

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

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

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

INTRODUCTION

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

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

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

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

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

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

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

THEORETICAL BACKGROUND AND HYPOTHESES

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

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

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

139 **State Ownership in China**

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

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

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

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

201 **Gradualist Reform in China**

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

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

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

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

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

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

Organizational Justice and Extra-Role Behavior

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

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

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

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

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

The Moderation Effect of Ownership Structure 354

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

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

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

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

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

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

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

QUALITATIVE STUDY 420

Sample and Procedure 421

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

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

Results 442

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

530 **QUANTITATIVE STUDY**

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

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

Sample and Procedure

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

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

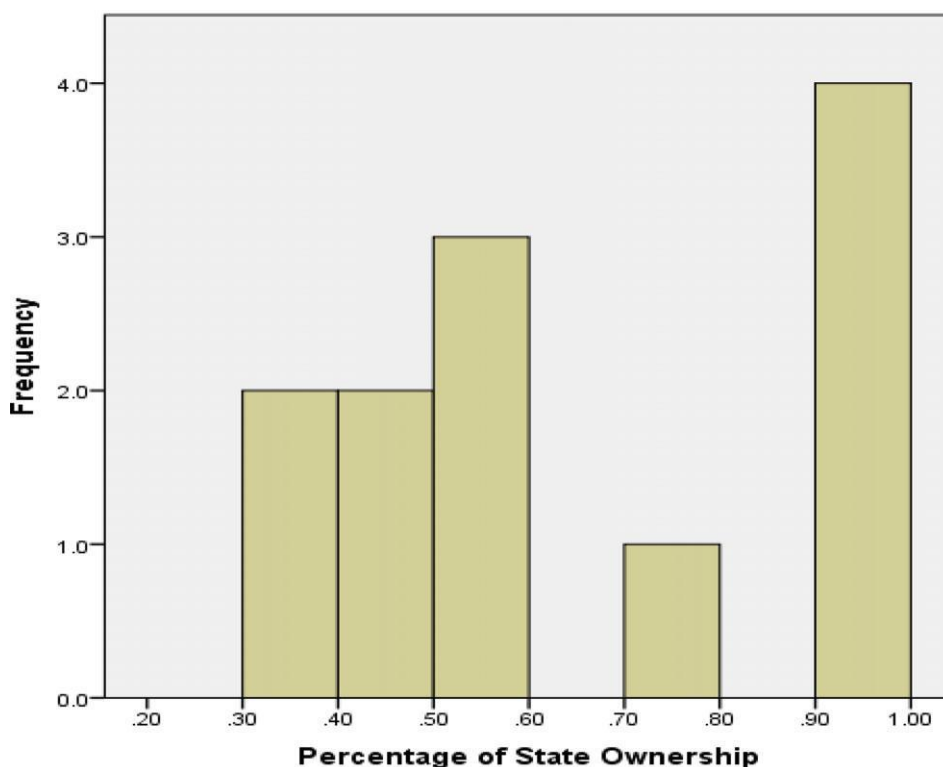


Figure 1. (Color online) Histogram of state ownership in 12 organizations.

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

579 Measures

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

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

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

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

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

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

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

645 **Results**

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

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

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

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

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

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

Table 2. Correlations and descriptive statistics^a

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

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

Table 3. Hierarchical linear models of extra-role behavior

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

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

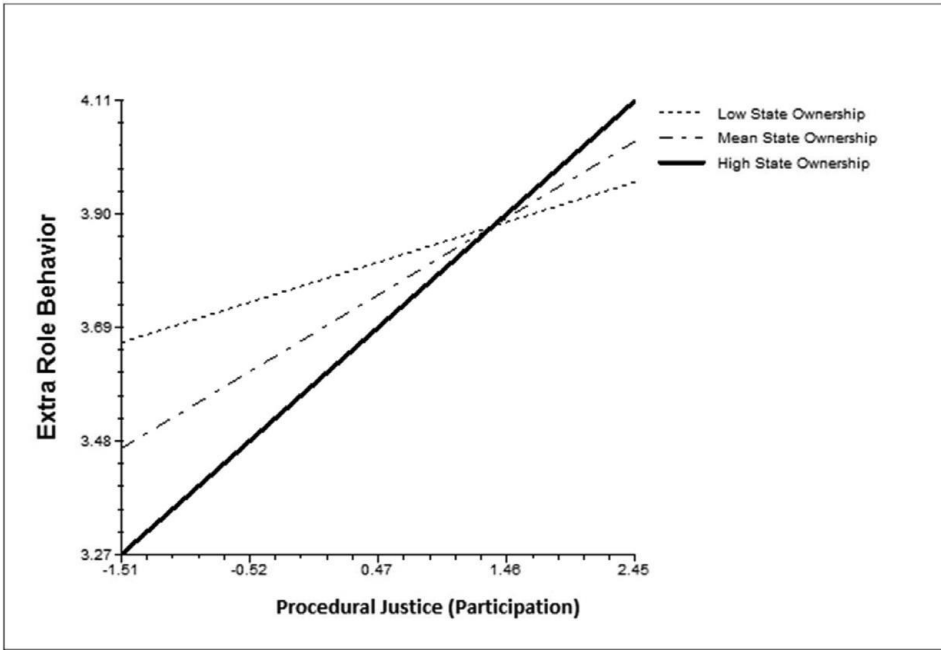


Figure 2. The interaction effect of procedural justice and state ownership on extra-role behavior.

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

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

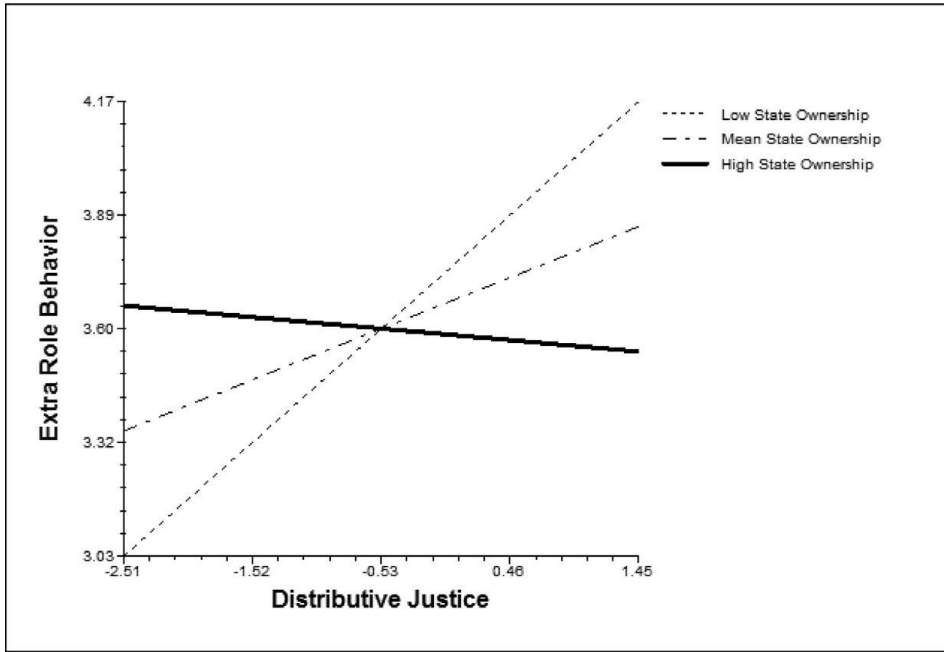


Figure 3. The interaction effect of distributive justice and state ownership on extra-role behavior.

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

DISCUSSION

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

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

775 **Theoretical Contributions**

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

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

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

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

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

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

848 **Implications for Management Practices**

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

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

877 **Limitations and Future Research**

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

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

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

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

926 **CONCLUSION**

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

938 **NOTES**

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

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