Just Tell Me! Making Alternative Dispute Resolution Systems Fair

DONNA MARIA BLANCERO, ROBERT G. DELCAMPO, and GEORGE F. MARRON*

This study investigates fairness perceptions of alternative dispute systems utilizing a policy capturing design and a sample of four hundred and fifty non-union, non-management employees from seven organizations. The communication surrounding the decision, the level of employee input, and the composition of the grievance panel had larger effects on overall fairness perceptions than did outcome. Unfavorable outcomes that were reached by fair processes generate higher distributive justice ratings than favorable outcomes reached by unfair processes.

FAIRNESS AND EQUITY ARE ISSUES THAT HAVE BEEN RESEARCHED for over 40 years (Adams 1965; Thibaut and Walker 1975). Over the past 20 years, however, the issue of justice in the workplace, or organizational justice, has taken hold (Ambrose 2002; Colquitt et al. 2001; Greenberg 1990a; Greenberg and Cropanzano 2001; Sheppard, Lewicki, and Minton 1992). Some studies have focused on the organizational justice implications of various human resource policies and practices such as performance appraisals (Gillespie and Parry 2006; Henle 2005), compensation (Folger and Konovsky 1989; Greenberg 1987b), comparable worth (Greenberg and McCarty 1990), parental leave (Grover 1991), and drug testing (Konovsky and Cropanzano 1991). Other studies have examined the implications of organizational justice for outcomes such as satisfaction with union and management (Simpson and Kaminski 2007), organizational commitment (Hubbell and Chory-Assad 2005), and organizational citizenship behavior (Byrne 2005; Van den Bos 2002).

More broadly, however, an internally consistent and fair set of human resource policies and programs may not be enough to insure organizational justice and other desirable outcomes. Supervisors, who implement these policies, whether due to a lack of training or personal biases, may not administer
them in the intended way. Thus, internal grievance systems are also necessary. While such systems are available to virtually all unionized employees, they are less well established among non-union employees (Bingham 2004; Haraway 2005; Masterson 2001; Nurse and Devonish 2007).

There are various reasons for the establishment of non-union grievance systems or alternative dispute resolution systems (ADRS); subsequently there are several possible measures of effectiveness. Regardless of the reasons for the establishment of ADRS, it is reasonable to suggest that employees would not be satisfied with and/or use a system that they perceive as unfair. Therefore, the measure of fairness perceptions is a meaningful and logical primary measure of the effectiveness of these systems (Ewing 1989; Westin and Feliu 1988).

Although there has been a fair amount of speculation and hypothesizing about characteristics of ADRS that lead to fairness, there has been little evidence of their success (Bingham and Chachere 1999; Boroff 1991; McCabe 1997; Peterson 1992) other than case studies or anecdotal evidence. Researchers have additionally called for examination as to whether or not ADRS are an adequate substitute for union grievance systems and viable in terms of organizational due process (McCabe 1997). Additionally, researchers have called for further research that looks at the incremental influence of different justice dimensions, rather than lumping them into a single variable. Recent research findings assert the distinctiveness of each construct and their unique value in organizational research (Colquitt et al. 2001). This is where the present study contributes to the literature, by assessing multiple justice dimensions and the overall fairness of the process. Especially in the current business climate, including concerns about a downturn in the economy, issues regarding affirmative action, the aging of the workforce, and the continued perceptions of discrimination in the workplace, ADRS will be on the rise.

The present study examines the fairness perceptions associated with ADRS using a policy-capturing research design. A policy-capturing questionnaire was used to present variations in grievance procedure characteristics and outcomes and to measure perceptions of the different dimensions of fairness. A policy-capturing approach uses realistic, yet hypothetical, scenarios that are created by crossing key variables in every possible combination. Compared with self-reporting, policy capturing gives a more precise estimate of the relative importance of the criteria used in arriving at judgments, in this case fairness perceptions, especially when sensitive issues are involved. Advantages include the avoidance of socially desirable responses and the ability to focus on critical variables by manipulating the variables in question and controlling for extraneous variables (Fritzsche and Brannick 2002; Hitt and Barr 1989; Klaas and Wheeler 1990; Miller and Wiseman 2001; Rynes, Weber, and Milkovich 1989). Characteristics
of non-union grievance systems were extracted from the literature and the relationships between these characteristics and fairness perceptions were analyzed. The communication surrounding the decision, the level of employee input, and the composition of the grievance panel had larger effects on overall fairness perceptions than did outcome. Moreover, unfavorable outcomes that were reached by fair processes generate higher distributive justice ratings than favorable outcomes reached by unfair processes.

Non-Union Grievance Systems

Alternative dispute resolution systems are gaining favor in today’s business environment. Firms view this shift in the grievance process as a positive movement toward a less costly and more effective decision-making process for both management and employees. Most scholars and practitioners agree that this innovative process is an excellent way to avoid costly judicial processes and maintain healthy relations with employees (Colvin 2003; Lipsky, Seeber, and Fincher 2004; Turk 1999).

Formalized non-union grievance systems take many forms. However, they usually fall into five categories (Balfour 1984): (1) “open door” policy, (2) ombudsperson, (3) hearing officer, (4) peer decision committee, and (5) outside arbitration. An ombudsperson typically cannot force a decision, but can mediate disagreements. Alternatively, a hearing officer usually makes the final decision, as does an arbitrator. Typically a committee “recommends” a decision to top management.

Within each of these categories may be several types. For example, an open door system can be quite structured, or formalized, as well as the more common loosely defined system. In addition, committees are not only “peer” committees, but often consist of various combinations of both non-management and management employees, or, quite often, all management employees (Blancero and Dyer 1996; Ewing 1989). It is the “committee” or “panel” category that has the largest variety of system types.

Depending on one’s definition of a grievance system, or corporate due process, the number of systems in place varies considerably. Ewing (1989:4) describes corporate due process as “... effective mechanisms and procedures for ensuring equity and justice among employees.” Keeping this definition in mind, approximately 50 percent of all medium- and large-sized organizations have formalized non-union grievance systems (Mareschal 2002; McCabe 2002). Moreover, the number of organizations with non-union grievance systems, and/or those that are interested in establishing such systems has increased over the past decade (Mareschal 2002; McCabe 2002).
Several characteristics of non-union complaint systems are hypothesized to lead to equity—or fairness—outcomes. These include the availability of expert resources to aid employees in processing their grievances (Westin and Feliu 1988); the level of input employees have into the process (McCabe 1988); the impartiality, or degree of independence from management, of the adjudicator (Blancero and Dyer 1996; Fitz 1999); the timeliness and speed of the process (Blancero and Dyer 1996; Ewing 1989; Sheppard, Lewicki, and Minton 1992); the consistency with which grievances are resolved (Blancero and Dyer 1996; Ewing 1989; McCabe 1988); the degree of top and line management support the process has (Blancero and Dyer 1996; Ewing 1989; Westin and Feliu 1988); the extent to which the process fits the organizational culture (Blancero and Dyer 1996; Dibble 2000); and the nature of the outcome, or the decision of the adjudicator (Blancero and Dyer 1996; Ewing 1989; Westin and Feliu 1988).

Organizational Justice

Justice researchers have studied fairness from three different perspectives: distributive justice, procedural justice, and interactional justice. Distributive justice, with its roots in equity theory (Adams 1965), focuses on the fairness of the distribution of outcomes. Procedural justice is concerned with the fairness of the processes by which outcomes are distributed (Folger and Greenberg 1985). Interactional justice deals with the fairness of interpersonal interactions or communication (Bies and Moag 1986). Overall fairness perceptions may be formulated based on all three perspectives (Greenberg and Cropanzano 2001).

Clearly, the literature strongly supports the notion that procedural justice “matters” when measuring overall fairness or justice (Greenberg and Cropanzano 2001; Hovorka-Mead et al. 2002). Additionally, several studies have suggested that distributive justice and procedural justice have independent effects on overall fairness perceptions, or evaluations, with procedural justice more likely to influence overall fairness judgments (Greenberg and Cropanzano 2001; Jones, Scarpello, and Bergmann 1999).

H1: Non-Union Grievance System Procedural Characteristics Will Contribute to Overall Fairness Perceptions More than the Outcome

Procedural justice is the perception of the fairness of the procedures used—the “means” used to arrive at the “ends.” Two types of control are considered critical in procedural justice: process control and decision control (Folger and Greenberg 1985; Thibaut and Walker 1975). Process control involves control over the development and selection of information that will be used in
decision making. The extent to which one can determine the outcome of the
decision is called decision control. In a study examining fairness and perfor-
manence evaluations, Greenberg (1986) found several procedural components
that influenced fairness, including: employee input, ability to rebut, and consis-
tency. Two characteristics of non-union grievance systems—employee assis-
tance in preparing the grievance and the opportunity for input or
involvement—tap into process control. Another factor that allows employees
perceived control is the impartiality of the decision maker. If employees per-
ceive that the decision maker is impartial, they will feel that they have more
control over the process. This independence from management is considered
by some to be the most critical characteristic for non-union grievance systems
to possess (Ewing 1989). A consistent finding is that procedures with greater
process control are considered more fair, as are the outcomes (Eddy, Stone,
and Stone-Romero 1999; Folger 1986; Folger and Greenberg 1985; Ployhart,
Ryan, and Bennett 1999).

H2: Procedural Justice Will Be Determined Primarily by the Input Allowed by
Grievants, the Availability of Employee Assistance, and the Independence of
the Decision Makers

Distributive justice is grounded in equity theory. Essentially this theory
claims that individuals examine, or compare, their input/outcome ratio to
ratios of comparison others (Greenberg 1982, 1990a). If one feels that the
situation is inequitable, it is theorized that it will manifest itself in a behav-
ioral manner, such as decreasing inputs (e.g., productivity, turnover) or attitu-
dinally, such as reducing morale (Walster, Walster, and Berscheid 1978).
Distributive justice perceptions associated with non-union grievance systems
may be slightly different. If one is innocent and charges are dismissed, or
reversed, it is likely that distributive justice perceptions would be high. How-
ever, if one is guilty and charges are upheld, it is questionable whether dis-
tributive justice perceptions would be high. Prior research has established
that favorable outcomes are perceived as more fair than unfavorable out-
comes; this is known as the ego-centric bias in perceptions of distributive
justice (Greenberg 1983). This would suggest that guilt might not be as
important in perceptions of distributive justice as “favorableness” of the out-
come. Thus, individuals involved in a grievance may judge the fairness of
the outcome not on input/outcome ratios (i.e., guilt) but rather on favorable-
ness of the outcome.

In this study, all grievances involve discharge cases. Therefore, a favorable
outcome is when the discharge is overturned, whereas an unfavorable outcome
is an upheld discharge. Certainly, outcome affects the overall perception of
fairness, but it is not known by how much.
H3: Distributive Justice Will Be Determined Primarily Based on Outcome

A study by Lind et al. (1980) examined effects of outcome on procedural justice and of procedures on distributive justice. Their results suggest that outcomes do not impact procedural justice. In their study, even if the outcome was viewed as unfair, but the procedures allowed for process control, the procedures were viewed as fair, i.e., were procedurally just. However, the procedures did affect perceptions of the outcome. Their study provided “... unambiguous evidence that the procedure used to determine an outcome can affect the perceived fairness of that outcome” (Lind et al. 1980:652).

Building on this stream of research examining the moderating effects of procedural justice on distributive justice is a study conducted by Greenberg (1987a), in which both outcome and process variables were manipulated. As expected, unfair procedures were rated as unfair, and fair procedures were rated as fair. And, medium and high outcomes were regarded as fair. The interesting finding is that those outcomes that were low, but arrived at through fair procedures were rated as fair. In other words, when asked to rate the outcome, even when the outcome was low, if it was based on a fair process, it was given a high rating. This supports the notion that procedural justice may be an essential prerequisite for distributive justice, when outcomes are low (Greenberg 1987a). Moreover, ratings of the outcome did not influence procedural justice ratings.

H4: Process Will Moderate the Relationship Between Outcome and Distributive Justice

While distributive and procedural justice have been abundantly addressed in the literature, interactional justice has been researched to a much lesser extent. Especially when dealing with complaints, interactional justice is critical. The interpersonal interaction can, and does, take place at many steps during an allocation process, or specifically, in a grievance situation (Bies and Moag 1986). In a study by Bies (1987) involving job interviews, four fairness criteria that dealt with communication, or interactional justice, were found: truthfulness, respect, propriety of questions, and justification. These criteria, and interactional justice in general, have implications for complaint systems, most clearly in the communication of the decision to the employee. What if the communication of the decision is done negatively, or indifferently, or is absent?

For example, a complaint system decision can be communicated in many ways, including a written memo either merely stating the outcome, or explaining the reason(s) for the decision. In contrast, the decision may be communicated in a personal meeting, with or without an explanation and/or justification for the decision, allowing for questions or comments by the
employee. The quality of this interaction may play a major role in overall fairness perceptions.

Interactional justice may not always be independent of procedural justice. However, Bies (1987) found that evaluation of interactional fairness generalizes to the procedure only when the person attributes the action to the organization, rather than the person. Therefore, if the person (in this case, the grievant) attributes the action to the individual, this may lead to a perception of high (or low) interactional justice. Whether this phenomenon or construct is called interactional justice or part of procedural justice, it is clear that it significantly affects employees’ perceptions of fairness (Greenberg 1990b; Greenberg, Bies, and Eschew 1991). Interpersonal communication, affecting perceptions of interactional justice, can potentially be the most important component in overall fairness perceptions. Pay inequity is an area also studied (Greenberg 1990c, 2006). In one study examining employee theft as a reaction to pay inequity (Greenberg 1990c), employees who were given an adequate, thorough, and sensible explanation for pay cuts were less likely to feel unfairly treated and had lower theft rates than those who were not provided such explanations. One can easily imagine a grievance situation where the grievant “wins” the case and also perceives the process to be fair. In such a situation, if the interpersonal communication is honest, and the employee is treated in a respectful way, logic (and theory) dictates that the employee’s overall fairness perception will be quite high. This person will have had his/her “day in court,” received his/her “rightful” outcome, and been treated fairly and respectfully.

Consider, however, a slightly different scenario. If the only element changed is the communication aspect, it may have a large impact on the individual’s overall perception of fairness. Rather than explaining the reasons for the outcome, if the employee is told that he/she will not receive any information about it, this same employee may have a diminished perception of fairness. Whether the grievant is provided with an explanation or not is critical for interactional justice (Bies and Moag 1986).

H5: Interactional Justice Will Be Determined Primarily by the Presence or Absence of an Explanation for the Decision

Methodology

Sample. Participants consisted of 450 non-union, non-management “professional” (white collar) employees from seven different organizations, which represented 51 percent of the 890 questionnaires distributed. The seven
organizations were all affiliated with the Center for Advanced Human Resource Studies at Cornell University and agreed to participate if they remained anonymous. A population of employees was chosen that would best represent the population that would be exposed to ADRS at their workplaces. The contact person at each company was sent a box containing approximately 120 questionnaires for that company. Also included was a letter explaining how the questionnaires should be distributed. The contact person was instructed to give one of these packets to each of twelve managers. The managers were told that the questionnaires were to be distributed to non-management, non-union employees. Each questionnaire had a letter attached addressed to the specific employee explaining that the employee had been “chosen” to participate in the study and insuring anonymity. A postage paid return envelope, addressed to the researchers was included and specified a response date.

Respondents had a mean age of 37, ranging from 19 to 63 years ($SD = 9.4$). Fifty-four percent were female. Most (56 percent) had at least a baccalaureate degree, 32 percent had some college, and 12 percent had no college education. Mean organizational tenure was 8 years. Nearly three-quarters of participants were in professional positions (73 percent) such as accountants, attorneys, chemists, and human resource professionals, and more than half (53 percent) had had some supervisory experience. Finally, 52 percent of respondents reported that they were, or had been at some time, employed by an organization with a non-union grievance system. Interestingly enough, 82 percent of the employees were employed in organizations that had non-union grievance systems in place.

Policy Capturing Design and Measures. A policy-capturing questionnaire was used to present variations in grievance procedure characteristics and outcomes and to measure perceptions of the different dimensions of fairness. A policy-capturing approach uses realistic, yet hypothetical, scenarios that are created by crossing key variables in every possible combination. Compared with self-reporting, policy capturing gives a more precise estimate of the relative importance of the criteria used in arriving at judgments, in this case fairness perceptions, especially when sensitive issues are involved. Advantages include the avoidance of socially desirable responses and the ability to focus on critical variables by manipulating the variables in question and controlling for extraneous variables (Fritzsche and Brannick 2002; Klaas and Wheeler 1990; Miller and Wiseman 2001; Rynes, Weber, and Milkovich 1989).

This method has been used to examine a variety of judgments related to human resource policies and practices, including pay decisions (Rynes, Weber, and Milkovich 1989; Sherer, Schwab, and Heneman 1987), employee
discipline (Klaas and Wheeler 1990), selection (Hitt and Barr 1989), and job choice (Judge and Bretz 1992; Rynes and Lawler 1983).

Six (dichotomous) variables were orthogonally manipulated in a within-subjects design, resulting in sixty four scenarios ($2^6$): offense, decision-making independence, employee input, assistance, explanation, and outcome. Two criteria were used to choose the characteristics of ADRS: first, presence in typical non-union grievance systems, based on published case studies (Boroff 1991; Ewing 1989; McCabe 1988; Rudin 2002; Westin and Feliu 1988), and second, potential relevance to organizational justice theory. In addition, the nature of the offense that originally gave rise to the grievance was included; in half of the scenarios the alleged offense was drug use during company time, in the remaining half it was theft of company property. And, each scenario had an outcome. The operationalizations of these variables are described in the Appendix.

All scenarios described a situation in which an employee was discharged and was appealing the discharge using the final step of the non-union grievance system. Following each scenario, participants answered four 7-point Likert scale questions about fairness, anchored by (1) = Not at all fair and (7) = Very fair, as follows. “Thinking about the system described above, how would you rate the fairness of ... the procedures used (procedural justice); the outcome, i.e., the discharge being upheld (or being overturned) (distributive justice); Maria’s response to Frank for an explanation (interactional justice) and the overall fairness of the system (organizational justice).” These four questions were used to formulate a scale of fairness. The coefficient alpha for this scale was .83. For some analyses, the single-item measure of the justice components was used.

Personal characteristics (between-subject variables) were also examined, including age, gender, tenure, education, supervisory experience, and exposure to a non-union grievance system—either currently or in the past.

**Procedures.** Cooperating managers distributed questionnaires at seven large organizations. Contact people in each organization were asked to distribute between ten and twenty packets of questionnaires to managers in their organizations. These managers represented various functional departments. The managers were then instructed (through a memo from the researcher and the contact person) to randomly distribute questionnaires to ten employees in their department. Employees were given the opportunity to respond to the

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1 The offense variable had no effect on any of the analyses and was subsequently dropped from analyses.

2 In order to have participants attribute the explanation to the person and not the system, in each scenario the individual stated that he/she was providing (or not providing) the explanation on his/her own volition.
questionnaire during company time. They were provided with a postage paid envelope to return the survey directly to the researcher and were assured anonymity.

Background information was provided to the participants concerning a hypothetical organization and its non-union grievance system. Certain information was held constant across all scenarios such as company size, top management support for the system, reason for grievance (discharge), timeliness, and coverage of employees (all employees were covered by the grievance system).

Although the research design resulted in sixty-four scenarios, participants were presented with only eight scenarios. Due to the length of the questionnaire (one page was necessary for each scenario and the subsequent questions) the scenarios were divided into eight groups of eight linearly independent scenarios, using matrix algebra. (Results revealed no significant differences among the eight groups of scenarios.) Thus, the majority of analyses were conducted with approximately 3600 observations (450 participants × 8 scenarios). However, given that each respondent provided eight responses, there is a potential problem with correlated error terms. Dummy variables were created for each respondent to investigate whether autocorrelation posed any problem (see Hitt and Barr 1989 and Rynes, Weber, and Milkovich 1989).

Finally, scenarios were presented in random order to minimize order effects. A pilot test revealed that participants took less than 1 hour to complete the questionnaire.

Analyses. The main method of analysis for these data was ordinary least squares multiple regression. For overall fairness and for each fairness dimension (procedural justice, distributive justice, interactional justice), regression analyses were used to test for the relative influence of the non-union grievance system characteristics. Both main effects and interactions were hypothesized and tested.

Correlations were performed to examine association among the variables. In some instances, variables were recoded to reflect relevant groups and appropriate significance tests, such as the Scheffé test, were used. And, descriptive statistics were generated to examine normality and to adequately report the sample characteristics and responses.

Results

Table 1 shows means, SD, and correlations of the variables used in the analyses.
Characteristics of ADRS that were process oriented accounted for the majority of the explained variance of overall fairness, supporting Hypothesis 1. Table 2 shows the results of the nested regression analyses. The process variables increased the $R^2$ of the model significantly ($p < .01$) by .462, bringing the total explained variance to .489. Whether the organization had a non-union grievance system in place had no effect on fairness perceptions. Nor did it matter if the respondent was aware of this system. Moreover, individual characteristics had only minimal (and not significant) effects on fairness perceptions. Additionally, including the dummy variables for individuals did not change the results, nor the significance level, indicating that autocorrelation has not caused a problem in interpreting these results. These findings are not reported here.

Results support that of the procedural characteristics, the communication of the decision had the most impact on fairness, followed by the amount of employee input allowed, the composition of the grievance panel, and finally, the availability of assistance in helping prepare one’s grievance. These results (shown in Table 3) suggest that, when evaluating grievance decisions,
employees look beyond the outcome to the process that is followed and to the
nature of the explanation surrounding the decision.

Table 4 provides the regression results for Hypothesis 2. Process characteristics—employee input, decision-making independence, and employee assistance—were the major determinants of procedural justice, confirming this hypothesis. The nature of the outcome and the explanation had little effect on procedural justice ratings, accounting for less than 3 percent of the variance (Model A). Adding the process variables to the equation dramatically increased the $R^2$ by .3564 to .3834 (Model B). All process variables were significant with employee input having the most influence, decision-making independence the next, and employee assistance the least.

Regression of grievance procedure characteristics on distributive justice showed that outcome had the largest effect, supporting Hypothesis 3. All system
characteristics, however, significantly influenced distributive justice ratings. However, by comparing two models through regression equations—one with all system characteristics except for outcome (Model A) and the full model, including outcome (Model B)—the strength of the outcome variable is highlighted (see Table 4). Adding outcome to the equation significantly increased the adjusted $R^2$ by .076 to approximately 22 percent. Moreover, outcome had the largest raw regression coefficient (.2755). Note that employee input also heavily influenced distributive justice; this will be discussed in the next section.

Hypothesis 4 also was supported; process moderated the relationship between the nature of the outcome and perceptions of distributive justice. Regression results (Table 5) indicate that both outcome and procedural justice have a direct main effect on distributive justice. Critical to this hypothesis, however, is that significant interaction of outcome and procedural justice.

To further investigate this finding, the data were recoded to create a new variable representing either “fair” or “unfair” processes. (A “fair” process contained all the process variables; an “unfair” one had none of the process variables.) These fair and unfair processes were combined with both favorable outcomes (overturned discharges) and unfavorable outcomes (upheld discharges); this resulted in approximately nine hundred observations.

Unfavorable outcomes (upheld discharges) resulting from objectively fair processes (with an opportunity for employee input, use of outside arbitrators, and the availability of employee assistance) had higher distributive justice ratings than fair outcomes (overturned discharges) resulting from objectively unfair processes (with little opportunity for employee input, use of a management panel, and no availability of employee assistance). The distributive justice ratings were 5.04 and 4.25 (on a 7-point scale) respectively ($P < .001$). These means are shown in Table 6. This moderator effect suggests that an unfavorable outcome may be perceived as fair if it results from a fair process.

While all the justice components are significantly correlated with each other, the correlations involving interactional justice tend to be lower. This provides some evidence that interactional justice is a separate construct than procedural justice. As well, independent variables behaved differently when regressed on

**TABLE 5**

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>$R^2$</th>
<th>Increase in $R^2$</th>
<th>$F$</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Outcome</td>
<td>.07</td>
<td>—</td>
<td>288.48*</td>
</tr>
<tr>
<td>2. Procedural justice</td>
<td>.40</td>
<td>.33</td>
<td>951.21*</td>
</tr>
<tr>
<td>3. Outcome $\times$ Procedural justice</td>
<td>.46</td>
<td>.06</td>
<td>1015.83*</td>
</tr>
</tbody>
</table>

Note: *$p < .001$. 

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procedural justice and interactional justice. Thus, in this context, it appears that procedural justice and interactional justice are by and large independent; therefore, the communication variable was not used in the analysis of the moderating effect of procedural justice.

As shown in Table 7, explanation had an overwhelming effect on the interactional justice rating, supporting Hypothesis 5. Regressing interactional justice on the process variables and the outcome variable (Model A) resulted in an $R^2$ of only 1 percent; adding explanation to the equation (Model B) increased the explained variance to approximately 73 percent. This finding holds for both favorable and unfavorable outcomes. Even if the employee won the grievance, the outcome was regarded as less fair if he/she was not given a full explanation.

Discussion

The findings of this research contribute to the alternative dispute resolution literature as well as to both the organizational justice and the non-union grievance system literatures. It supports previous research with the strong results for process. Moreover, it adds to the research by examining an outcome-sensitive issue such as grievances. In addition, including interactional justice in the study furthers our knowledge. With respect to ADRS, this research suggests

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model A</th>
<th>Model B</th>
</tr>
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<tbody>
<tr>
<td>Employee input</td>
<td>.0484*** (2.91)</td>
<td>.0362*** (4.13)</td>
</tr>
<tr>
<td>Decision-making independence</td>
<td>.0604*** (3.63)</td>
<td>.0527*** (6.01)</td>
</tr>
<tr>
<td>Employee assistance</td>
<td>.0551*** (3.31)</td>
<td>.0419*** (4.78)</td>
</tr>
<tr>
<td>Communication/explanation</td>
<td>—</td>
<td>.8446*** (96.43)</td>
</tr>
<tr>
<td>Outcome</td>
<td>.0712*** (4.28)</td>
<td>.0718*** (8.20)</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>.0126</td>
<td>.7264</td>
</tr>
<tr>
<td>Increase in $R^2$</td>
<td>—</td>
<td>.7138***</td>
</tr>
<tr>
<td>$F$-value</td>
<td>12.41***</td>
<td>1895.60***</td>
</tr>
</tbody>
</table>

Note: ***$p < .001$. 

TABLE 6
MEAN RATINGS OF DISTRIBUTIVE JUSTICE, BY FAIRNESS OF PROCESS AND OUTCOME FAVORABLENESS

<table>
<thead>
<tr>
<th></th>
<th>Favorable outcome</th>
<th>Unfavorable outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair process</td>
<td>5.78</td>
<td>5.04</td>
</tr>
<tr>
<td>Unfair process</td>
<td>4.25</td>
<td>2.85</td>
</tr>
</tbody>
</table>

TABLE 7
REGRESSION RESULTS FOR TWO MODELS OF INTERACTIONAL JUSTICE RAW REGRESSION COEFFICIENTS
(T STATISTICS IN PARENTHESES) $N = 3568$
which characteristics are critical to employee perceptions of fairness, though with a caution about over-generalizing the results.

*Non-Union Grievance Systems.* In evaluating overall fairness, the interpersonal aspect of the communication was the most important variable. This finding may be quite important to the design and/or execution of non-union grievance systems in organizations. Organizations are becoming increasingly concerned with the procedural aspects of their human resource policies, and specifically with their non-union grievance systems. However, the case studies reveal that little consideration is given to the communication of the decision. This research underscores the critical importance of this aspect.

Employee input and involvement have been considered crucial characteristics of non-union grievance systems, and these results support these speculations. It was somewhat surprising that the composition of the panel, outside arbitrators vs. top managers, was not the strongest characteristic. While it was clearly an important characteristic to respondents, employee input was slightly more influential. Decision-making independence may be slightly overrated. While it is certainly an important characteristic, this research suggests that absence of this characteristic does not have as strong an effect as either the nature of the communication surrounding the incident or the absence of employee input and involvement. Respondents appeared to look beyond the composition of the panel to the points where grievants might exert direct influence.

While outcomes are usually not planned in advance, i.e., they usually follow a series of events, a process can be planned in advance. Moreover, a mechanism for communication can also be planned, or designed, into a system. This study suggests that if processes are fairly designed and communicated, the resulting decisions (outcomes) will be considered more fair, and that this will also increase perceptions of overall fairness.

Based on the research described above, no one grievance system can be considered most effective, or most fair. The important characteristics can be designed in most, if not all, grievance systems. Certainly, levels of these characteristics differ, and some may depend more on system choice than others. For example, decision-making independence certainly is low in an open door policy, where employees may have their grievances ultimately resolved by the president of the company. In contrast, an outside arbitrator clearly has a high level of independence. Conversely, the president of the organization has high authority and flexibility in making the decision, or in changing policies, where the arbitrator is commonly held to the confines of company policy. It appears then, that those non-union grievance systems that include the characteristics studied and that fit the organization’s culture and other human resource policies may be the most effective, or fair, for the specific organization.
Organizational Justice. Organizational justice was most affected by procedural justice and interactional justice variables. While previous studies have shown the relative importance of procedural justice over distributive justice the significance of interactional justice provides new insight.

As expected, the nature of the outcome was the major determinant of distributive justice ratings. However, the more important, and interesting, finding pertains to the moderating effect of procedural justice. The moderator effect suggests that an unfavorable outcome can be perceived as favorable if it is attached to a fair process. The findings show that distributive justice is higher for unfavorable outcomes that are determined through fair procedures that allow for process control than for favorable outcomes that are determined through procedures that do not allow for such control. This finding furthers our understanding of the linkage between procedural justice and distributive justice.

It should be noted that ratings of distributive justice were by third parties, and not by employees who actually experienced the outcomes. Further, participants did not have any information on the actual guilt or innocence of the employees described in the scenarios, which may have made them more likely to be influenced by procedural justice perceptions when rating distributive justice. However, these conditions may reflect actual grievance situations. Only relatively few employees usually file grievances, and typically little is generally known about their guilt or innocence; but non-filers are still likely to form opinions about how fairly the filers were treated. This, again, is a caution about not over-generalizing the results.

Limitations. When interpreting the results of this study it is important to keep in mind that method variance may have inflated the magnitude of the relationships, but should not have affected the weight afforded to the different justice components. Ego-centric bias could not be effectively tested because this study placed respondents in the role of observers, not participants. Respondents were able to detach themselves from the situation because they were not the ones being terminated. Given that the majority of employees who are covered by ADRS do not use them the respondents were similar to employees more generally. An area for future research would be to examine the differences in perceptions between filers and non-filers of grievances to tease out the potential effects of ego-centric bias.

In addition, the sample may not be representative of all employees; it consisted of a group of primarily white-collar professionals and may not be generalizable to other groups. However, considering that this group may be one that is most likely to be covered by such a system, the results are telling.

Finally, although a rigorous research design, policy capturing restricts the number of variables that can be examined. Even one additional dichotomous
variable doubles the number of scenarios needed. Employment of other (or multiple) methods might allow for the examination of other variables that may be important to study including: in future research include the history of the system (employee wins and losses); the presence of other voice mechanisms; a wider variety of decision makers (e.g., management/employee panels, single person investigators, mediators); and work experiences (e.g., promotions, performance ratings) of filers and non-filers.

Conclusion and Implications. The current study has contributed to the understanding of ADRS and its potential impact; however, in order to obtain a more robust understanding of this phenomenon, future research on ADRS needs to be conducted comparing filers vs. non-filers. A longitudinal study that examines filers vs. non-filers and their promotion rates, salary increases, performance ratings, etc., would allow us to examine the personal result to employees for using these systems. Also, a study with a more diverse sample would add to our understanding of these variables. In this study, 86 percent of respondents were white.

The research implications of this study suggest guidelines on which to build an effective ADR system. Most strongly is the importance of comprehensive and respectful communication of an organizational decision. Process is also important, yet whether the decision maker is part of management or “independent of management” is not a major concern. This study has drawn attention to the importance of interactional justice above and beyond that of procedural and distributive justice.

While the current results are compelling, additional support for the moderating effect of procedural justice on the relationship between outcome and distributive justice would be beneficial. The refinement of this research might lead to the identification of contextual factors that explain differing levels of outcome importance among respondents. Different results may be obtained in situations where the outcome has a more meaningful impact on the respondents involved.

REFERENCES


### APPENDIX 1

**OPERATIONALIZATIONS OF MANIPULATED INDEPENDENT VARIABLES**

| EE INPUT | Employee given one opportunity to present argument (coded 0). $\text{\$Given multiple opportunities to present argument (coded 1).}$ |
| EE ASSIST | Employee provided with assistance in preparation of grievance (coded 1). $\text{\$Employee not provided with assistance in preparation of grievance (coded 0).}$ |
| INDEPENDENCE | Grievance panel comprised of independent arbitrators (coded 1) $\text{\$Grievance panel comprised of top managers (coded 0).}$ |
| OUTCOME | Discharge overturned, favorable to employee (coded 1). $\text{\$Discharge upheld, unfavorable to employee (coded 0).}$ |
| COMMUN. | Employee provided with an explanation (coded 1). $\text{\$Employee not provided with an explanation (coded 0).}$ |