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# Interplay between P-O fit, transformational leadership and organizational social capital

P-O fit, TL  
and OSC

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## Abstract

**Purpose** – Using social identity theory, the authors hypothesize that transformational leadership (TL) leads to better person-organization fit (P-O fit), which in turn contributes to the emergence of organizational social capital (i.e. OSC). Furthermore, the authors suggest that the relationship between P-O fit and OSC is contingent upon the level of TL. The paper aims to discuss these issues.

**Design/methodology/approach** – Field study data were used to test the hypotheses. In total, 336 employees from eight different service sector organizations in Pakistan participated in this study. Hierarchical linear modeling was used to analyze the data.

**Findings** – In support of the hypotheses, the authors found that TL was positively related to both P-O fit and OSC. Also, P-O fit mediated the TL-OSC relationship. Finally, TL moderated the relationship between P-O fit and OSC.

**Research limitations/implications** – Cross-sectional data were collected through self-reports, which raises concerns of reporting bias.

**Practical implications** – Managers can benefit from the study by focusing on TL as a vehicle for not only achieving change, but also for creating an environment that facilitates better P-O fit and enhanced OSC.

**Social implications** – This study provided a rare opportunity to examine the proposed relationships in a developing country. This enhances our insight into the efficacy of theories that have been mainly developed and tested in developed countries.

**Originality/value** – Previous research hypothesized P-O fit as a mediator between leadership and performance, yet failed to receive support. The current study is unique by demonstrating that TL, as a relational leadership style, contributes to building an important resource (OSC) through the mediating effect of P-O fit.

**Keywords** Quantitative, Transformational leadership (TL), Organizational social capital, Person-organization fit (P-O fit)

**Paper type** Research paper

## Introduction

The study of social capital as an organizational phenomenon is receiving growing interest. Defined as “the character of social relationships within the organization, realized through members’ levels of collective goal orientation and shared trust” (Leana and Van Buren, 1999, p. 540), organizational social capital (hereafter referred to as OSC) has been a critical resource that benefits the organization’s access to external resources (Hitt *et al.*, 2002) and facilitation of internal coordination (Sirmon *et al.*, 2007). In addition, as one of the most enduring organizational resources, OSC has been pivotal in shaping an organization’s effectiveness through a reduction of transaction costs, facilitation of information flow, and knowledge creation (Lin *et al.*, 2001; Nahapiet and Ghoshal, 1998). Since this resource is so intertwined within the organization, OSC cannot be easily traded in an open market or exchanged from one social system to another (Nahapiet and Ghoshal, 1998). Although OSC development and sustenance is a main function of human resource management (HRM)



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(Delery and Roumpi, 2017) and research on OSC cannot be separated from the field of HRM (Nahapiet and Ghoshal, 1998), research in this domain has not received the deserved attention it should in mainstream HRM literature.

OSC, as core building block of HRM, is generally perceived as a distinctive approach to managing people that seeks to achieve competitive advantage through the strategic development of a highly committed and capable workforce (Huselid, 1995; Youndt *et al.*, 1996). In order to compete in today's globalized world, organizations have to develop their human capital to make their HR practices more effective (Delaney and Huselid, 1996). Consistent with this argument, Youndt *et al.* (1996) also pointed out that employee's skill acquisition and development could be promoted through OSC development, which is a critical function of HR.

Despite its significance for organizations' survival and growth (i.e. Adler and Kwon, 2002; Coleman, 1988; Phelps *et al.*, 2012), investigating how OSC emerges has remained relatively uncharted territory (Adler and Kwon, 2002; Bolino *et al.*, 2002; Hodson, 2005). In response, the efforts of this paper will center on examining how leadership (i.e. transformational leadership, hereafter TL) enables the activation of OSC.

Whereas previous research on OSC focused on how organizations design formal mechanisms and policies that help to foster OSC, this same research has offered limited insights into how leadership could facilitate OSC (Bolino *et al.*, 2002). In response, several scholars started to explore how managerial behaviors can influence OSC's formation (e.g. Li *et al.*, 2014; Johnson *et al.*, 2013). Drawing from these studies, it is evident that leadership has a formative influence on OSC, yet these same inquiries have ignored the underlying mechanisms that explain how leadership helps to establish OSC.

Leadership is one of the key driving forces and a potent source for attaining sustained competitive advantage (Avolio, 1999) for firms. A central construct in leadership theories (Chi and Pan, 2012; To *et al.*, 2015) this study will focus on TL. This "relationship-oriented" leadership style characterized by idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Bass, 1985) positively influences a wide range of organizationally important outcomes including organizational commitment, individual performance (Banks *et al.*, 2016; Chi and Pan, 2012; Van Knippenberg and Sitkin, 2013), creativity, turnover intentions, and extra-role behaviors (Judge and Piccolo, 2004; Lowe *et al.*, 1996; To *et al.*, 2015; Tse *et al.*, 2013).

TL has significant implications for HRM, as such leaders create a strategic vision, transfer that vision by acting on it consistently, and build commitment toward the vision (Avolio, 1999). Thus, TL is likely to produce increased cohesion, trust, and performance among employees leading to effective change in work environment. Positive HRM practices such as staffing, training, performance appraisal, and compensation systems are the means whereby leaders express their individual consideration of employees. Transformational leaders listen attentively and pay special attention to followers' needs and growth by acting as mentors or coaches, thus building OSC in employees and making their followers more effective human resources for the firms (Zhu *et al.*, 2005).

The emphasis is on TL as a leadership style because it helps to explain how leaders might generate the level of stability and closure required to build close and collaborative internal relationships within the group (Adler and Kwon, 2002; Coleman, 1988) through their actions. Stability is critical because social capital reflects the accumulation of goodwill over time. It allows for a level of continuity in social structures, which increases the clarity and visibility of mutual obligations, as well as the development of trust and norms of cooperation. Also, when group members share strong norms, it creates a sense of closure that facilitates a feeling of trust and identity (Coleman, 1988). More specifically, TL theory posits that transformational leaders can influence followers to go beyond their immediate self-interests for the good of the group/organization, provide a common vision,

generate followers' commitment to that vision, and thus contribute to the development of OSC (Bass, 1985). Put differently, transformational leaders offer stability and closure, crucial motors of social capital, by instilling a shared vision, sense of identity, and goal congruence in their followers. This study examines how TL fosters OSC by enabling better person-organization fit (hereafter P-O fit), which is defined as the congruence and similarity of values and goals between individuals and their organization (Piasentin and Chapman, 2006).

There is some evidence suggesting the attainment of P-O fit through good HR practices and systems (Kim *et al.*, 2005; Bowen and Ostroff, 2004). Being closely related to HRM, P-O fit is highly pertinent for firms (Boon *et al.*, 2011; Kooij and Boon, 2017). This notion is supported because HR practices are important mechanisms through which employees receive information about the organization (Kooij and Boon, 2017).

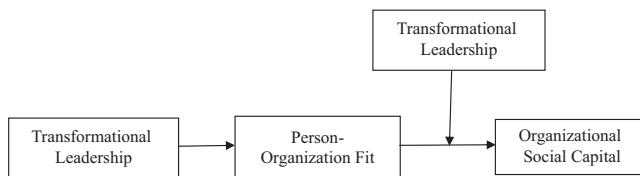
This study's contributions are manifold. First, OSC development is an underdeveloped area in the social capital literature (Bolino *et al.*, 2002). We address this gap by highlighting how transformational leaders can enhance this enduring collective resource. Second, literature has highlighted the need to consider P-O fit as a dependent variable and to study the various antecedents that help in the development of fit within organizations (Boon and Biron, 2016; Kristof-Brown *et al.*, 2005). We believe that by studying P-O fit as a mediating mechanism between TL and social capital, we respond to this important call. Finally, the literature on fit largely relies on Schneider's attraction-selection-attrition model as the dominant theoretical framework for explaining the mechanisms of fit (Kristof-Brown *et al.*, 2005). However, in this paper, we rely mainly on social identity theory to explain how TL can create P-O fit, which can then further increase social capital in organizations. More specifically, transformational leaders operate as important role models for followers, showcasing values and norms that enable followers to identify themselves more easily with the organization.

The paper is organized as follows: first, we introduce social identity theory. In the second part, we focus on the formulation of hypotheses by describing the current OSC literature. We draw from the TL theory (Bass, 1985), P-O fit literature (Kristof-Brown *et al.*, 2005), and social identity theory (Tajfel and Turner, 1985) to argue the relationships between the core variables of this study (see Figure 1). Next, we discuss our method and overview of our findings. A discussion of the limitations, future research, and implications for theory building and practice conclude the article.

## Theoretical background and hypotheses

### *Social identity theory*

Social identification is an important mechanism that might explain the exceptional impact of TL on followers' perceptions and behaviors as highlighted in our introduction. Drawing from Tajfel and Turner's (1985) work, a basic principle in social identity theory is that people usually affiliate themselves with various social groups such as organizations, social



**Notes:** The figure depicts a mediated moderation model. Transformational leadership is treated at unit level, whereas organizational social capital and person-organization fit measured at individual levels

P-O fit, TL  
and OSC

**Figure 1.**  
Hypothesized model

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class, gender, religion, etc. (Tajfel and Turner, 1985). This categorization contributes to a structured society that encourages individuals to position themselves within the society and provides them with a basis for associating with others (Turner, 1985). Social identity theory captures two aspects of identity: personal identity, which includes an individual's self-concept and its unique features (abilities, personality, physical traits, and interests), and social identity. Here we focus on social identity, which encompasses an individual's identity in the context of his/her reference groups or within the groups to which s/he belongs. Since we want to understand how leadership behaviors influences social capital, we focus on social identification, or an individual's interpretation of oneness or association with the group to which s/he belongs (Ashforth and Mael, 1989; Tumer, 1982). The literature on social identity theory clearly contends that individuals in organizations draw their identities from their respective organizations, workgroups, or departments. Furthermore, social identity theory assumes that associating oneself with a group is perceived by individuals as being responsible for and sharing the fate of that group (Foote, 1951; Tolman, 1943).

Research on social identity reveals that social/group identification is strongly related to intra-group cohesion, cooperation, and positive perceptions of the group (Tumer, 1982). We believe that when individuals exhibit high levels of congruence with a group, they are more likely to discuss problems and exchange information with others, thereby creating mutual understanding among members and promoting positive organizational outcomes such as P-O fit and OSC. In the presence of transformational leaders, followers are apt to identify themselves strongly with the organization, thus generating a more pronounced P-O fit. Subsequently, P-O fit is instrumental in creating OSC. Leaders' perceptions and vision for long-term success enable them to think of innovative ways to create better P-O fit in their organizations by mutually creating congruence between the organization and its employees.

#### *TL and OSC*

We assert that TL is a crucial leadership perspective in building OSC. Since transformational leaders tend to provide their followers with constructive feedback (Bass, 1985), followers are more motivated to grow and develop (Podsakoff *et al.*, 1990; Yukl, 2013) by building larger and more concentrated social networks, which creates a platform for the development of OSC. Also because of their inspirational leadership, transformational leaders foster motivation in their followers by offering them an attractive and stimulating vision to share (Bass, 1985). Through a clear framework of key beliefs and norms, followers of transformational leaders are likely to have clearer goals and will strive to become role models themselves by building relationships to achieve those goals.

The interplay between leadership and social capital has recently gained attention (Carmeli *et al.*, 2009; Gupta *et al.*, 2011). Despite increased interest in this topic, research has not fully explored the relationship between TL and social capital in followers (Hoffman *et al.*, 2011). Podsakoff *et al.* (1990) highlighted that transformational leaders are actively involved in changing followers' values. They are also likely to set challenging goals and inspire optimism about prospective goals, both of which are valuable for followers (Bass *et al.*, 1987; Yukl, 2013). This role modeling and source of inspiration creates a platform for strong bonding between followers, which fosters a readiness to work together in achieving desired change. Hence, this process of building strong bonds is OSC's foundation. In addition to inspirational motivation, transformational leaders are also adept at individualized consideration, which is the ability to offer individual attention based on each subordinate's requirements (Avolio and Bass, 1988). More specifically, as transformational leaders provide effective guidance or assistance by listening to their followers' needs and issues (Sosik *et al.*, 2004), we posit that followers of such relationship-oriented leaders will be involved in building associations and ties and have mutual trust. Further, they are reinforced

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to form collective shared views with their connections because they know that their leader will support them in maintaining such coalitions. Based on the above, we hypothesize:

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and OSC

*H1.* TL will be positively related to OSC.

#### *TL and P-O fit*

Although person-organization value congruence, or P-O fit, has been proposed as a key proximal outcome of TL (Shamir *et al.*, 1993; Chi and Pan, 2012), few studies have investigated the interplay between leadership and P-O value congruence (Chi and Pan, 2012; Boon and Biron, 2016; Marstand *et al.*, 2017). The findings of these studies were mixed for TL as they provided weak support for the association between TL and P-O fit. Given the findings' ambiguity, we believe this study will enable us to have a better understanding of the relationship between TL and P-O fit.

Transformational leaders are likely to instill shared vision and identities in terms of goal and value congruence in their followers (Kristof-Brown *et al.*, 2005). The majority of this research focused on "organizational identification" as a proxy of P-O fit (Shamir *et al.*, 1993; Van Knippenberg *et al.*, 2004; Hoffman *et al.*, 2011). It has been argued that "organizational identification" appears relevant to the fit concept, yet they are theoretically distinct constructs (Cooper and Thatcher, 2010; Cable and DeRue, 2002; Kristof-Brown *et al.*, 2005; Saks and Ashforth, 1997). For instance, identification differs from congruence, in that identification refers to an individual feeling psychologically intertwined with the organization and their cognitive linking to the organization (Mael and Ashforth, 1992; Van Dick, 2004), whereas congruence, or fit, refers to the assessment in terms of similarity in personal goals and values of the individual and the organization (Piasentin and Chapman, 2006).

We argue that transformational leaders instill in their followers a sense of collective pride in the organization by articulating a compelling vision that emphasizes shared values (Shamir *et al.*, 1993; To *et al.*, 2015). Hence, followers of transformational leaders are likely to perceive values in alignment with their organization, not merely their leader, because their values are aligned with a shared vision. As such, they are likely to realize they are part of something bigger, and will thus identify with the organization. Also, transformational leaders are better equipped to generate high levels of P-O fit because they take pride in their organization's history and future (Sosik and Jung, 2010) and can transfer these values to their followers, thereby creating P-O fit. From a theoretical standpoint, both social identity theory (Tajfel and Turner, 1985; Turner and Haslam, 2001) and organizational identification (Ashforth *et al.*, 2008) offer explanations as to why transformational leaders can create high levels of P-O fit. Transformational leaders tend to inspire followers to challenge the status quo and find innovative solutions (Bass and Avolio, 1990) to organizational problems, and in doing so, create high levels of P-O fit in their organizations. Thus, we hypothesize:

*H2.* TL is positively related to P-O fit.

#### *P-O fit and OSC*

There are many definitions and conceptualizations of perceived P-O fit in literature. For this study, we define P-O fit as the congruence and similarity between individuals and their organization (Piasentin and Chapman, 2006). The fit includes both supplementary fit (i.e. the congruence achieved when the person and the organization possess the same characteristics) and complementary fit (i.e. the similarity between expectation and needs of the organization and expectations and needs of individuals) (Cable and Edwards, 2004; Ostroff and Schulte, 2007). Multiple studies have highlighted that P-O fit is related to a range of outcome variables, which include job search and selection, job satisfaction, commitment, turnover, individual performance, and employee well-being (Biswas and Bhatnagar, 2013;

Kristof-Brown *et al.*, 2005; Kim *et al.*, 2013). We extend this research by focusing on its relationship to a more organization-oriented outcome variable, OSC.

We contend that P-O fit is an instrumental driver of OSC. Research on value congruence has shown that satisfied and committed employees report stronger P-O fit (Kristof-Brown *et al.*, 2005; Kim *et al.*, 2013). Also, individuals whose values match with other employees are more likely to trust those employees (Tsui and O'Reilly, 1989). When individuals are working in a context characterized by value/goal congruence, they are more likely to internalize organizational norms and interact with others in a way that promotes a greater number of ties, mutual trust, and a shared mindset, all of which are building blocks of OSC.

The development of OSC also requires employees to develop a shared collective viewpoint and to conceptualize situations in a similar fashion (Nahapiet and Ghoshal, 1998). Accordingly, we believe that when employees share similar values with their organization, they are likely not only to understand the prevalent organizational norms, rules, and myths, but will also interact with other employees in a manner that facilitates common mechanisms of thinking and interpreting events and situations, thereby building OSC. The theoretical grounding of social identity theory also emphasizes that individuals who share similar values and goals with their organization are more likely to identify with their organization. Subsequently, individuals are more motivated to develop trusting and common perspectives with others through this process of sharing values and identification, which contributes to the development of OSC. Hence, we formulate our third hypothesis:

*H3.* P-O fit will be positively related to OSC.

#### *The mediating role of P-O fit in the relationship between TL and OSC*

Social identity theory is a crucial theoretical framework that explains how P-O fit mediates the relationship between TL and OSC. In the context of leadership, social identity theory contends that transformational leaders may exert influences on followers' individual, as well as collective, identities, which further affects followers' attitudes and behaviors (Van Knippenberg *et al.*, 2004). In this study, we assume that transformational leaders can promote the building of OSC through the mechanism of P-O fit. Since transformational leaders emphasize shared identity by inculcating the organization's values and vision (Chi and Pan, 2012; Anderson *et al.*, 2017), followers who internalize these values and goals may identify with the organization more, and thus establish P-O fit. In addition, higher levels of P-O fit indicate that individuals identify with the organization and consider the organization's successes and failures as their own (Marstand *et al.*, 2017). This motivates them to build connections with others, trust their relevant unit/departmental members, and share similar cognitive processes, thereby generating OSC.

As transformational leaders place emphasis on fulfilling followers' higher-level needs, emotions, and goals (Yukl, 2013), they will help them achieve higher P-O fit by making the goals more meaningful for them and by facilitating the congruence between the individual's personal goals/values and the organization's goals. Thus, when employees perceive higher levels of value congruence, they consider themselves part of a group in which their personal identity is associated with the organization's identity (Shamir *et al.*, 1993). When individuals associate themselves strongly with the organization (Ashforth and Mael, 1989; Tajfel and Turner, 1985), they consider the organization's welfare as their own, which creates high levels of P-O fit. This strong social identification is reflected in the form of person-organization congruence, whereby employees are more likely to perceive shared values with co-workers, and are thus more likely to interact, trust, and share similar mental models with those co-workers, thereby promoting OSC.

Additionally, transformational leaders serve as role models for their followers. By closely observing their leader's behaviors, followers build awareness of what is acceptable and

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unacceptable in their organization. When transformational leaders emphasize organizational values to their followers, they are more likely to not only understand and accept the organizational values/goals, but also to identify with them, which creates an alignment between their own values and organizational values in the form of P-O fit (Shamir *et al.*, 1998; Boon and Biron, 2016). Individuals with high P-O fit are likely to be more motivated to put in extra effort for the good of the group by forming connections with others, closely working with others to create mutual affiliation, and interacting in a way that generates common mental processes and creates OSC. Based on these observations, we formulate the following hypothesis:

*H4.* P-O fit mediates the relationship between TL and OSC.

#### *The moderating role of TL*

Although we assume that TL has a positive effect on both OSC (*H1*) and P-O fit (*H2*), we also assume that TL will reinforce the positive relationship between P-O fit and OSC. Since transformational leaders provide constructive feedback to their subordinates (Bass, 1985), followers who have high P-O fit will be more motivated to grow and develop (Podsakoff *et al.*, 1990) by building stronger and higher quality relationships with colleagues. Transformational leaders also set exemplary behaviors for followers; hence, individuals with high value congruence will be more likely to concentrate on the development of new network ties and connections, to transfer ideas, and to like one another, which enhances the P-O fit-social capital relationship (Podsakoff *et al.*, 1990). Further, the value realignment process often allows followers to equate their own success with that of their organization (Piccolo and Colquitt, 2006; Shamir and Howell, 1999). Under the guidance of a transformational leader, individuals who share similar values with their organization will be more motivated to develop connections and ties with other individuals in the organization, which increases the impact of P-O fit on OSC.

A handful of studies have examined the contextual influence of leadership in shaping the relationship between P-O fit perceptions and outcomes (Jung and Takeuchi, 2014; Kim *et al.*, 2013). The evidence of these studies suggests that organizational leaders are instrumental and beneficial in translating the positivity of congruence on employee and organizational outcomes. Based on the above arguments, we contend that under the guidance of a transformational leader, individuals with high value compatibility will be more motivated to share information and offer guidance to one another to meet challenging goals, thereby enhancing the P-O fit-OSC relationship. Thus, we hypothesize:

*H5.* TL will moderate the relationship between P-O fit and OSC, such that this relationship will be stronger when there is high TL.

## **Methods**

### *Participants and procedures*

Field data were collected by administering questionnaires at service sector organizations in the health and banking industries in Islamabad (Pakistan). Responses were collected from eight different organizations including six bank branches and two hospitals. Given the personal and “internalized nature” of the variables measured in this study, self-reports were the main method of data collection. Prior to completing the questionnaire, participants received a cover letter explaining the purpose of the study that assured them of complete anonymity and confidentiality. Participation was voluntary and respondents were free to decline participation at any time. In total, 450 questionnaires were distributed to the employees in the above-mentioned organizations, of which 336 were returned, resulting in an excellent response rate of 75 percent. Respondents belonged to different managerial levels ranging from entry level to top management. The mean age of the respondents was



32.3 years ( $SD=10.65$ ), with an average work experience in the present company of 5.51 years ( $SD=6.47$ ) and a total work experience of 9.34 years ( $SD=8.82$ ). Half of the respondents were male and all respondents had university degrees.

### *Measures*

Given that English is the official language of business and is well spoken and understood among educated segments of society in Pakistan, we administered the questionnaires in English. Past research provides strong evidence for the efficacy of administering English questionnaires in Pakistan (Abbas *et al.*, 2014; Naseer *et al.*, 2016). Scales were measured with a five-point Likert-type scale with anchors ranging from 1 = strongly disagree to 5 = strongly agree, and a high score reflected a high level of the variable in each case.

*TL.* TL was measured with the 20-item scale (MLQ) developed by Bass and Avolio (2000). Sample items included, "My leader instills pride in others for being associated with him/her," and, "My leader goes beyond self-interest for the good of the group." Recent research has argued to treat TL as a group/unit-level construct (Tse and Chiu, 2014). Therefore, we aggregated individual responses at the work unit level. The reliability of this measure was excellent ( $\alpha = 0.94$ ).

*P-O fit.* P-O fit was measured with the six-item scale developed by Cable and DeRue (2002). We operationalized and used the values and goals perspective of P-O fit in our measurement. Sample items included, "My personal goals and the goals of my organization are very similar," and, "My personal values match my organization's values and culture." The reliability of this scale was adequate ( $\alpha = 0.77$ ).

*OSC.* We measured the dependent variable, OSC, with the 12-item scale developed by Carr *et al.* (2011). We used the single aggregate average score to reflect overall OSC. Sample items included, "Employees who work in this firm engage in honest communication with each other," and, "Employees who work in this firm are committed to the goals of this firm." This scale rendered a reliability of 0.87 in our study.

Finally, previous research demonstrated that demographic variables such as age and gender are related to dependent variables in organizational behavior (Xie and Johns, 1995). Therefore, we integrated age and gender as control variables.

### *Data analysis*

First, we examined the construct validity of our measures by conducting CFAs and reliability analysis. Further, we computed the intra-class correlation coefficients (ICCs) and *Rwg(j)* values to examine whether or not TL could be aggregated at the unit level (James *et al.*, 1993). Due to the nested nature of the data (i.e. employees were nested within units), we used hierarchical linear modeling (HLM) to test our hypotheses.

HLM provides researchers with a theoretical and methodological way of testing and drawing conclusions based on relationships among variables that occur at different levels of analysis (Hoffman *et al.*, 2000). HLM permits researchers to perform group mean analysis, which creates suitable modifications for group size differences. It also allows researchers to accommodate variables occurring at different levels of analyses and considers the dependence among individuals (Gavin and Hoffman, 2002). Since the nature of our study includes two different levels of analysis (i.e. individual and group levels), we deemed HLM the most appropriate technique for our analysis. Following Hofmann *et al.*'s (1993) recommendations, we used grand-mean centering for the independent variables at each level.

## **Results**

### *Construct validity*

First, the AVE estimates of the constructs were greater than the squared correlations between corresponding pairs of constructs (Fornell and Larcker, 1981). Second, we found

significant differences between the unconstrained model and the constrained model for all three pairs of constructs (Anderson and Gerbing, 1988). For example, for the P-O fit-OSC pair, the fit of the unconstrained model ( $\chi^2 = 384.85$ ,  $df = 133$ ) was significantly better ( $\Delta\chi^2_{(1)} = 139.06$ ,  $p < 0.001$ ) than that of the constrained model ( $\chi^2 = 523.91$ ,  $df = 134$ ). Since the data for P-O fit and OSC were self-reported, we compared our unconstrained P-O fit-OSC model ( $\chi^2 = 384.85$ ,  $df = 133$ ) with a one-factor model ( $\chi^2 = 851.70$ ,  $df = 135$ ) that included all 18 items capturing P-O fit and OSC. The unconstrained two-factor model fit the data significantly better than the one-factor model ( $\Delta\chi^2_{(2)} = 466.85$ ,  $p < 0.001$ ), thereby reducing concern for common method variance.

### Data aggregation

Consistent with previous research, we aggregated TL at the work unit level (Braun *et al.*, 2013; Cho and Dansereau, 2010). Although it has long been debated within leadership theory and research whether or not leadership should be measured at the work unit level (Dansereau and Yammarino, 1998), mainstream research suggests that work group members are likely to be consistent (homogeneous) in their perceptions of the leader. A leader, these scholars suggest, is likely to treat his/her followers in a similar and consistent fashion, which causes subordinates to describe their leader in similar terms. Furthermore, interactions among team members are likely to render team members homogeneous in their perceptions of their leader (Chen and Bliese, 2002; Chen *et al.*, 2007; Korek *et al.*, 2010). This implies that TL is a construct that is shared by members of a unit.

Data aggregation is a widely used process used in TL research (Kark *et al.*, 2003). Aggregating variables at the group level needs both conceptual and empirical support (Bliese, 2000). We considered the feasibility of treating TL at the group level by calculating intra-group consensus (Lindell and Brandt, 1997) and within-group correlations (Bliese, 2000). We checked for restricted within-unit variance since shared unit properties emerge as a collective aspect of the unit as a whole (Klein and Kozlowski, 2000). Two indices were used to compute the level of restricted within-unit variance:  $Rwg(j)$ , an index of within-group consensus and agreement (LeBreton and Senter, 2008), and the ICC (1) (Bliese, 2000). The median  $Rwg(j)$  values for TL (0.93) indicate strong agreement within each unit. The ICC (1) has a medium effect size with a value of 0.23 and meets the cutoff value recommended by Bliese (2000). In sum, aggregation of TL is justified because the values of  $Rwg(j)$  and ICC (1) are well above the acceptable cutoffs (Cho and Dansereau, 2010).

### Results and findings

The means, standard deviations, and correlations among the study variables are displayed in Table I. TL is positively correlated with perceived P-O fit ( $r = 0.37$ ,  $p < 0.01$ ) and OSC ( $r = 0.39$ ,  $p < 0.01$ ).

In Table II, in support of *H1*, we found that TL is positively related to OSC ( $\gamma = 0.42$ ;  $p < 0.05$ , model 2). The findings also indicate that TL is significantly and positively related to P-O fit after controlling for gender and age (*H2*,  $\gamma = 0.38$ ;  $p < 0.05$ , Model 1) Further, the

Variables	Mean	SD	1	2	3	4	5
1. Gender	0.50	0.50	–				
2. Age	32.32	10.66	–0.11*	–			
3. Person-organization fit	3.48	0.70	–0.03	0.08	(0.77)		
4. Transformational leadership	3.60	0.65	–0.16**	0.11	0.37**	(0.95)	
5. Organizational social capital	3.51	0.61	–0.11*	0.04	0.43**	0.39**	(0.88)

**Notes:**  $n = 336$ .  $\alpha$  reliabilities presented in parenthesis. \* $p < 0.05$ ; \*\* $p < 0.01$

**Table I.**  
Means, standard  
deviations, correlation  
and reliabilities  
among variables

findings indicate a positive effect of P-O fit on OSC ( $H3$ ,  $\gamma = 0.35$ ;  $p < 0.001$ , Model 3). In support of  $H4$ , our study demonstrated that the relationship between TL and OSC was no longer significant after accounting for P-O fit ( $\gamma = 0.23$ ; ns, Model 3). Put differently, P-O fit fully mediates the relationship between TL and OSC.

In addition, we found that the relationship between P-O fit and OSC was contingent upon the level of TL in support of  $H5$  ( $\gamma = 0.38$ ;  $p < 0.05$ , Model 4). To interpret the results of the interaction more clearly, we plotted the moderation in Figure 2. Figure 1 shows that, consistent with  $H5$ , the relationship between P-O fit and OSC was more pronounced under the condition of high TL ( $\gamma = 0.55$ ;  $p < 0.01$ ), whereas the same relationship was less pronounced under the condition of low TL ( $\gamma = 0.24$ ; ns).

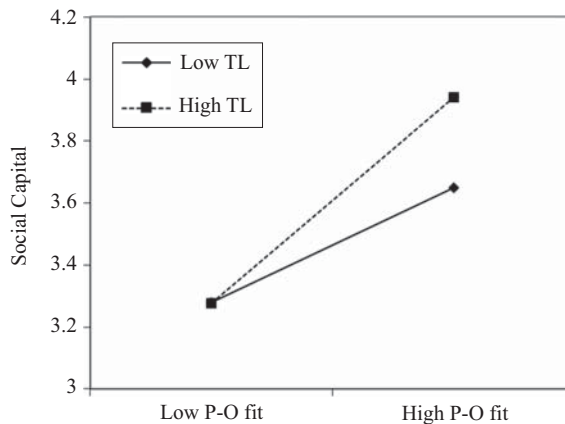
## Discussion

The main goal of this study was to examine how leadership can foster OSC, as well as the possible mechanism through which TL relates to OSC. The results of this research offer several notable findings. First, as predicted, TL is positively related to both P-O fit and OSC. Furthermore, the finding that P-O fit mediates the relationship between TL and OSC offers evidence that transformational leaders are likely to exert their influence on followers by affecting their feelings of identification with the organization. *Prima facie*, it is interesting that TL is positively associated with social identification in the form of perceived value/goal congruence, which in turn empowers followers to continue to build stronger connections with group members. This finding is an important extension of TL theory that mainly

**Table II.**  
Hierarchical linear  
modeling analyses

	P-O fit		Organizational social capital	
	Model 1 $\gamma$ (SE)	Model 2 $\gamma$ (SE)	Model 3 $\gamma$ (SE)	Model 4 $\gamma$ (SE)
Gender	-0.13 (0.09)	-0.18 (0.07)*	-0.13 (0.06)*	-0.12 (0.06)*
Age	0.01 (0.00)	0.01 (0.00)	0.00 (0.00)	0.00 (0.00)
Transformational leadership	0.42 (0.17)*	0.38 (0.13)*	0.23 (0.19)	-1.06 (0.65)
P-O fit			0.35 (0.04)***	0.37 (0.04)***
P-O fit $\times$ Transformational leadership				0.38 (0.19)*
$R^2$	0.18	0.23	0.28	0.30

Notes: \* $p < 0.05$ ; \*\* $p < 0.01$ ; \*\*\* $p < 0.001$



**Figure 2.**  
Cross-level  
interaction between  
transformational  
leadership and P-O fit

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emphasized the salient role of transformational leaders in establishing a climate for change and innovation (Bass and Avolio, 1990). More specifically, in support of prior assertions in the literature, transformational leaders can also be socialized leaders who create stability, closure, and social identity (Kark *et al.*, 2003). More specifically, through their inspirational motivation, idealized influence, and individual consideration, they create the stability and closure that empowers followers to strengthen their ties and relationships with other members.

These findings are crucial because it indicates how leaders can impact one of the most competitive advantages of companies. More specifically, given the increasing complexity of business environments, an important defining characteristic of contemporary work situations is that they require individuals to align –at least to some extent – with the collective, such as the team or overall organization. More than ever before, workers are expected to adopt converging goals and to sacrifice individual goals in order to achieve collective outcomes (organizational success). Previous research mainly focused on the motivation theory to explain the relationships between leadership and different behavioral outcomes and attitudes (Shamir *et al.*, 1993), yet this study shows that social identity is also a key mechanism that explains how transformational leaders can shape important resources such as OSC. As organizations continue to move toward group-based systems, research on how employees identify with the organization and build social capital is increasingly important. In addition to the direct impact of TL on OSC, our findings reveal that when the group/unit perceives TL, it reinforces the positive effect of P-O fit on OSC. This result underlines the need for exploring more contextual factors that may influence this relationship.

#### *Theoretical significance*

Our results extend previous research in that motivational theory explained the positive influence of transformational leaders on individual and organizational outcomes (Bass and Avolio, 1990; Shamir *et al.*, 1993). This study highlights that the relational character of transformational leaders could be an alternative force that explains its positive effect on important OB outcomes including, but not limited to, P-O fit and OSC. Transformational leaders are perceived as trustworthy and supportive by their followers, which creates a sense of psychological comfort/safety and enables them to adjust better in an organization. Similarly, by sharing the leader's vision, followers become a cohesive social entity that works cooperatively to achieve a common goal identified by their leader. This cohesion and willingness to work together under shared leadership results in positive exchanges of knowledge and leads to increased social capital in the organization.

The finding that P-O fit mediates the relationship between TL and OSC is an extension of Yukl's (2013) observations that a charismatic leader may impact a follower's behavior through the follower's identification with the work group/organization. Further, these observations are in support of Shamir *et al.*'s (1993) motivational theory of charismatic leadership. They suggested that charismatic and transformational leaders' influence is based on their success in connecting followers' self-concept to a group's goals, such that followers' behaviors becomes self-expressive for the sake of the group. Therefore, leaders who raise followers' identification with the group (i.e. P-O fit) increase followers' willingness to contribute to group objectives (Shamir *et al.*, 1998).

Another important theoretical implication is that our study helps to resolve the controversy around the relationship between TL and the type of fit it is more likely to impact (Chi and Pan, 2012). Our results provide strong support for the relationship between TL and P-O fit, which is also in alignment with previous work done by Hoffman *et al.* (2011). Further, we conceptualized TL as a group-level construct in this study. Specifically, we believe that TL behaviors are directed at the leader's group which influences the group, as well as individuals within the group. Our findings mirror other studies (Braun *et al.*, 2013; Cho and Dansereau, 2010)

and contribute to the debate within leadership theory and research about whether or not TL should be measured at the individual or work unit level (Dansereau and Yammarino, 1998). Overall, we found strong evidence for the group-level effect of TL on P-O fit and OSC, but also in moderating the relationship between both variables.

#### *Limitations and future research directions*

The results of this inquiry are limited because of the use of a single method of data collection. Although researchers have shown that common method bias is rarely strong enough to invalidate research findings, replications and more sophisticated research designs (e.g. experiments and longitudinal) are required. Notwithstanding the potential for common method bias, the concerns for it are reduced because we aggregated TL at the group level and we could detect significant interaction effects for TL and P-O fit on OSC.

The study's cross-sectional design is a second limitation as it is not usually highly recommended for studies involving causality. Despite this potential weakness, we believe that our choice of constructs and the vast body of literature in this area provide a good case for expecting that leadership is more likely to lead to better fit and enhanced OSC than otherwise (Read and Laschinger, 2015; Hoffman *et al.*, 2011). In fact, it is counterintuitive and somewhat unorthodox to expect that better P-O fit would lead to group-level TL (Jung and Takeuchi, 2014; Schwepker, 2015).

Future research should focus on more elaborate models that incorporate contextual factors beyond TL that could enhance P-O fit and OSC. Similarly, other moderators, such as personality or commitment, should be examined in the tested model. For example, apart from contextual variables, it would be useful to explore how the Big Five model of personality (Goldberg, 1990) would influence the relationship between P-O fit and OSC and the relationship between TL and P-O fit. Previous research suggests that agreeableness, conscientiousness, and emotional stability explain an individual's fit with the organization. We recommend future researchers to disentangle which personality traits would lead to the creation of OSC in the presence of higher P-O fit. Similarly, the core self-evaluations trait (Judge *et al.*, 2003) can be a useful moderator in the relationship between P-O fit-OSC relationships.

Another interesting area of future inquiry is the investigation of possible interactions between different types of leadership in relation to P-O fit and OSC. For example, the interaction effects of TL and transactional leadership on P-O fit and OSC could be an interesting starting point. Previous literature has suggested that a high-high leader (Blake and Mouton, 1964) is instrumental in developing follower satisfaction, increased morale, and higher job performance. As transactional leaders clarify role and task requirements (Bass, 1985) and transformational leaders focus on relationship and individualized processes, a combination of high-high leadership style would be highly beneficial in helping individuals to attain fit with the organization. Finally, we call for the need to test such models deploying longitudinal research designs in different contexts to strengthen confidence and cross-validate the findings of this study.

#### *Practical implications*

Our study offers several implications for managers and organizations. It highlights that TL is critical in promoting P-O fit as well as for the development of OSC. Managers can benefit from our study by focusing on TL as a vehicle not only for achieving change, but also for creating an environment that facilitates better P-O fit and enhanced OSC. Consequently, organizational leaders should take necessary steps to promote TL behaviors at all levels and should make specific efforts during recruitment and selection processes to induct leaders possessing TL characteristics. Once followers trust the manager and work together to

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achieve a common goal, the organization should benefit from the cohesive network that enhances the organization's social capital.

Modern competitive business environments depict the need to build, sustain, and maintain firms' human resources (Wright and McMahan, 2011). The focus of organizations from traditional management to current management practices evidences that leadership, P-O alignment as well as competencies and skills attained in the form of social capital are essential if organizations have to survive in the long run (Wright and McMahan, 2011). As companies have to face rapid changes and volatility, it is indeed required that leaders must possess and develop skills which make them build and maintain social capital (McCallum and O'Connell, 2009). Through appropriate integration of leadership and social capital, organizations can manage their turnover, severance costs, hiring and training expenses (McCallum and O'Connell, 2009), suggesting these aspects to be important components of HRM in organizations.

TL is important in shaping modern HRM (Chen *et al.*, 2015) as it enables development of OSC as well as P-O fit. Our findings also suggest that HRM should take into account the contingencies of modern times to achieve enhanced OSC and thus accomplish the best outcomes for the organization. Further, our study builds on social identity theory which offers practical advice on how, why, and when TL build OSC. For instance, one could train managers to be more transformational so that they can share organizational norms and promote P-O fit in employees. Past research has clearly established that leadership training influences employee attitudes and performance (Dvir *et al.*, 2002).

Managers should also work on better job assignments, providing individual support, and ensuring that employees have the necessary resources to create better P-O fit. Furthermore, managers should promote teamwork among employees, which would not only enhance their value congruence with the organization, but also help to build more trusted, cognitively coordinated, and affective relationships. An organization's performance evaluation systems should be linked to employees' levels of contribution and adjustment, as well as their ability and motivation to form a greater number of professional connections. Coupled with visionary leadership, such actions would raise OSC. To conclude, our study provides evidence that TL not only contributes to increased P-O fit, but also improved OSC. In addition, the fact that our data were collected in Pakistan offered a rare opportunity to test concepts and their proposed relationships in a context very different from the traditional western developed world.

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