

Chapter 42

An Empirical Study on the Impact of Person–Organization Fit on Organizational Effectiveness

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Abstract As the emerging theory of western organizational behavior (OB), Person–Organization fit (P–O fit) recently has been a hot topic among scholars both at home and abroad, especially the effect of P–O fit on the organization. So this paper intends to explore P–O fit and organizational effectiveness literatures to investigate the interrelationships between them. We put forward the fit of fulfilling degree of employee–organization’s values as a measuring index for P–O fit and analyze how it impacts on organizational effectiveness through establishing a research model. Testify fit indices of the model by SEM method indicate that P–O fit is positively related to organizational effectiveness.

Keywords P–O fit · Organizational effectiveness · The fulfilling degree of values · SEM

42.1 Introduction

Since the 1990s, Western enterprises, under the pressure of changing environment and intense competition, were faced with frequent changes and high rate of brain drain. Therefore, how to attract, select and retain high-quality employees, how to maintain a good relationship between enterprise and employees, and how those issues influence organizational management have become a hot topic among managers. In this context, person–organization fit has been the emerging theory in OB (Organizational Behavior) in the western academic circles, which mainly discusses how to realize the matching between employees and the organization and the result of

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Person–Organization fit (P–O fit). As for the domestic enterprises, due to the dynamic developing circumstances, P–O fit has been an important issue of human resource management, which has drawn the great attention of management layer.

Within the existing studies, there are three categories for P–O fit can be classified by Kristof:

1. Either individuals or organizations could satisfy the counterpart's needs, that is, the complementary matching;
2. Both individuals and organizations have similar characteristic in some respects, that is, the consistent matching;
3. Both two cases occur [15].

In some literature, P–O fit has typically been conceptualized as the degree of congruence between employee and organizational beliefs, norms, values [6], and goals [16]. A number of studies abroad have proved that P–O fit could bring some positive impact on employees' job satisfaction [10, 25, 26], prosocial behavior [19, 21] work performance [1, 5] and generating positive subjective experiences [2]. Furthermore, P–O fit affects employee engagement and leads to variance in organizational commitment [4]. That is to say, employee engagement goes beyond the traditional nation of job satisfaction, is more important and vital to affect the organizational effectiveness. Newest studies have indicated that the relationship between ethical culture and affective commitment, intention to stay, and willingness to recommend the organization to others, is partially mediated by P–O fit [20].

The extensive literatures mentioned above indicate that P–O fit is of strategic significant for both organizations and individuals in the long term. To sum up the previous researches on P–O fit and its influence on employees, it is believed that P–O fit has a significantly positive effect on employees. However, the amount of researches about its effect on organizations remains relatively small and there is a shortage of empirical evidence. Therefore, this paper, based on the domestic and foreign researches, aims to explore the effect of P–O fit on organizational effectiveness through empiric method.

42.2 Definition and Measurement of P–O Fit

The issue of P–O fit and its impact, definition and measurement indicator has been the primary problem in this field. Zheng Boxun pointed out that the implicit assumption of P–O fit was, the better the fit, the more likely positive behavior of the staff was to be produced, but how to define the degree of the fit could be the most difficult problem [28]. Scholars at home and abroad have been trying to solve the problem, but different researchers with different study purposes, selected different definitions and assumptions of P–O fit. For instance, Bem and Allen firstly developed “template comparison techniques” to compare personal properties and situational characteristics [3]. Then Chatman, through the construction of individual and organizational value profile, put forward the “profile comparison process” to compare the correlation coefficient of

individuals and organizations to study matching degree [6]; Denison found that there were differences between individuals' perceived organizational values and expected organizational values, therefore, he proposed to compare this differences to measure the match degree [7]. However, Ding Hong and Zheng Boxun further used different calculation methods, such as low cut, absolute difference value, to compare this differences and measure the fit degree [9, 27]. Soumendu Biswas and Jyotsna Bhatnagar put forward from two angels to evaluate P–O fit: complementary fit occurs when the employee and the organization meet the needs of each other and the demands of organization and the abilities of the employee reach the criteria respectively, whereas supplementary fit occurs as a result of congruence of an actual (indirect) value and a perceived value between the person and the organization [4].

Although existing body of literature proposed different ways to measure P–O fit, but there are two defects in the conventional measurable indicators of P–O fit: firstly, to measure the fit degree from the difference between individuals' perceived organizational values and expected organizational values did not take the role of and mapping of employee personal values into consideration; secondly, measuring the identity, similarity of staff and organizational value does not match the actual situation, for the reason that employees may approve the organizational values due to a variety of factors though there's little similarity between them, and P–O fit may be quite good [29]. According to this, this paper puts forward a new indicator to measure P–O fit—the fulfilling degree of values, to overcome the shortcoming of existing matching measures, and to avoid the problem of how similar the values of employees and organization is, which is not easy to measure. The indicator of fulfilling degree of values views P–O fit from a dynamic perspective through comparing between the fulfilling degree of individual's values and organization's values, which has broken through the traditional boundaries.

According to the analysis above, this study chooses the indicator proposed by Zhu Qingsong and Chen Weizheng to measure P–O fit: Using the fit of fulfilling degree of employee-organization's values to measure P–O fit.

42.3 Definition of Organization Effectiveness

Up to now, there is still no agreement on the definition of organizational effectiveness. Drucker argued that effectiveness was the ability to set and achieve appropriate goals. In other words, it was the capability to do right things, which includes two aspects: first, goals must be set appropriately; second, goals must be implemented. In addition, how to set the standards of organizational effectiveness should be determined by at least eight aspects:

1. market conditions or market share,
2. creativity,
3. productivity,
4. material and financial resources,
5. profit margins,

6. managers' work and responsibility,
7. employees' work and morale,
8. public responsibility [11].

However, the recently literatures (Aakanksha Kataria) have refined organizational effectiveness from eight areas proposed above to three areas: productivity, adaptability, flexibility [14]. But, for some scholars, they defined it from the organizational performance [12]. For example, Denison regarded organizational effectiveness as a superior performance in an organization, especially in the organization's output, including both the operation performance of the organization and the standard of the individual's level, such as employees' performance or customers' satisfaction [8]. Luo Min put forward that attention should be paid to three core elements when defining organizational effectiveness: the overall performance of the organization, the goal of the organization, and the general expectation of society. Therefore, organizational effectiveness is to evaluate the fulfilling degree of organization's multiple targets [17].

In general, organizational effectiveness has a wider scope, which mainly refers to the overall organizational performance, including internal and external outputs. While organizational performance only refers to the management effects. In China, we can find this difference: the effectiveness often reflects the indirect level-the attainment of goals as well as their overall performances in organization, in other words, organizational effectiveness can be performed in multiple levels. However, the performance is usually specific and direct. For example, performance management refers to the assessment of performance. Based on the analysis of organizational effectiveness mentioned above, this study puts forward that the organizational benefit and the organizational growth can be adopted to reflect organizational effectiveness, and the organizational benefit and growth indicator should be used to measure it.

42.4 Research Model

The following Fig. 42.1 shows the proposed research model:

The model as shown in Fig. 42.1 clarifies the route of how we explore the relationship between P-O fit and organizational effectiveness. First, selecting indicators of fulfilling degree of employee-organization's values as the measurable variable to testify how the employee and organization fit degree (P-O fit); Second, P-O fit as the latent variable, is to explore the explanatory power and the influence on organization effectiveness (the dependent variable); Finally, adopting SEM method to validate the model' fit indices. If the model can be tested a well fitting model, that can support the hypothesis proposed below.

Hypothesis 1 The fit of fulfilling degree of employee-organization's values has a significant explanatory power on organizational effectiveness, that is, there exists a positive effect on the organizational benefit performance and the organizational growth performance.

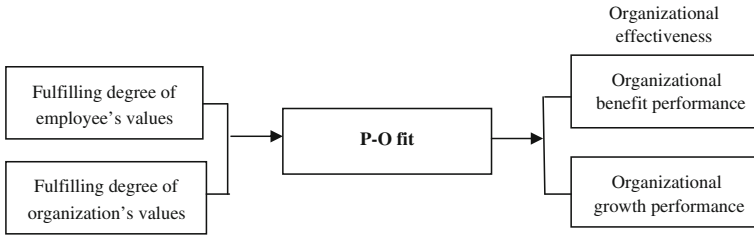


Fig. 42.1 The model of P–O fit impacting organizational effectiveness

Table 42.1 Basic characteristic of the sample ($N = 246$)

Item	N	Per.	Item	N	Per.	Item	N	Per.
Gender			Position			Age		
Female	172	69.9	General	85	34.5	> 40	61	24.8
Male	72	29.3	Middle level	118	48	30–39	123	50
Missing	2	0.8	High level	41	16.7	20–29	61	24.8
			Missing	2	0.8	Missing	1	0.4

42.5 Methodology

42.5.1 Sample

Participants in this study come from MBA classes and corporate management training classes. To ensure the quality and returned rate, questionnaires were given out and collected back on the spot. 435 copies of questionnaires have been delivered to participants and 363 have been collected back during more than six-month investigation. The returned rate was 83.3%. There were 246 copies of valid questionnaires left after excluding 117 invalid pairs containing problems such as omissions and duplication (such as always selecting five). The demographic characteristics of the participants are showed in the Table 42.1.

42.5.2 Measuring Tools

1. Measurement of the fulfilling degree of employee’s values

In this approach two steps are needed to measure the fulfilling level of employee’s values. Firstly, investigating staffs’ values by the employee’s value scale and calculating the fulfilling degree of each employee’s value in the organization. Secondly, figuring out the mean score of the fulfilling degree of employee’s values. The measurement of employee’s values consists of two parts: basic values and work values.

- (a) as for basic values, questionnaires designed by Rokeach with reliability of 0.93 in this study is chosen to measure them. There are two types of basic values: terminal values and instrumental values, with each type consisting of 18 items [23];
 - (b) as for work values, questionnaires designed by Meyer, Irving and Allen with reliability of 0.87 is chosen to measure them [18]. The scale assessed the importance of 25 kinds of job characteristics, and 21 kinds of job characteristics fell into three dimensions: comfort and security, capacity and growth, status and independence.
2. Measurement of the fulfilling degree of organization's values
- Procedures to measure the fulfilling degree of organization's values are the same as those used to measure the employee's values: First, selecting the organizational values scale to measure not only these values, but also the fulfilling level of them in the enterprise; Second, according to the score of fulfilling degree of each organizational value, the mean score of the fulfilling degree of organization's values can be figured out. In this study, the organizational values scale is mainly applied to the Chinese organization' research and designed by Taiwan scholars Ren Jinggang, Tony Huang and Zheng Boxun, with α reliability of 0.86 [22].
3. Measurement of organizational effectiveness
- The organization's comprehensive performance is assessed by a scale from the company developed by Tan and Litschert. This scale is comprised of 7 items: profits, sales, market share, sales growth, staff's morale, asset growth and competitive position [13]. Through confirmatory factor analysis, these items are divided into two dimensions: organizational benefit performance including project profit, sales revenue and market share; organizational growth performance including sales growth, staff morale, asset growth, and competitive status. The α reliability is 0.94.

42.6 Correlation Analysis Between Fulfilling Degree of Employee Organization's Values and Organizational Effectiveness

Table 42.2 presents the Pearson correlation matrix of fulfilling degree of employee-organization's values and organizational effectiveness, which shows that, the overall fulfilling degree of employee-organization's values was significantly related to organizational benefit performance dimension and organizational growth performance dimension.

Table 42.2 Correlation matrix of fulfilling degree of employee-organization’s value and organizational effectiveness

Variable	Means	Standard deviations	1	2	3	4R
1 The fulfilling degree of employee’s values	3.084	.900	1.000			
2 The fulfilling degree of organizational values	2.998	.801	.546**	1.000		
3 Organizational benefit performance dimension	3.100	.934	.487**	.532**	1.000	
4 Organizational growth performance dimension	2.992	.958	.617**	.593**	.783**	1.000

** $p < 0.01, N = 246$

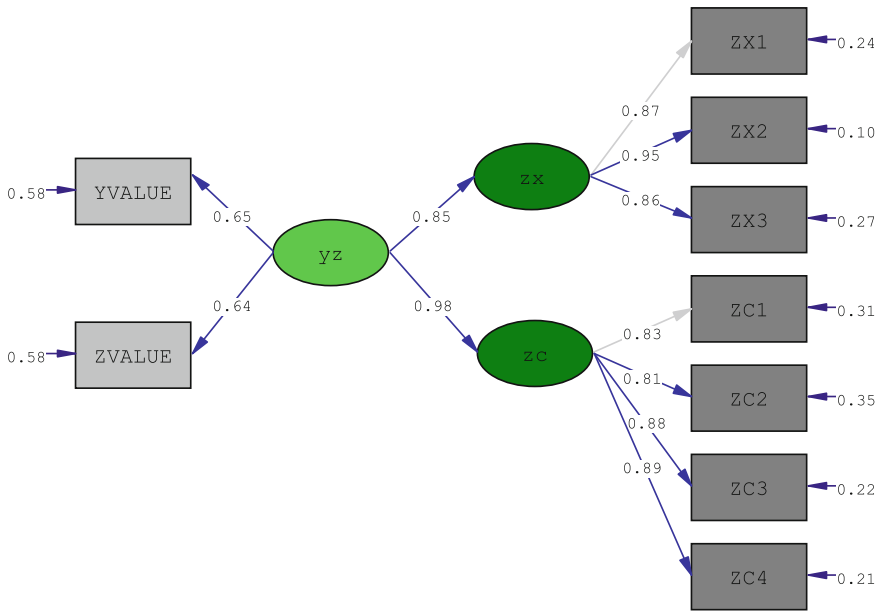


Fig. 42.2 The standard path of the model Note *YVALUE* the fulfilling degree of employee’s values, *ZVALUE* the fulfilling degree of organization’s values, *yz* P–O fit, *zx* organization benefit performance, *zc* organizational growth performance

42.7 Results and Analysis

The standard path of the model which displays the relationship between P–O fit and organizational effectiveness by LISREL8.54 is shown in Fig. 42.2.

As seen in the Table 42.3, we can find that the model of fit indices show that P–O fit has a significant effect on organizational effectiveness. Among these fit indices, vaule of $\chi^2/df = 2.8$ is considered to be representative of a well-fitting model; RMSEA

Table 42.3 Fit indices

	χ^2/df	P	CFI	NNFI	RMSEA	SRMR
Model 1	2.84	0.00	0.99	0.98	0.087	0.036

χ^2/df Relative chi-square, *P* p-value, *CFI* Comparative fit index, *NNFI* No normed fit index, *RMSEA* Root mean square error of approximation, *SRMR* Standardized root mean square residual

is 0.087, smaller than 0.1 level put forward by Marsh and Balla, indicating that the model fit well; the CFI = 0.99, NNFI = 0.9, exceed the empirical value of 0.9 level, SRMR = 0.036, smaller than the criteria of 0.05. The overall index of the model shows that the goodness of fit is very good. Therefore, the model testifies that P–O fit could powerfully explain the organizational effectiveness. That is to say, the overall fulfilling degree of employee-organization's value has a significant effect on organizational benefit performance and organizational growth performance.

42.8 Conclusions

In this study, we examine the effects of P–O fit on organizational effectiveness. To get this goal, we select a new indicator of the fit of values' fulfilling degree to measure P–O fit, which is from a new and different perspective to define and measure P–O fit, and establish a model of P–O fit impacting organizational effectiveness. In order to test the model shown in table 1, we adopt the SEM method to testify the fit degree. Data analyses reveal that a positive relationship between P–O fit and organizational effectiveness.

These findings provide important managerial implications. They are a practical meaningfulness for a company to how to establish and optimize environment. If one company hopes to achieve P–O fit and eventually implement organizational effectiveness, it should get the fit of fulfilling degree of employee-organization's values first, that is, should emphasize the realization of organization's values and at the same time inspires employees to fully show their individuality and realize their values. Nowadays, many companies focus more on indoctrination and shaping employee's values with organization's values, while ignoring the realization of employee's values. This paper aims to stress that companies should shift their focus from the indoctrination of values to the realization of them, to transfer from the single perspective of organization's values to the dual perspective of employee-organization's values, only by matching employee-organization's values could employees and companies reach a continuous development at the same time, finally fulfilling the bettering of the organizational benefit and growth. Therefore, our contributions are that rich the P–O fit and organizational effectiveness literature, and play a positive role in the company's management.

When discussing contributions of this research, we must take the limitations of this research into consideration. Because it is difficult for us to collect data from

different resources, so we adopt self-report to assess the predictive variable and the outcome variable, which would probably lead to the problem of common method variance. Fortunately, we achieve the results by some independent measurements and the model test, so it is not particularly affected by common method variance. Moreover, Schmitt put forward that the relevant error would not lead to the false interaction, just may reduce the real interaction [24]. Nevertheless, we advise that the further research need gain the external validity by more representative random samples to further validate the model and the theoretical hypothesis of this study.

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