust, more retaliation, and higher turnover. Unfair treatment also leads to increased customer complaints and greater customer turnover. This suggests solid strategic reasons for trying to manage fairly.

A great deal of research was done in the 1990s examining the strategic impact of effective HRM practices. Huselid, Delery, and colleagues published studies showing that companies with more proactive, productive, and effective HRM practices had better financial outcomes (e.g., Delery & Doty, 1996; Huselid, 1995). When the components are effective, HRM practices are examined, you find they are based on a number of principle so organizational justice. For example, effective HRM practices include employee participation and information sharing, which are cornerstones of procedural and interactional justice.

Additionally, the organizational justice approach can be aligned with a variety of strategic orientations and options. If you consider the low-cost, value-based strategy that is pursued by Costco, you find they are successfully competing in the big-box, low-cost market. Costco implements this strategy by treating employees fairly, offering wages that are higher than their competitors, and offering benefits to their employees. They spend a lot more on their employees' hourly wages and benefits than does the competition (e.g., Sam's Club and Wal-Mart), but as percent of revenue, their employee costs are lower (Cascio, 2006). From the case study of Costco, it appears that when companies invest in people through management practices aligned with organizational justice-based principles, they achieve productive returns.

Starbucks is a company that competes successfully in the service domain through emphasizing customer service and treating employees fairly. I had an opportunity a couple years ago to pick up Howard Schultz at the airport. As I was driving back to the university with him, he said, "Stephen, I think I'm going to say some things that your Arizona business leaders aren't going to want to hear." He suggested that businesses are dropping the ball and that businesses need to be the solution to the problem. In his talk that day, he addressed health care and suggested that business cannot simply wait for government to solve healthcare problems; they must engage and help develop solutions to these problems. More broadly, he was also saying that business leaders are the ones who have to look out for the individuals. That is the role of business in society. Similar to Rockefeller, he was advocating for individual justice through organizations.

Google is another company using justice principles in a lot of the ways they lead and manage their people. Through their management practices, Google has gained considerable innovation and creativity from their people. By providing extensive benefits, autonomy, and information sharing, they are engaging people through fair treatment.

Beyond these case examples, there is also research evidence to support the impact of fair leadership practices on financial returns. Maxham, Netemeyer, and Lichtenstein (2008) surveyed 1,600 employees, from 300 different retail stores and also collected 57,000 customer surveys (Figure 8). They were able to link employee perceptions of justice to employee customer service behaviors (as rated by their supervisors), to customer evaluations of service quality, and finally to the financial performance of those stores. They found significant effects for a couple different financial performance indicators, including comparable store sales growth. Their analysis demonstrated support for all of the links in this chain, and they found support for the overall link between organizational justice and comparable store sales growth. This study provides solid evidence of the impact of organizational justice on bottom line performance—for the ripple effect of justice.

The bottom line is that using organizational justice, organizations can align employee interests with the organization's interest. As a final example, consider the case of Lincoln Electric (Berg, 1975) that makes welding equipment in Cleveland, Ohio. This is the type of assembly line business where unions have had the most impact. Lincoln Electric has been around for almost a hundred years, and yet, they have never had a union. They use piecework but pay their people well. Their compensation system (including piece rate pay and annual bonuses) embodies distributive, procedural, and interactional justice. They have aligned employees' interests with the organization's interests. Their employees know that the more they produce, the better the company is going to do, and the better they do as individuals. When you align employee interests and organizational interests around the concept of fair treatment, you get people who work extremely effectively for you. Lincoln Electric has found success doing this for nearly a hundred years.

So back to this question of whether organizational justice represents the new industrial relations. Considerable evidence suggests that leading and managing through principles of organizational justice addresses collective interests typically enforced through unions but also satisfies individual employee interests and provides organizations with strategic competitive advantage. If organizations fully embrace an organizational justice orientation, there is no longer a need for unions and organizational justice can represent the new industrial relations.

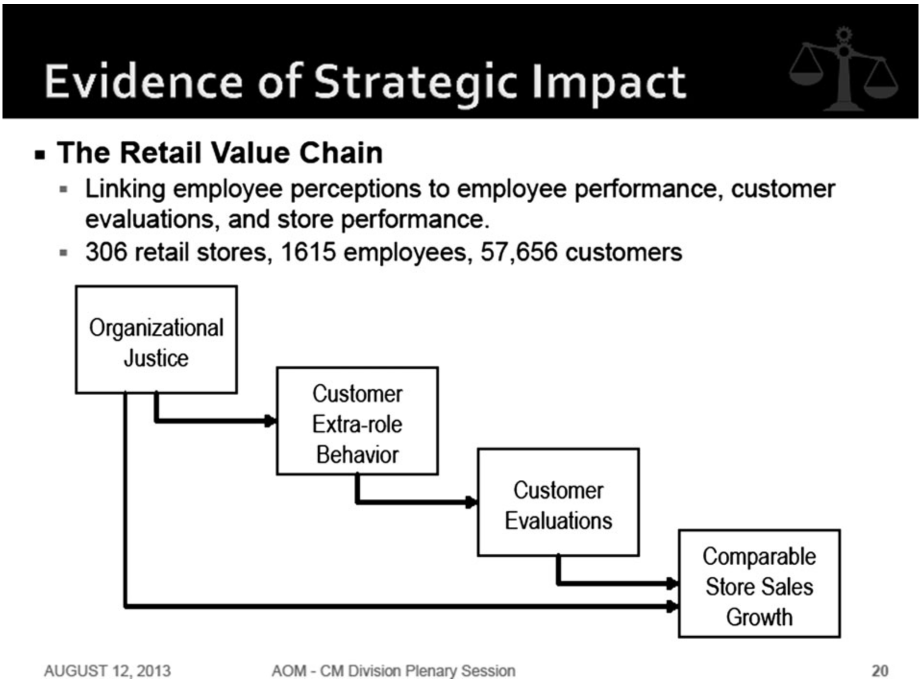

Figure 8. Evidence of the strategic impact organizational justice has on every level of employee and customer interaction (Maxham et al., 2008).

Hogler Rebuttal

Well, I don't need five minutes, but I would like to help Stephen update his case study. There was a book published two years ago called *Spark*, by a Canadian writer named Frank Koller (2010), on Lincoln Electric. I had extensive conversation with him, and we talked a lot about the Rockefeller employee representation plan, because Frank is convinced, and I believe that he's correct, that the Lincoln Electric model came right out of this era with Rockefeller and these employee participation plans. They don't have a union, it's true, but they have something that looks exactly like a union. That's an internal employee representation committee in which they select people to go talk to the bosses. They paid out last year or the year before—Frank sent me the updated figures—somewhere around $70,000 as a bonus to production workers. $70,000 in the form of a bonus. That's earnings over and above your regular paycheck, based on the productivity of the company. A lot of people say, "Why can't more companies be like Lincoln Electric?" My answer is because, despite the way Stephen describes all this stuff, there aren't many other employers out there like that. When the Lincoln brothers founded their company, they did so based on very deep moral convictions and principles. I submit to you that Walmart has only one moral conviction and principle—that's to make money for the people who own it—primarily those shareholders in the Walton family. I think you can see this mindset in practice every day.

As for Costco, I agree wholeheartedly. I think that's an example of a company doing business the right way. They also try to create a higher wage base for their employees and provide benefits. I think part of the reason they do that is that they are unionized in some places, and they certainly don't want to treat employees differently from location to location. So the fact they have a union presence is important. And, finally, this idea about individuals and unions, I agree that every time you join a union or any other social organization you're surrendering some of your individual rights.

I come from Colorado, where the most important individual right we have is the right to carry a concealed weapon. That's what they care about. That's what we care about. Frankly, I'm mystified by that because what good does it actually do? And the answer is, it makes me feel—I'm not packing right now but if I put myself in their position—it makes me feel like I'm an empowered individual. I always have a conflict with my individual rights and society because some things society wants to confine restricts my preferences as an individual. That shifts the way the world is—it's a fundamental contradiction about life—if you want to look at it that way.

I appreciate everything Stephen said about submerging your interests as an individual into the union. But going back to my main point, everything he said about justice doesn't say one thing about creating conditions for more equal wealth distribution. Unless you say it's a moral question. If it's a moral question, you should have been at the session before this one where they discussed moral and spiritual leadership—Are we going to get anywhere with that? I submit to you, no. No, because for the 40th time the House of Representatives voted to repeal national healthcare, despite the fact there's good evidence that Starbucks, and these other employers, is not going to voluntarily step up and create a system of employer-regulated health insurance without a mechanism to help them along—like it used to be—because of unions. I think the competitive forces driving this whole thing are going the other way and they're hard to stop.

One final example: There was a write-up about the BART strike recently in the *New York Times* (Onishi, 2013). Reporters interviewed several commuters about the impact of the strike and found some very negative views. This was in California, which tends to be sympathetic to unions generally. But they interviewed a lot of people who said that operators on the system were making around $70,000 a year, which is a substantial wage and more than many Americans earn. Because BART is funded in part with tax revenues, it creates a conflict with citizens who depend on the services. So effectively, you now put social pressure against unions. Unions are now in the position of being the greedy ones—they're taking money away from everybody else through rent—if you will. Wagner's idea was to enable unions to help distribute wealth more equitably through bargaining power. It did, and now, it's encountering political reaction. But I don't see any solution to the problem through individual mechanisms.

Gilliland Response

I will offer a few clarifications and responses to these comments. First, Starbucks and other forward-thinking business did step up, before Congress and the President acted, to start to address healthcare reform. A number of years ago, Howard Schultz and a group of other CEOs engaged in discussions to come up with business-based solutions to health care. Basically, their argument was that government is not getting it done, meaningful healthcare reform must come from business. They did things in their organizations, and put pressure on other organizations, to address healthcare needs.

Second, in response to the point on economic inequalities, the organizational justice perspective provides us a perfect way to understand and study these issues. In a few recent papers on perceptions of greed, a co-author and I demonstrated that organizational justice provides a solid foundation for understanding why the Occupy Wall Street movement arose when it did and why reactions were strong and widespread (Gilliland & Anderson, 2011, 2013). Principles of organizational justice and research on this topic allow us to understand reactions to economic inequality and social movements around inequality.

Third, at the individual level, power enters the organizational justice model through the notion of empowerment. The underlying principle of empowerment is giving power to your workers, and the idea of empowering your workers is central to a lot of organizational justice (Cropanzano & Kacmar, 1995). So, when adopting an organizational justice approach, power is shifted to individuals rather than to a union. That being said, organizational justice provides informal power, such that workers do not have formal means of addressing economic equality. Through principles of voice and equity, organizations should be providing greater economic equality. But there is a level of formal power that unions provide that is replaced by trust and informal power with organizational justice.

The Presenters Sum up Their Positions

Hogler

This discussion began as a debate about unions and collective action versus individuals and organizational justice. It evolved into a discussion about inequality of wealth in modern society. My argument is that the employee representation plans begun in 19th century America and continuing up to 1935 offered a means for employers to deal with employees on some rough level of equity and fairness. Rockefeller did not originate the ERPs, but he was the most well-known advocate of them. His influence in this area was tremendous. His views on the nature of employment in America were more progressive than any corporation before or since, with the possible exception of Lincoln Electric.

Robert Wagner believed that the ERPs represented a mortal threat to his system of collective bargaining for the simple reason that they lacked bargaining power to set wages on a national level (Wagner, 1934). For Wagner, this feature of union representation was the backbone of federal labor policy. If there had been no Depression, and no National Labor Relations Act, it's possible that we would now have a scheme of voluntary employee representation widespread among American employers. Because there was a Depression and a federal statute, the environment took on an oppositional character. During the 1980s, *human resource management* became the basic tool for dismantling unions in the workplace. HRM transformed itself into an apparently more benign discipline known as organizational behavior, which studies topics such as leadership, motivation, teamwork, and other subjects related to getting work out of workers. As such, it is antithetical to collective dealing through an outside representative and delves into intellectual realms dominated by a microanalytical perspective. Consequently, it offers nothing useful to deal with the most urgent problem of our time—inequality in the distribution of productive wealth.

Gilliland

The main problem with the *industrial relations from a union perspective* is that it is fundamentally based in conflict and unfairness. Unions exist to bridge the gap in divergent interests between organizations and employees. Individual interests and organizational interests can be submerged by unions to accommodate the interests of the collective. In contrast, the organizational justice approach allows for the alignment of individual, collective, and organizational interests. Managing through principles of fairness and justice can eliminate the need for union representation.

Organizational justice can also provide strategic differentiation for organizations. When employees are treated fairly, they respond with commitment, extra effort, innovation, and productivity. Research demonstrates that when employees feel fairly treated, this fairness spills over to customer treatment, who in turn feel satisfied and respond with repeat patronage and word of mouth recommendations (Maxham et al., 2008). The strategic advantages of organizational justice exist for a wide variety of industries and strategies, including value-based, innovation, and service-oriented strategies.

Discussion Leader's Conclusion

This debate has highlighted a number of interesting points of divergence between an IR focus on unions and the OB perspective of organizational justice. However, there are also a number of points of convergence that could be developed through future research. First, it would be interesting to investigate the extent to which the differences between effective and ineffective union–management relations are related to distributive, procedural, and interactional justice principles. It is possible that organizational justice might provide a platform for effective union relations.

Second, Ray Hogler has raised an important point about the growing disparity between the highest paid executives and average workers, pointing out that this gap has increased at the same time that unionization has decreased. Organizational justice has not been applied to understand these more macro trends in society and is relatively silent on these broad-scale pay inequities. It would be useful for organizational justice researchers to apply their theories to examine societal-level organizational injustices.

Third, an important question was raised about the barriers or limits to the effectiveness of organizational justice. Stephen Gilliland suggested that fairness principles can provide competitive advantage in a wide variety of industries for a number of different strategies. However, these limits have not been tested. Is organizational justice too cumbersome or inefficient in some industries? Procedural justice, with its emphasis on voice, due process, and consistency, really suggests a bureaucratizing of management practices. It is possible that some aspects of organizational justice are ineffective and counterproductive for certain types of companies (e.g., small entrepreneurial startups) or some types of industries (e.g., low skilled agricultural jobs). Future research should examine these boundary conditions.

Finally, this debate raised an interesting question of whether the microanalytical and individual focus of most OB research has emphasized methods over matter. That is, with an emphasis on scientifically sound and internally valid designs, have researchers ignored the most interesting and important issues that have been facing current organizations and societies. The failure of most OB research to offer empirical insights into the Occupy movements and other protests over corporate greed is but one of many examples of how current issues are not receiving research attention.

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