

The Influence of Leadership Behaviours on Fairness Practice: An Empirical Investigation of Takaful Institutions

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Abstract

This study is driven by the fact that fairness approach seems to be among the important determinant to achieve decent business performance. We highlight that there were scarce studies focusing on antecedents that would affect the level of fairness in organizations. Thus, we hypothesize that leadership factors are able to influence the fairness practice. Two domains of leadership behaviour were derived from the literature namely; task-oriented leadership and people-oriented leadership. This paper aims to examine the effect of leadership behaviour on fairness practice among Takaful employees. 223 employees responded to the survey, were employed by Takaful operators in Malaysia. Partial least squares approach was used as the main analytical procedure to test the research hypotheses. The results of the study indicate that both task-oriented leadership and people-oriented leadership has a significant relationship to the level of fairness of the organization. The findings of this study suggest that for Takaful organization to demonstrate high level of fairness, the leader needs to exhibit important behaviour such as people-oriented, which emphasizes on fulfilling their staffs' needs prior to making appropriate decision. Then, followed by task-oriented leadership, which is also capable in enhancing fairness practice. This study provides implications and conclusion.

Keywords: Leadership Behaviour, Task-Oriented, People-Oriented, Fairness, Governance

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1. Introduction

Fostering fairness practice in organizations have become important as ever. This is because when managers address fairness, it could bolster the organizations' bottom line via response from employees in executing organizational operations (Brockner, 2006). In addition, outlining fair policies within the organization may boost the organizations' capability to address potential issues that could lead to operational failure. On the other hand, treating employees fairly could also contribute to the outcome of the organization based on how they were treated positively or negatively by the management (Simons & Roberson, 2003).

Reviewing the meaning of fairness, as according to *Dewan Bahasa dan Pustaka* (DBP), it refers to the quality of being just of which, to show fairness in one's dealings. Meanwhile, from the organizational perspective, fairness could be defined as people's perceptions of fairness along with their associated behavioural, cognitive, and emotional reactions (Sušanj & Jakopec, 2012). Fairness also is part of an important principle of corporate governance where it embraces on treating all shareholders as well as stakeholders equally (Gregory & Simms, 1999; Mohd Rizal, Mohamad, Raja Rizal Iskandar, & Wan Aishah, 2016; OECD, 2004). This principle highlighted that all shareholders should have opportunities to obtain effective redress for violation of their rights (Abu-Tapanjeh, 2009). As important as it is, discussions on governance principles seemed to be associated with accountability and transparency in relation to handling corporate conflicts or ensuring organizational success (Abu-Tapanjeh, 2009; Dayanandan, 2013; Jamaliah, Nurul Aisyah, & Noraini, 2013), and thus neglect the contribution of fairness in the outcome of the organization. This is because fairness practice often studied in the context of human resource particularly in employees' performance evaluations (Ahmed, Ramzan, Mohammad, & Islam, 2011; Greenberg, 1986; Munir, Aziz, Shaladin, & Muhammad Abi Sofian, 2013), compensation (Ramaswami & Singh, 2003), and employee selection (Berneth, Feild, Giles, & Cole, 2005).

Previous researchers have conducted studies on fairness as a determinant factor to organizational outcomes that mostly relate to human resource management (Kaleem, Jabeen, & Twana, 2013; Konovsky & Cropanzano, 1991; Munir et al., 2013). The results confirmed that fairness able to influence the outcome significantly from these studies. However, we argue that although fairness being an important factor to the organizational outcomes, limited attention given on factors that could influence fairness practice within the organization despite the call for it to help policymakers to create processes in enhancing fairness practice (Chan, 2011; Simons & Roberson, 2003). A manager or leader plays an important role in ensuring that for whatever decisions or actions taken by him/her, he/she must first put the interest of the organization and employees above oneself. By being fair, it is plausible to attain success in any form just by treating employees fairly. When they are fairly treated, it is likely that they will others and their own job fairly. Subsequently, they will strive to execute the task in line with the organization's policies and finally bring success to the organization (Balch, 2013; Simons & Roberson,

2003). Behaviour of leaders have demonstrated significant effect on organizational outcomes across several segments (Chotechuong & Vesdapunt, 2015; Mohamad, Nik Mutasim, & Norfaizah, 2012; Romle & Abdul Shukor, 2006). This is because leaders tend to give more attention what they are actually do on the job.

Therefore, motivated by this scenario, we predict that leadership behaviour could significantly influence fairness as suggested by previous studies. Thus, the objective of this study is to examine the relationship between leadership behaviour and fairness practice in an organization, with Takaful employees served as the subject of study.

2. Literature Review

2.1. Leadership

The concept of leadership can be described as a management function which focusing on individual and social interaction, as well as the process of influencing its followers to achieve organizational objectives. Operationally, leaders are individuals who leads or command a group to meet specified target.

2.2 Leadership behaviour

Research on leadership behaviour has gone way back from the 1950s post-trait approach became less attractive among researchers and therefore, opted for further examination on manager's task and responsibilities (Yukl, 2010). This concept of leadership posits that leader behaviour could be a good predictor to leadership influence, and subsequently become the important factor to leadership success (Ohio State University, 1994). Studies in this segment was initiated by a group of scholars from two different institutions namely, Ohio State University and University of Michigan. They have identified two main factors that best represent leadership behaviour; task-oriented and people-oriented leadership (Day & Antonakis, 2012).

Task-oriented leadership refers to a more directive style adopted by leaders in providing their followers with a framework and action which consistent with their own vision (Somech, 2006). On the other hand, direct definition of task-oriented leadership is the extent to which leaders are concern on accomplishing tasks and directs their followers for the achievement of goals (Awan & Mahmood, 2010). For instance, leaders assign tasks to their subordinates, maintaining standard of performance, directs subordinate to execute as per procedures, focus on meeting deadlines, and coordinate activities of different subordinates (Yukl, 2010).

People-oriented leadership seems to be more of people-friendly especially for the followers. This is because this approach adopts supportive style whereby leaders provides recognition, show concern, and facilitate problem-solving and decision making (Vandayani, 2015) whereas direct definition of people-oriented leadership is the degree to which leaders act in a friendly manner and actively listen to their subordinates' needs and feelings (Durowoju, Yusuf, & Sakiru, 2013). For example, doing personal favours for subordinate, finding time to listen to employees' problems, supporting or backing them up, consult with them on important matters, ready to accept suggestions from subordinates, and treating subordinates as equal (Yukl, 2010).

2.3 Organizational justice

Fairness is undeniably an important criterion to ensure organizational success as it is one of the principles of good governance (Gregory & Simms, 1999; Mohd Rizal et al., 2016; OECD, 2004). The collapse of big companies practically because of poor governance that was not in place within organizations. In this study, our centre of investigation was on the fairness aspect of the organization. However, our interpretation of fairness was based on the concept of organizational justice by Greenberg (1986) and Colquitt, Scott, Judge, & Shaw (2006). It is clear that the terms justice and fairness refer to a different meaning but used interchangeably by organizational justice researchers (Goldman & Cropanzano, 2015). Justice is defined as whether one adheres to certain rules while fairness refers to a response to perceptions of these rules (Goldman & Cropanzano, 2015). In the context of organization, justice or fairness posits on the perceptions of employees in the workplace. With those perceptions, it could be observed as a motive for people's behaviour in the organization, of which, gives rise to positive feelings and behaviour of employees (Dai & Xie, 2016). There are several categories of justice in the literature according to Colquitt (2001); Greenberg (1986), those are distributive justice, procedural justice, and interactional justice.

The perspective of distributive justice focused on how the tasks that have been performed being fairly evaluated. As for employees, assessments via appraisal normally being assessed fairly by comparing the relative ratings based on the works that they successfully performed (Greenberg, 1986). On a simple note, distributive justice is fostered where outcomes are consistent with the norms for allocation, such as equity and normality (Colquitt, 2001).

Building from distributive justice researches, then rise the interest in examining the decision outcomes, which led to procedural justice. This concept focused on the fairness of decision-making procedures and judged by determining whether procedures are accurate, consistent, unbiased, and correctable (Colquitt et al., 2006). In other words, procedural justice concerns on the processes or procedures undertaken that would influence over the outcome (Colquitt, 2001; Greenberg, 1986).

Within interactional justice there are two components namely, interpersonal and informational justice. Interpersonal justice holds the idea of sincerity and respectfulness of authority communication (Colquitt et al., 2006). On the other hand, informational justice can be explained as disseminating information on why procedures were executed in a certain way or why outcomes were distributed in a certain fashion (Colquitt, 2001). In a more simplified meaning of informational justice, it concerns the fairness of interpersonal communication to the organizational procedures (McDowall & Fletcher, 2004). As the concept of fairness in our study has the tendency towards practicing good governance, we are firm that informational justice fits to our direction in meeting the study's objective.

3. Hypotheses Development

The premise of this study identified that leadership behaviour as antecedent to fairness practice among Takaful employees. As a result, Ohio State University (1994)'s leadership behaviour theory served as our underlying theory in predicting fairness, that is, the outcome of the organization. Behavioural studies have gone through evolution, which resulted that researchers from the university have developed a survey questionnaire called Leadership Behaviour Description Questionnaire (LBDQ), which is still employed by most researchers to date. Even though it has gone through four level of revisions, of which, more

scales were added in the instrument, researchers opted to use task-oriented and people-oriented scales (Yukl, 2010).

We reviewed literatures relating to fairness practice and found that this area of study apparently given less attention by previous researchers to examine potential factors that could enhance fairness practice in an organization. This is because fairness usually being investigated in an effort to explain organizational behaviours and outcomes (Ramaswami & Singh, 2003). However, there were studies focusing on determining antecedents of fairness based on different samples, such as 360 individuals from China (students and non-students) and 202 individuals from Switzerland (non-students) (Gao, 2009), and 154 usable response from salespeople selected who are employed with Fortune 500 organization. The outcome of these studies addressed that antecedents of fairness do not always be a continuous factor. For example, Gao (2009) angled that demographic factor could influence fairness among students and non-students. It was found that culture differences significantly influence fairness practice. On the other hand, supervisory behaviour has a significant effect in shaping fairness judgments (Ramaswami & Singh, 2003).

Several studies were undertaken by previous researchers to examine the effect leadership behaviour on organizational outcomes based on different samples, such as 495 life insurance agents in Thailand (Chotechuong & Vesdapunt, 2015), 170 agents of Takaful operators in Malaysia (Mohamad et al., 2012), and 133 management and professional staff members of public institutions of higher learning in Northern Region of Malaysia (Romle & Abdul Shukor, 2006). Leadership behaviour has been proven as an important element for organizational advancement (Chotechuong & Vesdapunt, 2015; Mohamad et al., 2012; Romle & Abdul Shukor, 2006). However, we found that there are mixed results in relation to the effect of leadership behaviour on various organizational outcome. Task-oriented leadership found to significantly influence organizational commitment (Chotechuong & Vesdapunt, 2015), efficiency and return on investment (Shooshtarian & Amini, 2012), job satisfaction (Romle & Abdul Shukor, 2006), and organizational performance (Mohamad et al., 2012). On the other hand, people-oriented leadership found to significantly influence employees' commitment (Hazalina, Abdullah, Arman Hadi, & Muhammad Safizal, 2016), organizational commitment (Chotechuong & Vesdapunt, 2015), organizational performance (Mohamad et al., 2012), and job satisfaction (Romle & Abdul Shukor, 2006; Zainal Ariffin & Yekta, 2010).

In the light of this study, we predict that leadership behaviour inclusive of task-oriented leadership and people-oriented leadership could positively influence fairness practice among Takaful employees. Furthermore, we expect that leadership behaviour would serve as an importance antecedent among other factor that favourably improve fairness practice.

H₁: Task-oriented leadership has a significant influence on fairness.

H₂: People-oriented leadership has a significant influence on fairness.

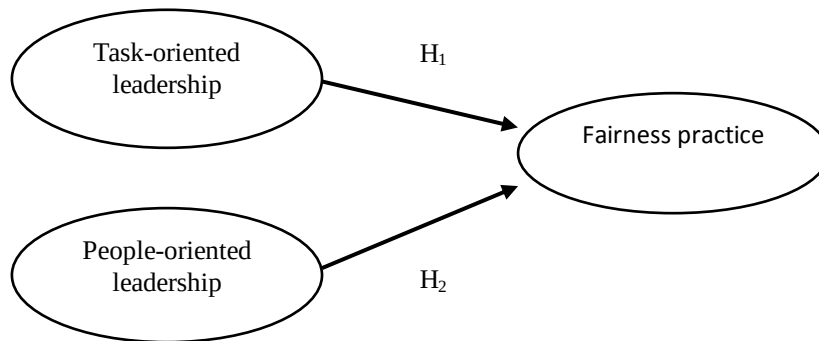
4. Methodology

4.1 Sample

223 questionnaires were distributed to respondents who are employees of the Takaful operators in Malaysia. The distribution method was conducted in two approaches; first stage, researchers distributed the questionnaire using hard copy instrument and sent to half of the respondents; and the other half were

sent using electronic survey. The sampling was based on the recommendation by Bartlett, Kotrlik, & Higgins (2001) and it exceeds the minimum sample of probability sampling. The questionnaires were answered by participants based on their consents and on a voluntary basis. Data were distributed randomly to employees based on convenience sampling technique for the data collection procedure. For confidential reasons, the name of respondents is kept anonymous.

Figure 1: The Conceptual Framework Adapted from Ohio State University (1994) Behavioural Theory and Harnessed with the Concept of Informational Justice by Colquitt (2001)



4.2 Instrumentation

The survey questionnaire was designed by adapting measurement from various studies. There were three parts, namely Part A, Part B, and Part C. Part A described the demographic information of respondents such as gender, age, race, level of education, designation in organization, and work experience. Part B divided into two sections that comprise of task-oriented and people-oriented behaviour. Questions from each sections in Part B were derived from Leadership Behaviour Description Questionnaire (LBDQ) developed by Ohio State University (1994). Scales for Part C represent fairness items that was adopted from Colquitt (2001).

4.3 Analysis procedures

The collected data were processed and analysed using IBM Statistical Package for Social Science (SPSS) for preliminary testing prior to hypotheses testing. For inferential statistics, this study employed partial least square (PLS) method via Smart-PLS 3 software (Ringle, Wende, & Becker, 2015). Two procedures were undertaken; firstly, the measurement model that includes reliability and validity testing; and secondly, the structural model using bootstrapping technique to determine the significance level of loadings, weights, and path coefficients (Hair, Ringle, & Sarstedt, 2011; Hair, Hult, Ringle, & Sarstedt, 2017; Henseler, Ringle, & Sinkovics, 2009).

5. Results and Discussions

Descriptive statistics on demographic respondents of this study indicated that majority respondents participated in this survey were female (57.4 percent), mostly participated by Malays (92 percent) with

almost half of the respondents were executives (41.7 percent) and that majority of them have been working for about less than 5 years (46.6 percent).

Since this study used self-administered survey, as a precautionary measure, it is necessary to conduct common method bias analysis to ensure that there is no systematic bias that could influence our data and subsequently effecting the results. Using common marker variable technique by Lindell & Whitney (2001), we included theoretically non-related construct in the PLS model and calculate this study's indicators variance against the marker's indicators variance to look into its shared variance. The results demonstrate that the marker's shared variance is 0.010 which does not exceed the required variance of 0.30 (Liang, Saraf, Hu, & Xue, 2007; Lindell & Whitney, 2001). Thus, we contend that systematic bias is not going to affect our data for further analysis given the small magnitude of the variance.

Table 1: Summary of Demographic Analysis

Gender (%)	Age (%)	Race (%)
Male = 95 (42.6)	less than 25 years = 45 (20.2)	Malay = 205 (92.0)
Female = 128 (57.4)	26 – 35 years = 117 (52.4)	Chinese = 9 (4.0)
	36 – 45 years = 47 (21.1)	Indian = 9 (4.0)
	46 – 55 years = 14 (6.3)	
Education (%)	Position (%)	Work Experience (%)
SPM/STPM = 26 (11.7)	Executive = 93 (41.7)	less than 5 years = 104 (46.6)
Diploma = 59 (26.5)	Senior Executive = 36 (16.1)	6 – 10 years = 72 (32.3)
Bachelor's Degree = 113 (50.6)	Assistant Manager = 27 (12.2)	11 – 15 years = 26 (11.7)
Masters = 20 (9.0)	Manager = 9 (4)	16 – 19 years = 9 (4.0)
PhD/Doctor of Philosophy = 2 (0.9)	Senior Manager = 1 (0.4)	more than 20 years = 12 (5.4)
Others = 3 (1.3)	Others = 57 (25.6)	

Note:

SPM/MCE : Sijil Pelajaran Malaysia/ Malaysia Certificate of Education

STPM/HSC : Sijil Tinggi Pelajaran Malaysia/Higher School Certificate

5.1 Measurement model

At this stage, we conduct measurement evaluation to test the reliability and validity of the instrument (Hair et al., 2014). Firstly, we assessed the construct's reliability according to certain criteria associated with its specification such as Cronbach's Alpha (CA) and Composite Reliability (CR) as of Table 2. The instrument is considered reliable if the CA and CR value exceed 0.70 (Hair et al., 2017; Henseler et al., 2009). The results showed that both reliability tests were greater than 0.70, indicating the instrument used in this study is reliable.

Table 2: Results of Indicator Loadings and Reliability

Model Construct	Indicator	Loadings	Cronbach Alpha	Composite Reliability
Fairness	Gov1	0.878	0.949	0.961
	Gov2	0.922		
	Gov3	0.946		
	Gov4	0.917		
	Gov5	0.895		
Task-oriented	LBA1	0.848	0.910	0.933
	LBA2	0.802		
	LBA3	0.890		
	LBA4	0.877		
	LBA5	0.873		
People-oriented	LBB1	0.828	0.906	0.930
	LBB2	0.882		
	LBB3	0.827		
	LBB4	0.857		
	LBB5	0.868		

Upon conducting reliability tests, we proceed to the validity procedures that are convergent validity and discriminant validity based on Table 3. Loadings that have values of average variance extracted (AVE) larger than 0.50 indicating that it met the acceptable standard of convergent validity (Fornell & Larcker, 1981; Hair et al., 2011). In this study, the AVE results indicate that all constructs have achieved convergent validity by exceeding more than 50 percent of the variance explained by indicators from respective constructs. On the other hand, to determine discriminant validity, it is said that a construct is different from one another when the square root of AVE value is higher than the correlation between other constructs (Fornell & Larcker, 1981; Henseler et al., 2009). The results showed that all constructs have met the requirement for discriminant validity based on square root AVE value (in diagonal) for each construct which is higher than its correlation between constructs.

Table 3: Results of Convergent and Fornell-Larcker Criterion

Constructs	AVE	1	2	3
People-oriented	0.727	0.853		
Fairness	0.831	0.766	0.912	
Task-oriented	0.737	0.744	0.679	0.858

According to Henseler, Ringle, and Sarstedt (2015), although Fornell-Larcker criterion and cross-loadings often being used in determining discriminant validity however it was found that both procedures failed to detect discriminant validity. Thus, they have suggested the use of Heterotrait-monotrait (HTMT) for each

construct to ensure that they are empirically distinct from each other. The HTMT value of 0.85 indicate that discriminant validity is established (Clark & Watson, 1995; Hair et al., 2017; Kline, 2011). The results demonstrate that our model has met the discriminant validity requirement as all constructs have HTMT values less than 0.85.

Table 4: Results of HTMT Correlations

Constructs	1	2	3
People-oriented			
Fairness	0.824 (CI: 0.758, 0.877)		
Task-oriented	0.817 (CI: 0.733, 0.882)	0.729 (CI: 0.630, 0.805)	

Note: Confidence interval (CI) ranged between 2.5% and 97.5% respectively.

5.2 Structural model

Structural model evaluation was undertaken to test the study's hypothesis. In this section, firstly we assess the model's explanatory power by examining the level of coefficient of determination (R^2). This test aims to observe the combined effects of exogenous constructs towards the target endogenous construct. A high level of R^2 indicate of good level of predictive accuracy (Hair et al., 2011; Hair et al., 2014). Then, we proceed to test our model's path coefficients to determine its significance based on the guideline of p -value at 5 percent, the path coefficient will be significant if the t -statistic is larger than 1.96 (Henseler et al., 2009; Wong, 2013). The results are presented in Table 5 and Figure 2.

The R^2 for the dependent factor in this study is 0.613, which suggested that both leadership factors in the analysis had explained 61.3 percent of the variance in fairness practice. The high R^2 values justified the model's explanatory power as favourably moderate. In order to test this study's hypotheses, we employed bootstrapping procedure and results generated would be able to accept or reject our hypotheses (H_1 and H_2). Our results indicate that both factors were significantly influence the organization's fairness practice ($\beta = 0.244$, $t = 3.405$; $\beta = 0.585$, $t = 8.552$), thus both hypothesis were supported. This result demonstrate both types of leader behaviour do seen as important predictors to fairness practice in the setting of Takaful institutions.

Table 5: Path Coefficients and Hypotheses Testing

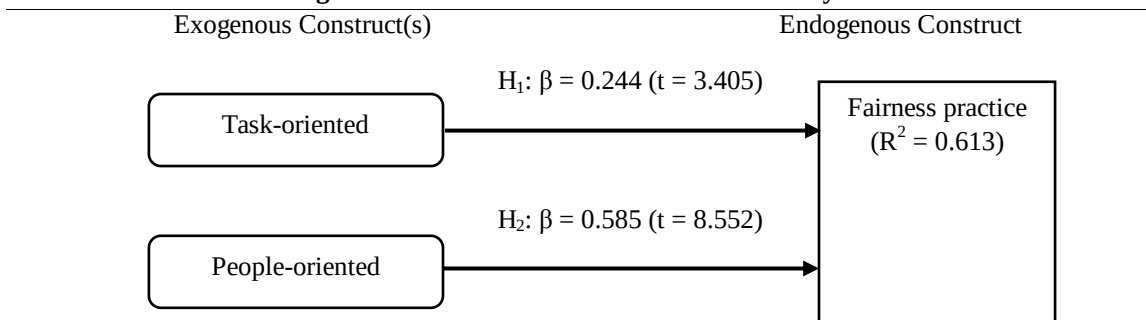
Hypothesis	Relationship	Coefficient	t -statistics	p Values	Supported
H_1	Task-oriented $\rightarrow$ Fairness	0.244	3.405	0.001	Yes
H_2	People-oriented $\rightarrow$ Fairness	0.585	8.552	0.000	Yes

Note: $t = 1.96$, $p < 0.05$; $t = 2.58$, $p < 0.01$; $t = 3.29$, $p < 0.001$

In this study, we hypothesized that there is a relationship between leadership behaviour (task-oriented leadership and people-oriented leadership) and fairness practice. The outcome of the study shows that both behaviours are capable in predicting fairness in the studied organization based on the above statistical findings. In addition, this finding add on the value on identifying a factor that could enhance

fairness practice. The relationship between task-oriented leadership and fairness is significant at the coefficient value of 0.244 ($t = 3.405$, $p < 0.001$). The result indicate strong contribution of task-oriented behaviour to fairness practice. This finding support the past literatures that task-oriented leadership is capable to influence various organizational outcomes that is, in this case, fairness practice (Chotechuong & Vesdapunt, 2015; Mohamad et al., 2012; Romle & Abdul Shukor, 2006; Shooshtarian & Amini, 2012). Thus, H_1 is accepted. We further suggest that task-oriented leaders who outline specific framework for their followers in accomplishing tasks has the tendency to improve fairness practice in the organization. On the other hand, the relationship between people-oriented leadership and fairness is significant at the coefficient of 0.585 ($t = 8.552$, $p < 0.000$). Apart from the variance explained by both factors, it is clear that people-oriented leadership contributed largely in terms of its predictive power than the task-oriented leadership. This finding is in line with previous studies by Chotechuong & Vesdapunt (2015), Hazalina et al. (2016), Mohamad et al. (2012), Romle & Abdul Shukor (2006), and Zainal Ariffin & Yekta (2010) of which people-oriented leadership is capable to influence fairness practice. Therefore, H_2 is accepted. From this finding, we suggest that leaders, who show concerns on their followers such as by listening to their needs as well as being friendly, are able to make meaningful decision and subsequently producing favourable outcome as a result of leaders being fair in each action taken.

Figure 2: Results of the Structural Model Analysis



6. Conclusion

This study aimed to examine the relationship between leadership behaviour, which comprised of task-oriented leadership and people-oriented leadership on fairness practice among Takaful employees. We can conclude our findings that leadership behaviour does act as a significant predictor in enhancing fairness practice in the organization. The results also showed that people-oriented leadership has a dominant effect in influencing fairness but task-oriented leadership also has a significant effect in contributing to the variance.

This study provides several contributions: theoretical contribution, methodology contribution, and practical contribution. Theoretically, our study managed to provide empirical evidence of the relationship between leadership behaviour and fairness practice. This study adds to the literature, as previously there were limited studies on determining the antecedents of fairness. The findings of this study have supported the hypotheses that task-oriented and people-oriented leadership have significant effect on fairness. In view of methodological contribution, we employed survey questionnaires in gathering meaningful data to

test the developed hypotheses. We also ensure that our data have met the requirements for reliability and validity analyses prior to hypotheses testing. This could lead in producing reliable and accurate research findings. With respect to practical contribution, this study could provide input for the company's management in making appropriate decision in relation to existing personnel in the organization. The results showed that managers should practice by being approachable among subordinates in which they are able to make meaningful decisions by considering the needs of their followers and subsequently will be reflected on the outcome. Furthermore, by outlining decent framework of actions, it could assist subordinates in executing the task accordingly and successfully.

The study has several limitations that may influence the interpretation of its findings which should be taken into consideration when interpreting the results or when applying the methods of this study in other research settings. First, we are unable to apply appropriate sampling technique approach such as random sampling technique due to confidentiality issues when it comes to distributing the questionnaires directly the employees in the operation floor. Therefore, distribution was done with the help of the office managers or company's representative. Future researcher should consider adding different strategies that enable them to undertake random sampling approach when gathering data without compromising the company's policy.

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