Does Person-Organization Fit (P-O Fit) Mediate the Relationship Between Employee Job Satisfaction and Turnover Intention: The Case of Insurance Agents in Malaysia

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Abstract

Turnover intention is becoming a critical issue in most organization. Employees’ are leaving their job due to an alternative job offer with an attractive salary and employment benefits,
supportive supervisors and a better work environment. The study examines the relationship between job satisfaction on employee turnover intention as well as the mediating effect of person-organization (P-O) fit among insurance agents in Malaysia. The study adopts a quantitative research methodology by surveying 184 insurance agents in Sabah, Malaysia in 2019. Four hypotheses were tested with validated measures of job satisfaction (pay, supervision and communication), turnover intention and person-organization fit. The study revealed that job satisfaction (pay and supervision) has a significant and negative impact to turnover intention. In addition, job satisfaction (communication in organization) has a significant and positive impact to turnover intention. However, person-organization fit found to be not significantly mediates the relationship. The study suggested that organizations should acknowledge the importance of pay, supervision and communication in organization to improving employees' motivation and retention in organization. The three elements of job satisfaction could improve and promote harmonious and positive work environment.

**Keywords:** job satisfaction, turnover intention, person-organization (P-O) fit, insurance agents, Malaysia

1. Introduction

In the past, one of the reasons why employee leaving their job is due to the feeling of demanding on better compensation and ambition such higher salaries, quicker job promotions, as well as other attractive compensation packages (Waldmeir, 2012). Thus, employees are willing to leave their job with an alternative job offer (Mano-Negrin & Tzafrir, 2004). There is a shift in this pattern recently, which shows that youth workers resigned from their job due different demands. These new generations of workers are seeking for a relaxing work environment, strategic compensation practices, flexible working hours with workplace policies that promotes work-life balance (Sang et al., 2009; Hughes & Bozionelos, 2007).

Furthermore, Coetzee and Roythorne-Jacobs (2007) suggested five reasons and directions of the changing nature of careers, including (ii) more frequent career transitions, (ii) more frequent career decision making, (iii) the expansion of job opportunities for qualified employees, (iv) marginalised groups, and (v) more fragmented and mobile careers are especially characteristic of woman, technical specialists, people in small enterprises and in service jobs. As consequences of the changing nature of careers, it became more unstable for these group of employees, namely, short-term employees, part-time workers and on-hired. In addition, Arnold (1997) also have identified some trends in the workplace which have shifted the nature of employment, which includes outsourcing, short-term contracts, disappearance of organizational career structures, changing skill requirements, diversity in the labour force, ageing population, working at or from home, self-employment and employment insecurity. The changing nature of career explained how the nowadays jobs are formed.

Furthermore, organization views employees’ turnover as costly, especially the voluntary turnover (Judge, 1993; Dess & Shaw, 2001; Barrick et al., 1994; McElroy et al., 2001). The costs could be seen through employee re-recruitment, the tangible and intangible costs of re-training as well as customers' loyalty. Therefore, to avoid this voluntary turnover, organization must promote strategic recruitment, training, compensation packages as well as
to implement holistic employee-centered counseling practices (Bloomquist & Kleiner, 2000; Townsend, 2007; Nourayi & Mintz, 2008; Dalsem, 2009; Savickas et al., 2009). In addition, HRM practices such as training and development as compensation packages together with career strategy were found to be significantly influencing career satisfaction among employees in the insurance sector (Yean & Yahya, 2013). Moreover, HR factors such as rewards, training, teamwork, empowerment found to influence insurance agents’ performance (Piaralal et al. 2014). Other recent research revealed that work-life balance practices significantly influence employee job performance and satisfaction (Dousin et al., 2019).

The study aims to investigate the relation between job satisfaction and turnover intention as well as the mediating influence of person-organization fit (P-O fit) among insurance agents in Sabah, Malaysia. At present, there is a little research on these issues specifically in the insurance industry in the state of Sabah, Malaysia. The study proposed two research questions to be investigated, (i) what is the relationship between employee job satisfaction and turnover intention? and (ii) does person-organization fit (P-O fit) mediates the relation between employee job satisfaction and turnover intention? A quantitative research method was implemented with a survey questionnaire utilized for data collection, besides a snowball sampling was applied to recruit participants.

2. Literature Review

2.1 Turnover Intention

In several early HRM literatures, scholars defined turnover intention as employees’ absenteeism after they had experienced job dissatisfaction (Porter & Steers, 1973; Porter et al., 1974; Koch & Steers, 1978). It is also being observed as employees’ direction of resignation or seeking another occupational opportunity on thinking due to the feeling of dissatisfied with the current job (Mobley et al., 1978). Moreover, several researchers during this era suggested that one’s situation change as an organization member as a generalized view on turnover, which refers to employees’ recruitment, retirement, promotion, demotion and transferring (Price, 1977; Price, 1989).

These definitions have evolved over the years. Several literatures highlighted the impact of turnover by proposing functional and dysfunctional turnover. Functional turnover will bring positive impact to the organization, as an example, during the period of a company experiencing a rationalizing process, and encouraging people to leave, if some employees applied for resignation, this resignation is a functional turnover for the organization (Dalton et al., 1982). A scenario for a dysfunctional turnover occurs when a talented employee left the organization, and this can be seen to bring a negative result to the organization (Park et al., 1994). On the other hand, turnover intention also can be explored through voluntary and involuntary turnover. Voluntary turnover refers to employees resigned from current occupation because of retirement, emigration, changing compensation, job transfer, and due to employee dissatisfaction reason, an employee terminates the job contract (Judge, 1993; Dess & Shaw, 2001). Involuntary turnover was defined as employees are discharged and dismissed by an employer, due to employer's convenience (Barrick et al., 1994; McElroy et al., 2001).
In recent literatures, the topic has been heavily debated and discussed in various context. There are several organizational factors influencing employee turnover intention, namely, leadership, job satisfaction, employee personality fit, organizational culture, innovative work, salary and job stress (Yang et al., 2011; Albrecht & Andreetta, 2011; Wells & Peachey, 2011; Shih & Susanto, 2011; Cottrell, 2011; Tian-Foreman; 2009; Park & Kim, 2009). In most studies, there are four key factors to influence employees’ turnover intention, namely: (i) personnel, (ii) organizational, (iii) organizational and individual fit as well as (iv) other external factors.

Personnel-related variables consists of factors that are fully controlled by individual employees, such as demographic (e.g. age, gender, education and job tenure), job satisfaction and organizational commitment as well as other related personal factors such as individual performance and their role in a family (Steers & Mowday, 1981; Iverson, 1999; Griffeth et al., 2000; Dalton et al., 1997; Adams et al., 2010). The study focuses on the relationship between job satisfaction and turnover intention as well as the mediating effect of person-organization fit to be further investigated among insurance agents in Sabah, Malaysia.

2.2 Employee Job Satisfaction and Person-Organization Fit

Job satisfaction is comprehensively defined as the pleasurable or positive emotional state which results from the evaluation of an individual's job or job experience. Job satisfaction is a result of an employee's perception of how worth the outcome by doing a job that matches with the effort which they put into finishing the job (Weiss, 2002). Several studies proposed that pay, promotion, supervision, fringe benefits, contingent rewards, co-workers, nature of the work, and communication are key factors to influence job satisfaction (Toker, 2011; Zeffane et al., 2008; Alonderiene 2010; Gustainiene & Endriulaitiene, 2009).

Person-organization fit (P-O fit) refers to how company recruit its employees’ by examining their suitability with the job (Khalida & Safiri, 2016). Most organizations are still using this traditional approach because they believe that it can help the organization to select potential employees who uphold principles and values which support the organization and institute the experiences that can reinforce the suitability. The concept of P-O fit is defined as an individual willingness to maintain and hold job satisfaction and commitment which are required by the organization (Bowen, Ledrof & Nathan, 1991).

In one of the earliest studies by March and Simon (1958), job satisfaction has been identified as one of the key factors contributing to employees’ turnover intention. Evans (1998) suggested that employee job satisfaction depends on the fulfilment of their needs. Further, Marques et al. (2007) argued that motivation is the reason (needs) for people perform better in an organization; satisfaction is the award obtaining after a performance. Their study illustrated that job satisfaction study, indeed, is a measurement process on employee motivation. The study investigates three elements of job satisfaction, namely (i) pay, (ii) supervision and (iii) communication in organization. These debates lead to the following hypothesis to be tested in the study:

**H1: There is a significant relation between job satisfaction (pay) and turnover intention**
H2: There is a significant relation between job satisfaction (supervision) and turnover intention

H3: There is a significant relation between job satisfaction (communication in organization) and turnover intention

Studies on person-organization (P-O) fit have emphasized the effects on employee attitudes especially on job satisfaction (Meglino et al., 1989), and turnover intention (Schneider et al., 1995). P-O fit researchers have explained the situation of relationship between P-O fit and job satisfaction as the degree of an individual’s and organization’s values overlap, calls value-goal congruence which refers to the more employees feels satisfied in their job, they have a higher likelihood of staying in the job (Chatman, 1991; Kristof, 1996). Another study revealed that the higher moral intensity showed by employees, it strengthens the relations between P-O fit, satisfaction and commitment (Andrews et al. 2011). Thus, these arguments lead to the following hypothesis:

H2: Person-organization fit significantly mediates the relation between job satisfaction and turnover intention

The conceptual framework of the study was developed based on the literature review above. Figure 1.0 shows the relationships between job satisfaction, turnover intention and organizational commitment.

![Conceptual framework](image)

Figure 1.0. Conceptual framework: The relationship between job satisfaction, turnover intention and organizational commitment

3. Research Methodology

The objective of this study is to examine the relationship between job satisfaction and turnover intention as well as the mediating effect of P-O fit in the relationships, among insurance agents in Sabah, Malaysia. A quantitative research method was employed and data was collected through a survey questionnaire. The scope of this study was insurance agents in Sabah, Malaysia by implementing a random stratified sampling. A total of 250 survey questionnaires were distributed, and 184 surveys were useable for data analysis using Statistical Package for Social Science (SPSS), version 23.0, indicating a 73.60% response rates.

The survey questionnaire was design with five sections, namely: Part A: Demographic background, Part B: Job satisfaction (pay), Part C: Job satisfaction (supervision), Part D: Job satisfaction (Communication in organization), Part E: Turnover intention and Part F:
Person—organization fit. The survey questionnaire was designed and developed based on adaptation and modifications of measurement items used by previous studies and researchers. Pilot test was conducted to measure the reliability and validity of each variables of the study.

The test of reliability showed that the Cronbach’s alpha (α) for each variable exceeded the acceptable threshold of 0.7 suggested by Sekaran and Bougie (2016). The Cronbach’s alpha (α) values for each variable are as follow: Part B: Job satisfaction (pay) (0.93), Part C: Job satisfaction (supervision) (0.94), Part D: Job satisfaction (Communication in organization) (0.93), Part E: Turnover intention (0.94) and Part F: Person—organization fit (0.88).

4. Data Analysis

The data of the study are self-reported, from a single source and were obtained using a single method of a 5-point Likert scale. In analyzing the common method variance (CMV), the study implemented the Harman’s single factor analysis (Podsakoff et al., 2003) by conducting a principal component analysis on all the measurement items. The analysis revealed that the first component explains 33.36% of total variance in the items which is below the threshold value of 50%, this indicated that there is no CMV problems (Podsakoff & Organ, 1986).

Table 1.0 below shows the demographic profile for participants of the study. Most participants were female (60.3%), aged between 26 to 35 years old (46.2%) with a length of service as insurance agents of 1 to 5 years (40.2%). Most participants earned RM 1001 to RM 2500 of monthly salary (32.1%).

Table 1.0. Demographic Profile

<table>
<thead>
<tr>
<th>Gender (%)</th>
<th>Age (%)</th>
<th>Length of Service (%)</th>
<th>Monthly Income (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female = 60.3</td>
<td>21-25 years old = 24.5</td>
<td>&lt;1 year = 20.1</td>
<td>&lt;RM1000 = 6.0</td>
</tr>
<tr>
<td>Male = 39.7</td>
<td>26-35 years old = 46.2</td>
<td>1-5 years = 40.2</td>
<td>RM1001-RM2500 = 32.1</td>
</tr>
<tr>
<td></td>
<td>36-45 years old = 17.9</td>
<td>6-10 years = 17.4</td>
<td>RM2501-RM4000 = 25.5</td>
</tr>
<tr>
<td></td>
<td>&gt;46 years old = 11.4</td>
<td>11-15 years = 10.3</td>
<td>RM4001-RM5500 = 14.1</td>
</tr>
<tr>
<td></td>
<td>&gt;21 years = 3.8</td>
<td>16-20 years = 8.2</td>
<td>RM5501-RM7000 = 6.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;RM8501 = 8.2</td>
<td>&gt;RM8501 = 8.2</td>
</tr>
</tbody>
</table>

N=184

Furthermore, table 2.0 below shows the results of Pearson correlation analysis. The result of the correlation coefficients for all relationships between variables was lesser than 0.90, which indicates that data of the study were not affected by serious collinearity problems (Hair et al., 1998). Besides, Cronbach’s alpha (α) for each variable exceeded 0.7, a threshold recommended by Sekaran and Bougie (2016).
### Table 2.0. Pearson Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Job Satisfaction: Pay</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Job Satisfaction: Supervision</td>
<td>0.47**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Job Satisfaction: Communication in Organization</td>
<td>-0.05</td>
<td>0.21**</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Person-Organization (P-O) Fit</td>
<td>0.41**</td>
<td>0.43**</td>
<td>0.00</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>5. Turnover Intention</td>
<td>-0.41**</td>
<td>-0.21**</td>
<td>0.34**</td>
<td>-0.21**</td>
<td>1</td>
</tr>
</tbody>
</table>

N=184, * p<0.05, ** p<0.01, *** p<0.001; Cronbach alphas are presented on the diagonal in bold.

As shown in table 2.0 above, job satisfaction: pay has a significant negative relationship with turnover intention ($r=-0.41$, $p<0.01$), thereby H1 is supported. Moreover, job satisfaction: supervision also has a significant negative relationship with turnover intention ($r=-0.21$, $p<0.01$), therefore, H2 is supported. In addition, job satisfaction: communication in organization has a significant positive relationship to turnover intention ($r=0.34$, $p<0.01$), then, H3 is supported.

A procedure proposed by Baron and Kenny (1986) was implemented to test hypothesis 4 of the study. As discussed in Bartram et al., (2012), “whereby mediation effects can be claimed if: (i) the independent variable significantly predicts the independent variable; (ii) the independent variable significantly predicts the mediating variable; (iii) when the dependent variable is regressed simultaneously on the independent variable and the mediator, the mediator significantly predicts the dependent variable is less than that obtained in Condition 1. If the independent variable has a significant effect in Condition 3, then there is partial mediation. If the independent variable has a non-significant effect in Condition 3, then there is full mediation. According to Baron and Kenny (1986) only condition 2 and condition 3 are needed to demonstrate mediation effects” (Bartram et al., 2012). The testing of the mediating effect of P-O fit in the relationship between job satisfaction and turnover intention is shown in Table 3.0 below. The analysis revealed that hypothesis 4 is not supported.
Table 3.0. Testing the mediating effect of Person-Organization (P-O) Fit using Baron and Kenny (1986) procedure

<table>
<thead>
<tr>
<th>Variables</th>
<th>Step 1</th>
<th>Step 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Satisfaction: Pay</td>
<td>-0.22**</td>
<td>-0.20**</td>
</tr>
<tr>
<td>Job Satisfaction: Supervision</td>
<td>-0.18**</td>
<td>-0.17*</td>
</tr>
<tr>
<td>Job Satisfaction: Communication in Organization</td>
<td>0.33***</td>
<td>0.33***</td>
</tr>
<tr>
<td>Person-Organization (P-O) Fit</td>
<td></td>
<td>-0.04</td>
</tr>
<tr>
<td>R Square</td>
<td>0.34***</td>
<td>0.384</td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>0.35***</td>
<td>0.35</td>
</tr>
<tr>
<td>R Square Change</td>
<td>0.21***</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Dependent variable: Turnover Intention, N=184, *p<0.05, **p<0.01, ***p<0.001

5. Discussion and Conclusion

All variables in the study were proven valid and reliable. Furthermore, the results also demonstrated that there was a direct and significant relationship between all variables of job satisfaction (e.g. pay, supervision and communication in organization) towards turnover intention. This finding is consistent with previous studies by Sukriket (2014), Alam and Asim (2019), Mahdi et al. (2012) and Toker (2011). This study revealed that a low pay and employment benefits as well as negative experience with supervisors or managers will increase intention to leave among insurance agents in Malaysia. Pay and employment benefits could be referred to as organizational rewards which reflects the way the organization facilitate and motivate task performance and maintain organizational membership (Madhi et al., 2012; Katz & Maanan, 1977; Mottaz, 1988). The concept of satisfaction with supervision in an organization emphasizes on the role of managers, superiors and supervisors to maintaining harmony and promoting work positive environment, which could decrease insurance agents’ intention to leave and eventually improves job satisfaction. Moreover, the study also revealed that a positive communication process in an organization will decrease intention to leave among insurance agents in Malaysia. Communication in organization is crucial in order to manage employees’ behaviour, create feedback by clarifying employees’ current performance and expectations as well as for information exchange to facilitate decision making (Robbins & Judge, 2019). Furthermore, the study revealed that person-organization (P-O) fit did not mediate the relationship between job satisfaction and turnover intention. Since most participants of the study are less than 35 years old (70.7%) with less than 5 years of working as insurance agents (60.3%), the concept of P-O fit is seen as irrelevant for this group of employees. They are seen to be motivated with the key elements of job satisfaction (e.g. pay, supervision and communication in organization).

In relation to practical contribution, the study suggested that current organizational practices
should acknowledge the importance of the three elements of job satisfaction from the study. The study suggests that managers and supervisors to be able to design, develop and administer a competitive pay and employment benefits system that could meet employees’ needs and expectations. It will help to improve their appreciation about the system which improves their positive work behaviour and decrease their intention to leave (Ismail et al., 2009). Secondly, a total commitment from managers and supervisors to promote harmonious and positive work environment is critical to ensure employees’ feel motivated and satisfied at work. Then, an effective and transparency in a communication process is also crucial to avoid any communication conflict among members in an organization. A high-quality communication process should emphasize clarity, consistency, content and promotes connections. In a more recent research, Burlea-Schiopoiu and Mihai (2019) suggested that contemporary human resource practices such training, corporate social responsibility (CSR) and innovation is critical to improve sustainability and profitability. Thus, Malaysian insurance industry need to pay attention to these practices as it could improve the organizational financial performance, which eventually improves employee retention.

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