CHAPTER 2

LITERATURE REVIEW

This chapter elaborates based on previous studies where the constructs used in this study is described in depth to understand how they relate to each other. Based on the literature review, the hypotheses were developed. Finally, the conceptualization of the research framework is presented.

2.1 INDEPENDENT VARIABLES (CORPORATE CULTURE)

Kristof (1996) has identified organizational or corporate culture as an important aspect of not only in organizational behavior but also as a tool in understanding how organizations function. Corporate culture is a management philosophy and a way of managing an organization in improving the effectiveness and efficiency of its performance (Kotter and Heskett, 1992; Ooi and Arumugam, 2006). Schein (1992) and Pool (2000) argues that corporate culture enables organizations to tackle both the problems of adjusting to external environment and the internal integration of organization resources, human resource and policies to support the external adaptation. Corporate culture involves with social expectations and standards as well as the values and beliefs that individuals hold central and that bind organizational groups (Lawson and Shen, 1998; Ooi and Arumugam, 2006).

Various dimensions of corporate culture have been described in various literatures (Morrow, 1997; Ricardo and Jolly, 1997; Karia and Ahmad, 2000; Lau and Idris, 2001).

In this study, four important dimensions of corporate culture that is related to employee outcomes have been identified. These include training and development (Karia, 1999; Karia and Ahmad, 2000; Acton and Golden, 2002), rewards and recognition (Zigon, 1997; Allen and Helms, 2002), teamwork (Morrow, 1997; Osland, 1997; Karia and Ahmad, 2000; Karia and Ashari, 2006) and organizational communication (Nehers, 1997; Myers and Myers, 1982). All four dimensions are described in Ricardo and Jolly, 1997; Lau and Idris, 2001; Ooi and Arumugam, 2006 and Zahariah, Razanita and Erlane, 2009. Corporate culture is significant to organizations as Saeed and Hassan (2000) found that corporate culture is able to influence the thoughts, feelings interactions and performance in organizations.

2.1.1 TRAINING AND DEVELOPMENT

There are many ways that organizations can deploy to gain competitive advantage over their rivals in the global economy; technology, research and development etc. However, organizations need to increase their efforts to develop the knowledge, skills and attitudes of their workforce to maximize their organizational impact and compete effectively.

Training is also used as a tool to attract, retain, and motivate employees. Cadwell (1995) stated that organizations can develop employees by teaching skills, improving performance and acquiring behaviors through training. It is also argued that the process is an approach that focuses on the person which is one of the best ways to follow up. This is further supported by Wagonhurst (2002) who defined training and development as development of skills, specifies measurable objectives, and should result in observable change in behavior.

In view of the fact that huge sums of money are constantly being pumped in on training and development, it is essential to evaluate in what way the training has been useful to the employees. Organizations must facilitate transfer of learning from training to their work place. In contrary, there have been accusations that organizations does not have conducive environment and employees are not provided with sufficient tools and facilities to apply what they had learnt on their work. Alliger, Tannenbaum, Bennett, Traver and Shotland (1997) strongly argue that it is the application to the job that defines training successes.

Therefore, organizations must play active roles in providing means to provide employees with opportunities to develop themselves not only to reduce errors but rather reduce the overall cost associated with time, resources and productivity. However, yet another major concern of employers is the marketability of well trained employees who tends to job-hop as well as being subjected to head-hunters.

2.1.2 REWARDS AND RECOGNITION

Rewards and recognition to employees came into place as progressively more organizations take measures to establish a balance between the organization's contribution to the employee and employee's contribution to the organization. This leaves us with a question of is the organization largely paying for the type of jobs employees do or rather the employees themselves.

The primary concern is the ability of organization to attract and retain employees with efficient rewards and recognition systems. An efficient reward and recognition system should not only promote the retention of good performers but at the same time facilitate the decision of poor performers to leave.

According to Deeprose (1994), a reward system consists of compensation, benefits and recognition. He further establishes that organizations acknowledge and reward employees' achievement with tangible intrinsic rewards. Nevertheless, recognition is reserved for an elite few and rewards are defined solely in terms of salaries in many organizations (Deeprose, 1994). However Deeprose (1994) also argues that competition-based reward systems tend to create distrust, strife, conflict, and unethical behavior among employees.

Reward and recognition can be defined as benefits such as increased salary, bonuses, and promotion which are conferred as public acknowledgement of superior performance with respect to goals (Juran and Gryna, 1993). Employees are more willing to give their best job performance when they feel appreciated (Armstrong & Murlis, 1991). Kemp, Pryor and Dale (1997) characterize recognition as the basic to increasing the involvement of all employees in the organization operation.

Lawler (2003) asserts that there are two factors associated with attractiveness of a reward namely how much reward is being offered and how much an individual values the type of reward that is being offered. He argues that motivation is high when the individual values the reward more and more reward is offered. According to Lawler (2003), a reward system must be able not only to motivate employees to perform through valued and sufficient rewards but provide them with a direction and give them the power to influence their performance.

Deeprose (1994) posits the view that effective reward management can help an organization to achieve its business objectives by attracting and retaining competent people in the organization. Thus, all the researches point to a direction that suggests the call of having an effective diverse reward and recognition system. Therefore it is very essential for organizations to link rewards and recognition to their organizational strategies to achieve competitive advantage (Allen and Helms, 2002).

2.1.3 TEAMWORK

Teams are often classified into various categories such as virtual teams, cross-functional teams, task forces, project based teams, high performance teams and self-managed teams. Effectively facilitated teamwork would result in positive employee attitudes.

Teamwork is achieved when teams or groups develop a sense of shared commitment and synergy among members is strived (Katzenbach and Smith, 1993).

Koontz and Weihrich (1988) defined teamwork as two or more persons who are independent in executing tasks having frequent interaction with each other who strives to achieve a common goal with respect to core task by making differential contributions.

Researches in Malaysian context defines teamwork as a practice that allows employees at all levels to be more involved in the job and work together (Noorliza and Zainal, 2000). Similarly, Karia and Ahmad (2000) assert that teamwork facilitates the meeting of affiliate needs within the workplace and has been directly connected to job involvement.

2.3.4 ORGANIZATIONAL COMMUNICATION

Employees devote a considerable time to communicate. It can consist of dissemination or collection of information such as pertaining to work, company policies, standard operating procedures (SOPs), performance feedback or even spreading and creating rumors. Organizations need to have quality communication by fostering good relationship with their employees.

According to Downs and Adrian (2004), employees would have a sense of belonging towards their organization when they know what is happening in their job or organization that can be achieved through meetings. Good organizational communication between the employee and their manager ensures they do their job well. Clampitt & Downs (1993) points out that greater productivity, improved quality of goods and services and increased levels of innovation are among the benefits that can be obtained from having good internal communication.

Organizational communication can flow in three directions McShane (1995): (a) communications that flow from one level to a lower level (downward communication), (b) information flow to a higher level (upward communication) and (c) communication flows between employees of the same organization (horizontal communication).

Downs and Adrian (2004) assert that organizational communication includes the employee being notified of changes, and other information concerning the organizations' financial situation or overall mission. A well informed employee by their organization is more likely to understand their job requirements and expectations of their contribution to their organization's success. The consequence of poor organizational communication can result in the dysfunction of the employee's job and further have impact on organizational success.

2.2 MEDIATING VARIABLE (PERSON-ENVIRONMENT FIT)

The concept of fit has been extensively studied from various perspectives. Person-environment (P-E) fit refers to individuals' congruence, match or similarity with their work environment (Vogel and Feldman, 2009). O'Reilly, Chatman, and Caldwell (1991) assert that "positive responses will occur when individuals fit or match the requirements of a situation". P-E fit produces positive attitudes and behavior when the fundamental needs for belonging and self-actualization is fulfilled (Cable & Edwards, 2004; Edwards & Shipp, 2007).

Kristof (1996) conceptualized P-E fit into supplementary and complementary fit. Supplementary fit is the extent to which the employee and environment characteristics possess similarities such as values, goals and demographic (Muchinsky & Monahan, 1987; Kristof-Brown, Barrick & Stevens, 2005).

Complementary fit in contrast occurs when the employee and the environment possess different characteristics and becomes complete by offsetting a weakness or filling a gap (Muchinsky & Monahan, 1987; Kristof-Brown et al., 2005). Both employee and the organization provide something that the other needs or wants which is either needs-supplies or demand-abilities.

Researchers (Dawis & Lofquist, 1984; O'Reilly, Chatman & Caldwell, 1991; Cable & DeRue, 2002; Kristof-Brown, Jansen, & Colbert, 2002; Kristof-Brown, Zimmerman & Johnson, 2005; Vogel & Feldman, 2009) have found similarity with work environment on one or more levels within the P-E fit framework such as the job, organization, group and vocation. For the purpose of this study, P-E fit was evaluated along three dimensions namely person-organization fit, person-job fit and person-group fit.

2.2.1 PERSON-ORGANIZATION FIT

Kristof (1996) defined P-O fit as "the compatibility between people and organizations that occurs when: (a) at least one entity provides what the other needs, or (b) they share similar fundamental characteristics or (c) both". The underlying principle of person-organization fit is that different types of people get attracted to different types of organizations according to Kristof (1996).

P-O fit comprises of many dimensions that includes values, goals, personality traits and preferences (O'Reilly et al., 1991; Adkins, Ravlin & Meglino, 1996; Cable & Judge, 1997). According to Piasentin & Chapman (2006), values and goals the most commonly used dimensions of P-O fit.

Schneider (1987) came up with Attraction-Selection-Attrition (ASA) framework that illustrates organizational goals and values attract people with similar objectives. People who become aware of their goals misfit will leave after the selection and socialization stage. Finally, the organization would have a group of people with high P-O fit. Schein (1992) posit that employees with high P-O fit are more likely to align their day-to-day behaviors with organizational expectations.

2.2.2 PERSON-JOB FIT

Person-job fit is defined as the relationship between a person's characteristics and the jobs or tasks that are performed at work (Kristof-Brown et al., 2005). Edwards (1991) conceptualized P-J fit into two types. The first, abilities-demand fit, is the employee's knowledge, skills and attitude are proportional to the job requirements. The second is the needs-supplies fit. This is achieved when employee's needs, desires or preference are met by the job they perform (Kristof-Brown et al, 2005).

High level of P-J fit exists when both the need-supplies and demand-abilities fit are satisfied. Thus, Cable and DeRue (2002) combined both the separate types of P-J fit into the overall conceptualization of the fit. Moreover, P-O fit and P-J fit are found to be positively significant. According to P-J fit model, incongruence of either type creates psychological stress (French et al., 1982), and hinders successful job performance and positive job attitudes (Dawis & Lofquist, 1984).

2.2.3 PERSON-GROUP FIT

Organizational structure describes how huge number of employees come together to form differentiated smaller teams and how the independent actions of these differentiated groups are coordinated to produce various products or services (Pugh, Hickson, Hinings, & Turner, 1968). In comparison with other types of fit, person-group fit is rather a new area to be explored. P-G fit exists when there is interpersonal compatibility between individuals and other members of their work groups (Judge & Ferris, 1992; Werbel & Gilliland, 1999; Kristof-Brown et al., 2005). Some scholars argue that heterogeneous group comprising different knowledge, skills and abilities (KSAs) are more effective than those that have similar KSAs (Kristof, 1996). Meanwhile others argue that employees with similarities, demonstrates better performance (Adkins et al., 1996). According to Feldman (1984), P-G fit help promote group performance. Therefore, employees who have strong relationship with their coworkers are most likely to give and receive valuable resources from each other (Kristof-Brown et al., 2005).

2.3   DEPENDENT VARIABLES (EMPLOYEE OUTCOMES)

For the purpose of this study, employee outcomes will encompass job satisfaction, organizational commitment and turnover intentions.

2.3.1 JOB SATISFACTION

Employees tend to spend a substantial amount of time in their work place. Thus, it is important that they spend their time in a fulfilling manner. Job satisfaction has been a prominent research area by researchers in various fields especially in organizational behavioral research. Cranny, Smith and Stone in 1992 estimated that there were over 5000 articles that explored on job satisfaction. Job satisfaction in general can be described as an attitude that reflects the extent a person likes their job. It all boils down to the question of what do the employees really seek in their job. According to Greenberg and Baron (2003), money alone is not the reason for people working. Therefore it becomes complex in understanding the concept of job satisfaction.

Researches in job satisfaction can be traced as far back as in the early 1900's where Thorndike (1918) explored on work and satisfaction. The definition used by most researches is by Locke (1976) who defined job satisfaction as a pleasurable or positive emotional state resulting from one's job or job experiences.

Pool (1997) defined job satisfaction as attitude that individuals maintain about their job, and this attitude is developed from their perceptions of their job. Dawis and Lofquist (1984) defined job satisfaction as "a pleasurable affective condition resulting from one's appraisal of the way in which the experienced job situation meets one's needs, values, and expectations".

Spector (2000) argues that employees who are more satisfied with their work experiences and various conditions surrounding their work will tend to stay longer with the organization since a large part of an employee's lifetime is consumed by work. Conversely, employees would not perform to their best abilities if they are not satisfied with their job. This will in return have an organizational impact on how well or how poorly an organization does.

There are many different facets as to what affects the employees' job satisfaction level. The complexity of job satisfaction can be explored using demographic characteristics such as age, gender, education and number of years working (Clark & Oswald, 1996; Hickson & Oshagbemi, 1999)

Evans (1969) and Spector (1996) assert that job satisfaction is the sum total of satisfaction derived from different aspects of the job. However, the attitude employees have towards these aspects differs. Some may have positive attitude towards their co-workers but negative attitude in other aspects of the job like rewards.

Thus, job satisfaction is a result of the sum of positive and negative attitudes. Further researches (Weiner & Vardi, 1980; Caldwell & O'Reilly, 1990; Cranny et al., 1992; Friday & Friday, 2003; Robbins & Judge, 2007) affirm that job satisfaction can also be measured by specific facets which relate to work, pay, supervision, working conditions, rewards, and co-workers that are important in determining factors that are responsible for employees' job satisfaction. This is inline with this study that examines the dimensions of corporate culture that consists of communication, teamwork as well as rewards and recognition.

2.3.2 ORGANIZATIONAL COMMITMENT

The concept of organizational commitment has received considerable attention among researches for the last four decades (Porter, Steers, Mowday & Boulian, 1974; Mowday, Steers & Porter, 1979; Reichers, 1985; O'Reilly & Chatman, 1986; Mathieu & Zajac, 1990; Allen & Meyer, 1996; Lee, Meyer, Allen & Rhee, 2001). Numerous studies have been reported in the field of human resource management, industrial/organizational psychology and organizational behavior. This is particularly important to managers. It is possibly due to the fact that the impact of organizational commitment as the major determinants of organizational outcomes such as absenteeism (Meyer, Allen & Smith, 1993), job satisfaction (Spector, 1997), turnover (Benkhoff, 1997) and turnover intentions (Lok and Crawford, 2001; Yousef, 2000).

Organizational commitment has been theoretically defined differently by various researchers in different fields. Committed employees in layman terms typically describe one who stays with the organization through thick and thin. Sheldon (1971) defines organizational commitment as an attitude or an orientation towards the organizations, which links or attracts the identity of the person to the organizations. Becker, Billings, Eveleth and Gilbert (1996) define organizational commitment as a psychological attachment of workers to their workplaces.

However, organizational commitment literature can be divided into two distinct dimensions of the construct. Earlier works characterized organizational commitment as uni-dimensional (Mowday, Porter and Steers, 1982) and then came to be recognized as multi-dimensional work attitude (Meyer & Allen, 1984, 1991; O'Reilly & Chatman, 1986).

Mowday, Steers and Porter (1979) defined organizational commitment as a strong belief in and acceptance of the organization's goals and values, willingness to exert considerable effort on behalf of the organization and a strong desire to maintain membership in the organization. This is inline with Kanter (1968) and Mowday et. al (1982) conceptualization of organizational commitment in terms of the employee's identification with, involvement in, and desire to stay with the organization.

Meyer and Allen (1987) developed a three component conceptualization of organizational commitment. The multidimensional construct comprising three components of commitment are emotional affective attachment to the organization (Affective commitment), awareness of the perceived costs associated with leaving the present organization (Continuance commitment) and obligation to remain based on personal values (Normative commitment).

The authors argue that employee's relationship with organization might reflect varying degree of all the three components and hence, incorporated all of them in their model. Employees could also have organizational commitment that reflected high or low levels of all components (Meyer, Stanley, Herscovitch, & Topolnytsky, 2002).

Dunham, Grube and Castaneda (1994) found that eight of the fifteen items of the Organisational Commitment Questionnaire (OCQ) is the same as Meyer and Allen (1984) Affective Commitment Scale (ACS). This suggests that the OCQ primarily measures affective commitment that emphasizes employees' attachment. Thus, prevalent approach to organizational commitment is affective or emotional attachment to the organization. OCQ is continuously used extensively by researches (Dubin, Champoux and Porter, 1975; Porter, Crampon, and Smith, 1976; Porter, Steers, Mowday, and Boulian, 1974; Steers, 1977; Steers and Spencer, 1977; Stone and Porter, 1975).

2.3.3 TURNOVER INTENTIONS

Major concern of organizations today is hiring and most importantly retaining employees of high caliber mainly due to the costs associated with the turnover. Turnover as described by Ruby (2002) involves either employees leaving their current job to take on a new job within the same organization (internal) or employee leaving the organization for good (external).

The former would not be an issue as it is maybe a result of succession planning, planned by the organization. The latter however might be due to termination or voluntary resignation that causes high turnover rate.

Bluedorn (1982) defines turnover intentions as the employee's plans for leaving the organization. Tett & Meyer (1993) and Carmeli & Weisberg (2006) defined turnover intentions as a conscious and deliberate decision to leave the organization within the near future. Meanwhile, Nelson and Vandenberg (1999) defined turnover intentions as an individual own estimated probability that they are permanently leaving the organization at some point in the near future.

Tett and Meyer (1993) and Samad (2006) emphasize that factors that influence turnover intentions are important in reducing the actual turnover. Bluedorn (1982) further recommends using turnover intentions over actual turnover as it is more difficult to measure actual turnover rate.

This was also proved by Mobley et al. (1978) and Tett & Meyer (1993) that intention to quit was the immediate precursor of actual withdrawal behavior. This allows organizations can take preventive measures when they learn employee's intention to leave. Hom and Griffeth (1995) came with interesting argument that individual who exhibit high turnover intentions will infect other employees in the organization with undesirable attitudes that reduces productivity. In view of that, turnover intention was chosen as one of the dependent variable in this research.

2.4   RELATIONSHIPS BETWEEN VARIABLES

CORPORATE CULTURE AND JOB SATISFACTION

There are only a few literatures examining the relationship between all the facets of corporate culture and employees' job satisfaction to date. Most literature describes the relationship between each facet of employee outcomes. Steers (1977) found a positive relationship with organizational commitment. Porter and Steers (1973) found a negative relationship among job satisfaction and turnover intentions. Thus, job satisfaction significantly increases organizational commitment that reduces the employee's intention to leave that eventually results in turnover (Michaels and Spector, 1982).

Jones (1986), Allen and Meyer (1990) and Baker (1992) indicated that greater organizational communication was associated with higher job satisfaction, that in turn resulted in greater organizational commitment and lower levels of turnover intention.

Srivastava and Pratap (1984) studied job satisfaction and organizational climate among executives and supervisors and reported a significant positive relationship between organizational climate such as communication, interaction, control and teamwork. Rayton's (2006) research revealed that higher levels of work involvement, rewards and recognition, training, managerial support, and career opportunities were significant determinants of employee job satisfaction.

This then lead to the establishment of the first the following proposition, which state: *Hypothesis 1: Corporate culture will be positively related to employees' job* satisfaction.

CORPORATE CULTURE AND ORGANIZATIONAL COMMITMENT

Based on Ricardo and Jolly (1997), the four dimensions of corporate culture namely, training and development, rewards, teamwork and organizational communication have different effects on employees' commitment.

Researches in the total quality management field (Acton and Golden, 2002; Karia and Ahmad, 2000; Karia, 1999) found extensive evidence that training and development facilitates the updating of skills and leads to increase commitment, well being, and sense of belonging, thus directly strengthening the organization's competitiveness.

Kumar (2006) suggested that organizational commitment can be obtained through some of these structured steps: (a) provide training to employees in order to improve their skills and knowledge level; (b) keep performance orientation simple and open to employees for verification and clarification; (c) encouraging teamwork and self – managed team culture and (d) ability to communicate openly and honestly by making healthy criticisms. All elements of corporate culture are aligned with organizational culture.

Therefore, these leads to the establishment of the second research hypothesis:
Hypothesis 2: Corporate culture will be positively related to employees' organizational commitment.

CORPORATE CULTURE AND TURNOVER INTENTIONS

Huselid (1995) proves that progressive HR practices improves knowledge, skills and abilities of an organization's current and potential employees that leads to the retention of quality employees. Researches (Lawler, 1981; Milkovich & Wigdor, 1991; Zenger, 1992) found empirical evidence that rewards are effective in retaining good performers, and reduces turnover intentions.

Employees satisfied with organizational rewards will choose to stay as it would seem to them that they are losing a competitive reward. Good organizational communication is found to have a negative effect on employee's intent to leave (Porter & Steers, 1977; Cotton & Tuttle, 1986; Maertz & Griffeth, 2004). Malaysian workers have been portrayed as money-oriented and inclined to job hop for better career offers (Kawabe, 1991). However researches (Abdullah 2001, Hofstede, 2001) found that Malaysian employees tend to have strong relationships in the work place in terms of organizational communication and teamwork.

Therefore, on these bases of arguments and evidence, the following hypothesis is stated: ***Hypothesis 3: Corporate culture will be negatively related to employees' turnover intention.***

PERSON ENVIRONMENT FIT AS A MEDIATOR

Understanding the dimensions of PE fit is crucial to the organizations as it influences outcomes at each phase of an employee's organizational life cycle. This begins from the initial decisions to join an organization (Cable & Judge, 1996), behaviors and attitudes while employed (Tziner, 1987), and intentions to quit and exit the organization (O'Reilly, Chatman, & Caldwell, 1991).

Many researches has highlighted the various positive employee outcomes, such as job performance, job satisfaction, organizational commitment and turnover intent that have been linked to the commonly researches dimensions of P-E fit (Locke, 1984; Allen & Meyer, 1990, 1996; Kristof, 1996; Brief & Weiss, 2002).

Therefore, similar consequences are expected, which leads to the establishment of the final hypothesis of the research:

Hypothesis 4: Relationships between:

  a) *Corporate culture and job satisfaction;*

  b) *Corporate culture and organizational commitment; and*

  c) *Corporate culture and turnover intention*

will be mediated by person-environment fit

2.5   THEORETICAL FRAMEWORK

Based on previous academic literature review, a theoretical framework is proposed for this research. Figure 2.1 illustrates the framework that proposes the mediating relationship of person-environment fit that explains the relationship between corporate culture and employee outcomes. The four dimensions of corporate culture act as the independent variable in this study that predicts the three dimensions of employee outcomes. Meanwhile, three dimensions of person-environment fit acts as the mediating variable in the relationship between corporate culture and employee outcomes.

Corporate Culture

- Training & Development
- Reward & Recognition
- Organizational Communication
- Teamwork

Person - Environment Fit

- Person - Organization Fit
- Person - Job Fit
- Person - Group Fit

Employee Outcomes

- **Job Satisfaction**
- **Organizational Commitment**
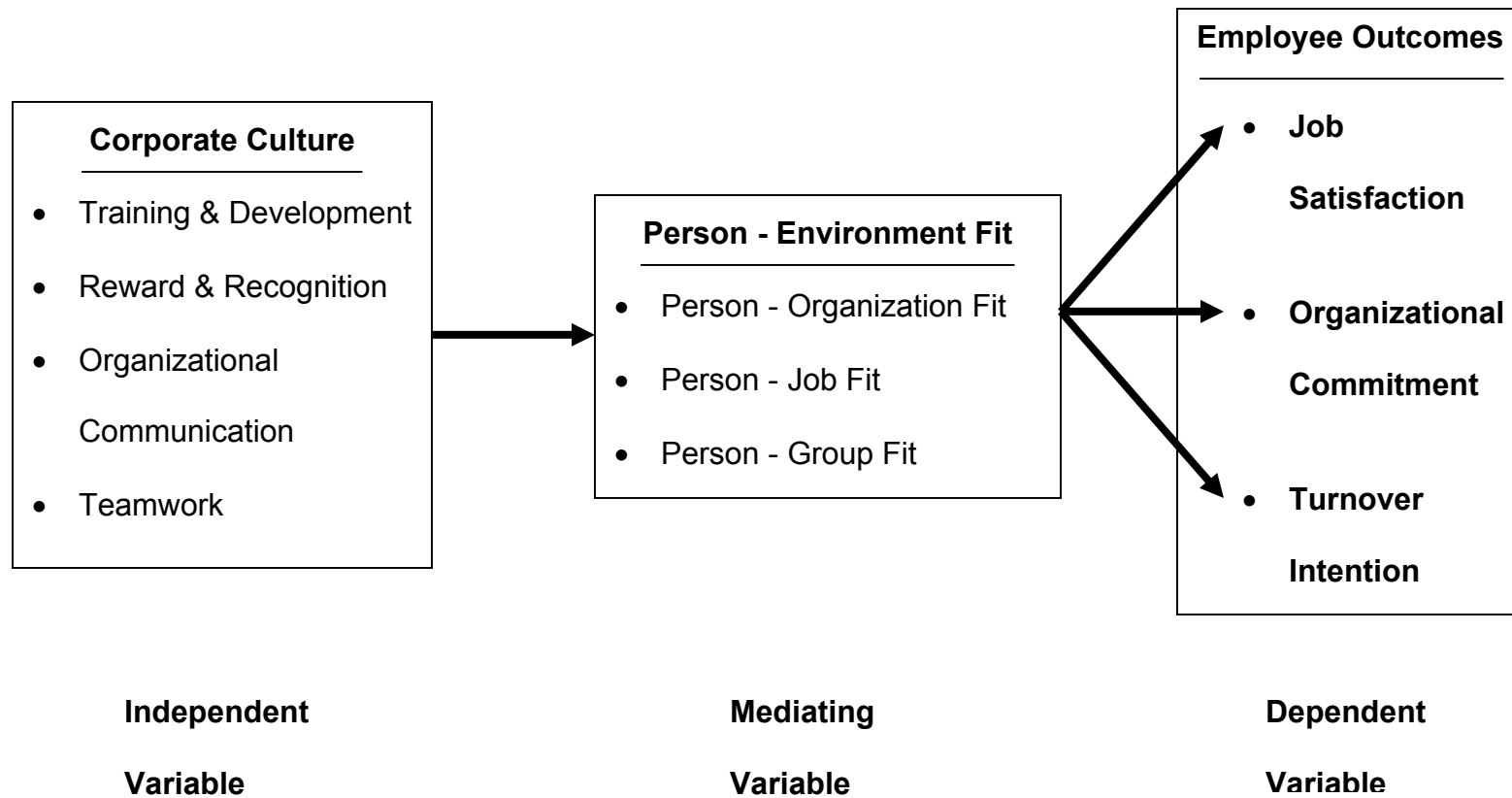- **Turnover Intention**

Independent Variable

Mediating Variable

Dependent Variable

Figure 2.1: Theoretical Framework