

**An Examination of the Relationship Between  
Person-Organization Fit and  
Job Performance of  
Sri Lankan Banking Industry**

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**A dissertation submitted to the University of Sri Jayawardenepura,  
Sri Lanka in partial fulfillment for the requirement for the  
Degree of Master of Science in Management.**

**M.Sc. (Management) Degree Programme  
Faculty of Graduate Studies  
University of Sri Jayawardenepura,  
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**January 2006**

## CERTIFICATION

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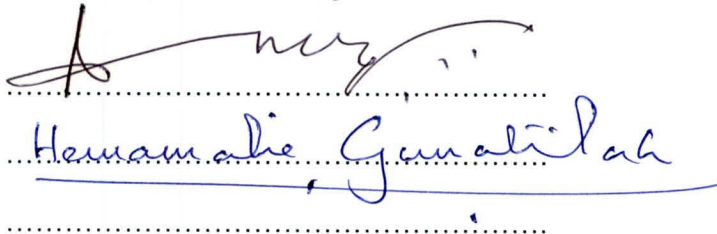
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**January 2006**



**Dedicated to  
my loving parents**

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## ACKNOWLEDGEMENT

I wish to acknowledge with thanks the University of Sri Jayawardenepura for selecting me for the M.Sc. Management course as well as all our lecturers who guided us during the period of study of M.Sc (Management) degree programme at the University of Sri Jayawardenepura.

I wish to mark my deep gratitude and my deep indebt to Dr. Anil Chandrakumara who lectured us on Contemporary Issues in General Management, which I compelled to do my research on one of the contemporary management issues. I am deeply indebted to him for his guidance, direction and motivation in formulating and framing a very useful research project, encouraging, providing valuable suggestions and constructive criticisms and enthusiastic support given during the course of this research project, without which this thesis would never have seen the light of the day.

I am grateful to Prof. Henarath H.D.N.P Opatha, our first Course Coordinator and the lecturer in Human Resource Management and Research Methodology, Dr (Mrs.) Bhadra Arachchige our former Course Coordinator and the lecturer on Quality Management and Research Methodology, Dr Sampath Amarathunge our present Course Coordinator, who guided and put pressure on us to complete the research, for their expert guidance, invaluable advises and support throughout the period of the course.

I would especially like to acknowledge my gratitude to all the staff members of the Faculty of Graduate Studies, M.Sc. Management unit, the librarian and the library staff of the university, for their unfailing support and generous help whenever I needed.

I extend my sincere thanks to all Heads of Departments and of the staff members of all Domestic Commercial Banks in Sri Lanka who readily responded to my questionnaire.

I also wish to thank my colleagues Mr. Anurudda Weliwita of Rajarata University for assisting me to get necessary reading materials, Mr. Thanuja Samaranayake who gave me the SPSS software and necessary support, and also Miss Nipunika Adhikari, Ms. Vasana Kumarage, Ms. Erandathie Rathnayake, Mr. Lucian Vethamanikkam, Mr. A.W G. Manjula Priyangana, Mr. Rishard Mohammed and my other colleagues of M.Sc. in Management (2001/2002) batch for their assistance and support in numerous ways.

My heartiest and deep appreciation goes to my loving parents, Mr. S.J.R. Senarath and Mrs. R.M.S.M.A.Senarath who taught me the value of education, for their love, guidance and continued encouragement extended. At this moment I remember with deep gratitude my beloved late Grandfather, Mr. Punchi Banda Andarawewa who read me the first letter in alphabet in my life. Special thanks are due to my brother, Mr. Shanuka Senarath, sister Miss Sujavi Senarath, and all my good friends for constant encouragement and invaluable advices given to me throughout this study.

## ABSTRACT

Banking system plays a major role in the economy and it affects the economy of a country. In Sri Lankan society banks play a major role too. Banks has employed a considerable number of people from the society and has a significant influence on the society.

Banks recruit staff from various types of educational and social backgrounds. This study is an attempt to identify to what extent the bank employees have adopted to the organization and its culture, which identified as the "Person-Organization fit" (P-O Fit) and depending on the strength of the fit, the performance level of the employees, which at the end, affects the organizational performance, since the performance of banks is an important factor in the economy of the country.

It was hypothesized that the person organization fit influences positively to the job performance of Sri Lankan domestic bankers. Questionnaire was distributed among 1200 bank employees and a sample of 489 employees and 06 Deputy General Managers and 02 General Managers representing 08 domestic commercial banks were examined to research the P-O fit and its influence on Job Performance.(only 497 properly filled questionnaires were found/ collected) The organizational culture (fit) was identified and analyzed by using SPSS and Microsoft Excel software packages. The data analysis techniques used was descriptive statistics, one sample "T" test, and regression analysis.

A positive correlation among culture profiles of 08 banks suggested that an industry wise person organization fit exist. Correlation Analysis explained a significant relationship between the attitudinal variable of person organization fit and the outcome variable of job performance. Univariate statistical measures (Mean, Std. Deviation) revealed that the respondents were satisfied, fit to the organization and did perform well. Regression Analysis confirmed that those results were positive and significant and confirmed that person organization fit influences positively on job performance

The study was conducted on the basis of a well-developed conceptual framework. The findings of the study may help bank managers to make the employees "best fit" to the bank and to have highly performing staff strength in the banking industry. The findings also add to the P-O fit knowledge in Sri Lankan context.

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# CHAPTER 1

## INTRODUCTION

### 1.1 Outline of the Research

An organization can be only as effective as its people. This aphorism is true for Banks as well, which are characterized by continual and intense manager-staff contact. In the banking industry the majority of the interface with customer and the bank is done by front line employees. Hence frontline employees' performance may have a direct impact on customers and finally to the bank as well. Moreover, the dynamic interaction inherent in this service encounter means that customer contact personnel in service organizations exert a strong influence on customers' perceptions of service quality and their satisfaction with that service (Bitner, Booms, & Tetreault, 1990; Schlesinger, et al.1996), further Schlesinger, et al. (1996), proposed a model of a service-profit chain, linking employee satisfaction, customer satisfaction and individual performance, which lead to organizational performance. According to this model, internal service quality (e.g. fair rewards) drives employee satisfaction, performance, which leads to attentive customer service, then to customer satisfaction and loyalty, and finally to organizational profits and growth. Meanwhile, a growing body of evidence supports an association between employee attitudinal variables and organizational performance (Schlesinger, & Zornitsky, (1996)). Chatman and O'Reilly (1991), Chatman and Caldwell (1991) found those employee attitudes, as well as their behavioral intentions, to be directly related to their demonstrated behaviors. These researchers found that satisfied employees were likely to stay with their organization and contribute to its financial success. Moreover, these attitudes and intentions influence employee effectiveness, customer service, and organizational performance. Thus, it appears that bank managers could gain a valuable competitive advantage by understanding the critical factors that shape employees' attitudes and subsequent behavioral intentions, which contribute towards the person-organization fit. Chatman (1991)

The study reported here tests the person organization fit and the job performance depending on the strength of individual and organizational factors of banking industry because of the positive relationship between employee satisfaction and performance (Wright & Staw, 1999).

Organizational researchers tend to explain employee performance in terms of either organizational or individual characteristics. Organizational characteristics researchers or “situationalists” are concerned with how people make sense of their environment, while identifying those environmental elements that affect attitudes and behaviors (Davis-Blake & Pfeffer, 1989). Personalists and intuitionists have tried to show how either the person or the situation alone affects attitudes and behaviors. The personal versus situational debate has led, however, to a school of thought contending that behavior in organizations results from the complex interaction between features of the organizational context and characteristics of individuals (Chatman, 1991). Research oriented this way has evolved into an interactional perspective based on the fit or correspondence of individual and organizational values. Thus, person-organization (hereafter, P-O) fit is defined as congruence between the values of organizations (their culture) and the values of individuals (Chatman, 1989). Values—for people and organizations—are generalized ideological justifications both for appropriate behaviors and for the activities and functions of the system (Chatman, 1989). P-O fit is based on the assumption that individuals seek to achieve and maintain correspondence with their organization. Correspondence between the employee’s values and the organization’s value system represents a measure of P-O fit, and this correspondence can predict behavior in organizations (Schneider, et al, 1995).

O’Reilly et al (1991) found that P-O fit influences on job performance. Researcher had considered the job performance as the dependent variable and person organization fit as the independent variable. The organization culture had been used as an explaining variable. The research had done a study on value congruence between the values of bank employees and the values of organization, (P-O Fit) and the influence of P-O fit on Job Performance on up to what extent a bank employee’s values tallies with managers’ values (P-O fit) and depending on the strength of the P-O fit, what is the job performance level.

## **1.2 Background of the Study**

Person-Organization fit, which is frequently assessed by the compatibility between organizations and their incumbents (Kristof, 1996), has important implications both for individual employees and their companies. To name just a few, compatibility between incumbents and their organization is commonly associated with job longevity, greater organizational commitment, better job performance, higher job involvement, improved employees attitudes, lower turnover and tardiness rates, higher levels of socialization and

co-workers' likeability and improved personal health and adaptation (O'Reilly et al., 1991). Schneider's (1987) Attraction-Selection-Attrition (ASA) model holds that people are first attracted to organizations as a function of their perceived congruence between the institution and their own characteristics (Cable & Judge, 1997; Schneider et al., 1995). Then, a positive selection occurs when their hired also attributes to the organization desires. Finally, when incumbents realize that there is no longer adequate fit with their work environment, they tend to leave. This indicates those people continuously shape and are shaped by their own workplace. On the basis of recent tests of the ASA model which point out that organizations are indeed relatively homogeneous with respect of incumbents' personality attributes (Schneider et al., 1995), Van Vianen (2000) has suggested that a match between newcomers' characteristics and those of tenured incumbents also determines a good person-organization fit; not surprisingly, congruence between persons and their organizations is at least to some extent a function of similarity; the extent to which individuals share attitudes and values, demographic and social backgrounds, work ethics, and a host of other factors (e.g., professional interests, needs, aspirations, etc.) Van Vianen (2000).

We can identify several branches of behavior and performance. Behavior is consisting with "individual behavior", "group behavior" and "organizational behavior". Performance also categorized to "individual performance", "group performance" and "organizational performance". In this study the researcher had used individual behavior and individual performance since "it is the individual performance that ultimately leads to the overall performance of the organization" (Mitchell&Larson, 1987).

### **1.3 Problem Statement**

The banking industry plays a major role in Sri Lanka's national economy. As the banking industry can contribute a lot towards the economy ironically it can turn the economy up side down too. Most of the other services are also connected with banks and the banks' performance can affect the society significantly. Banks' performance depends on their employees from top to bottom irrespective of their grades. It can be the CEO of the bank, a senior manager, a senior officer, a junior officer, a clerk or can be the office assistant. Every body's contribution is important to each other for good performance. Presently more than 50,000 people are employed in Sri Lankan banking industry (Central Bank Report2004).