CHAPTER 1

INTRODUCTION

This chapter provides a foundation on the background of this study with the elaboration of the purpose and significance of the study. The research questions are then further explained with the definition of the scope of the study. Finally, the organization of the rest of the study is described at the end of this chapter.

1.1   PURPOSE AND SIGNIFICANCE OF THE STUDY

Organizations today operate in a global competitive environment. Given the rapid changes that are occurring in the business environment as we are moving towards market liberalization and globalization, organizations must take actions either to become or remain competitive. 21st century business evolvement is becoming more volatile than ever.

In order to operate efficiently, organizations tend to adopt strategies such as continuous improvement, business process reengineering or outsourcing (Mohamed Zairi, 1997; Ho, 1999). However, organizations greatest challenge yet remains to inspire their employees to give their very best in performing to their roles and responsibilities.

Corporate culture has been consistently an important theme in management and business research for the past few decades due to its potential to affect organizationally and individually desired outcomes such as commitment, loyalty, intent to turnover, and satisfaction (Ritchie, 2000; Chow, Harrison, McKinnon and Wu, 2001).

Most people, especially younger employees, understand and accept that loyalty towards their organization is largely a losing proposition, they are no longer willing to be dependent on their employers, or accepting of organizational practices and decisions not advantageous to them (Lawler, 2003). Since the employees do not pledge a long term commitment, the organizations must accept the fact that the employees will contribute less to the organizational success. However by embedding corporate culture strategically in their practices, employers can retain their employees. Nevertheless, how well an employee adapts and fits into the organization is yet another key question to address in assessing the employee outcomes.

Accordingly, this study will provide information about those corporate culture dimensions which influence employee perceptions that the organization in fact supports and are concerned about the employees' interests. This in turn impacts on the employee satisfaction level, which has an effect on their commitment level, which in turn will influence their intention to leave the organization.

The idea of 'fit' is one of the oldest in psychology (Parsons, 1909). Person-environment fit (P-E fit) has been conceptualized in many different ways (Dawis and Lofquist, 1984; Kristof, 1996; Edwards, Caplan and Harrison, 1998; Cable and DeRue, 2002). This includes the distinction of fit between individual needs and environmental supplies versus fit between environmental demand and individual abilities (Muchinsky and Monahan, 1987) and the distinction of actual or objective fit versus perceived or subjective fit (Kristof, 1996).

Several constructs that have been developed from the P-E fit paradigm (Edwards, 1991; Kristof, 1996; Cable and DeRue, 2002; Kristof-Brown, Barrick and Stevens, 2005) which is person-organization fit (P-O fit), person-job fit (P-J fit) and person-group fit (P-G fit) is used for the purpose of this study. These types of fit should be distinguished because they are conceptually distinct and have different effects on outcomes (Dawis and Lofquist, 1984; French, Caplan and Harrison, 1982).

Although there has been numerous research studies on the relationship between (1) Job satisfaction, organizational commitment and employee turnover intention, (2) Dimensions of corporate culture, and (3) Dimensions on person-environment fit (P-E fit), but none of these studies tried to explore the influence of one relationship on the other, neither did any research try to study the mediating effect of P-E fit on the relationship between corporate culture and employee outcomes.

The previous existing researches provide the links between corporate culture and employee outcomes (Sheridan, 1992; Hofstede, 2001; Lau and Idris, 2001; Ooi and Arumugam, 2006) on one hand, links between facets of person-environment fit and employee outcomes (Cable & Judge, 1996; Kristof, 1996; Edwards, Caplan, & Harrison, 1998; Verquer, Beehr and Wagner, 2003; Silverthorne, 2004) on the other and links between corporate culture and person-environment fit separately (O'Reilly, Chatman and Caldwell, 1991; Vianen, 2000). Thus there is almost no research that provides evidential support to the relationship between corporate culture and employee outcomes with person-environment fit as the mediating factor (Schein, 1996; Detert, Schroeder and Mauriel, 2000).

This research aims to examine the gap found between the four dimensions of corporate culture (training and development, teamwork, rewards and recognition and organizational communication) in relation to the three dimensions of P-E fit (person-organization fit, person-job fit and person-group fit). Examining these dimensions would be able to provide further understanding and evidence on the importance of these dimensions to the employee outcomes (job satisfaction, organizational commitment and turnover intention).

In times when the world is hit by turbulent economic crisis, managers and human resource practitioners are able to apply these dimensions to develop and retain talented employees in their organization.

It will also benefit in the sense that not only the managers will learn to invest appropriately in their employees which can contribute significantly to the organization but to examine their current practices to improve their organizational success at large.

There are abundant of studies in human resource management (HRM) related research, only a small number focuses on the Asian setting and there is only a handful with regards to Malaysian context. This study intends to contribute to the existing body of knowledge in the area of HRM from a Malaysian perspective.

1.2   RESEARCH QUESTIONS

This study is extended from previous relationship studies between corporate culture and employee outcomes. Based on the issues discussed above, this study addresses the following developed research questions:

a. Is there a significant relationship between corporate culture and employees' job satisfaction?

b. Is there a significant relationship between corporate culture and employees' organizational commitment?

c. Is there a significant relationship between corporate culture and employees' turnover intention?

d. Does person-environment fit mediate the relationship between corporate culture and employee outcomes?

1.3   OBJECTIVES OF THE STUDY

The objectives of the study are as of the following:

a. To examine the relationship between corporate culture and employee outcomes in terms of job satisfaction, organizational commitment and turnover intentions.

b. To determine whether person-environment fit mediates the relationship between corporate culture and employee outcomes.

This study aims to contribute new empirical evidence to the existing knowledge on corporate culture and employee outcomes. In today's ever-changing business environment, as organizations continuously look for ways to remain competitive as the industry player, they have also significantly increased their efforts to develop corporate culture to maximize their organizational impact.

Hence, this study intends to provide managers and human resource practitioners with guidance to effectively manage employee turnover in their organization.

1.4   SCOPE OF THE STUDY

The scope of the study is to analyze how the dimensions of person-environment fit influence the association between corporate culture and employee outcomes in the Malaysian context.

Ooi and Arumugam's (2006) conceptualization of the relationship between the dimensions of corporate culture and organizational commitment is partially adapted for the purpose of this study.

This is due to substantial amount of research has been done establishing the importance of these variables (Saeed and Hassan, 2000; Karia and Ahmad, 2000; Lau and Idris, 2001; Ooi and Arumugam, 2006).

The scope of the study comprises of researchers working colleagues and MBA students. Since the study is not intended to compare the difference between the two groups, therefore there are no distinctions between one another as MBA students are working people from various career disciplines. Hence, both the group of subjects represents the Malaysian working population.

1.5   ORGANIZATION OF THE STUDY

This study is organized into five main chapters as the following.

Chapter 1 presents an introduction to the study, research background, objectives of the study, scope of the study, contribution, limitation and organization of the study.

Chapter 2 focuses on the literature review on previous studies where the constructs corporate culture, person-environment fit and employee outcomes were studied in depth. This leads to development of hypotheses as well as conceptualization of the research framework.

Chapter 3 covers the research methodology which elaborates further on the hypothesis formation, selection of instruments and measures, sampling design and data collection as well as data analysis techniques used.

Chapter 4 subsequently discusses in depth on the research findings and results which are inclusive of respondents' statistics summary, analyses of measures, hypotheses testing and summary of research results.

Finally Chapter 5 concludes the entire research by presenting a summary of findings, practical implications and suggestions for future research.