



# The Examination of the Effect of Organization Culture on Organizational Performance: A Case of Public Sector, Jordan

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## Abstract

The main purpose of this study is to investigate the outcome of organizational culture among top management from the organizational performance. Specifically, it aimed at investigating the effect of organization culture on organizational performance in public sector, Jordan. Past studies on the organizational culture are limited only to the management level employees in the Public-sector so the definite focus of this study is to investigate the role of organizational culture and organizational performance among the top management staff of public sector, Jordan. A total number of 152 questionnaires were gathered through survey questionnaire from top management from the main city of Jordan, Amman. The data analyzes were done by using Smart PLS 3.0. The findings of this study designate a significantly positive relationship between organizational culture and organizational performance. The study provides implications for the top management of public sector, Policymakers, and leaders in the public sector, they encouraging the staff to towards organizational culture for better organizational performance. Results stirred on how organizational culture can be used to manage organization strategically.

**Keywords:** Organizational culture, Organizational performance, Public sector, Jordan

## 1. Introduction

Today's organizations are becoming flattered, decentralized and boundary-less. Business environments, both national and international crises, have encouraged organizations to look for more flexible, simpler, and more dynamic organization culture (Imperatori, 2017). To the employees, these business strategies with more flexible, simpler, and more dynamic organization culture are synonymous with retrenchment, fewer career opportunities, or fewer job promotions, and more pressures.

Employees who have to face this kind of culture are subjected to stressful life-event (Crane, 2017) or low commitment (Laforet, 2016). Irrespective of the changes and uncertainties faced by the employees, organizations still need to compete in order to survive. According to Johnson, (2016) people's brains and talents are the most important assets for sustained competitive advantage. The question now is how should organizations address the issue of low morale employees who are experiencing low job commitment and satisfaction? These employees need high motivation in order to work in the unstable environment with drastic changes in customer demand, plus other things such as increased and stiff competition to remain competitive in the marketplace. Therefore, it is crucial for Human Resource department or management of the organization to work on the issues on how to boost its employees' motivation. Motivating employees is daunting and very challenging. Employees are motivated in several ways, either by the scientific management approach, the human relation approach, or the human resource approach (Carlos, Rodrigues, & Dibb, 2014). They are motivated either by money, by fulfilling social needs, or by being able to contribute and participate.

Nwachukwu, (2016) suggested that management should provide the work environment that motivates effective job performance through intrinsic and extrinsic rewards. However, it requires the great effort from the management to come up with ways or strategies to fully utilize their employees. However, extrinsic rewards may not be the most sought-after choice at the moment due to the economic slowdown, drastic changes in customer demand, as well as other things including the fierce competition to remain competitive in the marketplace. Thus, intrinsic motivation may be the right alternative to extrinsic motivation. This proposition is in line with the statement made by Halim, Ahmad, Ramayah, & Hanifah, (2014). Halim et al., (2014) stressed that intrinsic rewards could possibly produce employees who are open to initiatives, ready to embrace risk, willing to be stimulated with innovation and can cope with high uncertainties. She further added that these characteristics of employees could be achieved through organizational performance.

Several scholars had also suggested ways on how improve employees' morale and capabilities. Laforet (2017), for instance, observed that in order for the management to compete better and to have employees with high morale, the top management needs to have not only capable employees, it also has to practice different management styles. Moreover, new skills have to be unearthed to ensure that the management is better equipped in facing unforeseen challenges and uncertainties in the new environment (Prabhakar, Reddy, Savinkina, Gantasala, & Ankireddy, (2018). Accordingly, managers or leaders in most organizations must try their best to have highly skilled employees both on technical and personal skills. However, skills are not the only factors that can guarantee employees performance in the organization. These skilled employees should also have the right attitude about their work and their workplace to be considered as assets and only then

their existence is critical to the organizational success (Laforet, 2017). The right attitude mentioned above refers to organizational culture, organizational commitment, and job involvement since these are the common work attitudes that are related to organizational performance (Robbins, 2005). In this respect, scholars have again concurred that organizational culture is one of the main factors that influence the attitude and performance of any organizations (Arifin, 2014; Nwachukwu, 2016; Laforet, 2017).

The discussion above clearly illustrates that organizational culture can intrinsically encourage employees and this shows that management has to look further into the concept in order to make the organizational performance at their very best. In Jordan, quite a number of research in this area had been explored (Gillespie & Reader, 2017; Prabhakar, Reddy, Savinkina, Gantasala, & Ankireddy, 2018; Samad, 2007). However, research in the context of public sector during the economic crisis is still limited. Hence, one of the purposes of this study is to examine the influence organizational culture as a motivational approach on organizational performance within the public sector in Jordan, specifically in Amman.

## 2. Literature Review

### 2.1 Organizational Performance

In the literature, the organizational performance has mostly regularly appeared as the dependent variable (Halim et al., 2014). Gillespie et al., (2017) insisted organizations to pay equal attention towards internal organizational strategies as they give importance to external factors such as economic, consumer and competitors. Their (Barrett et al., 2012) argument is also in-line with the suggestions forwarded by Covin and Laforet, (2016); who stated that the external factors at-large remain out of the control of an organization. These scholars (Carlos & Paula, 2014) have further stated that the influence of internal organizational factors is found to be greater than external environmental factors over organizational performance.

The past studies on measuring organizational performance effectively, have empirically provided that there exists a high level of diversity in performance indicators (Prabhakar, Reddy, Savinkina, Gantasala, & Ankireddy, 2018). It could, therefore, be inferred that measuring and operationalizing organizational performance would not be that simple. One need to look into appropriate justifications for why there is a need to measure organizational performance and what aspects of performance could better represent their needs to measure it. By stepping further into the details on what indicators could best measure the organizational performance in any given markets and economies; the researchers have broadly classified the measurement of organizational performance into two categories namely, financial and non-financial (Combs, Crook & Shook, 2005; Venkatraman & Ramanujam, 1986).

However, the opponents of financial measures to study organizational performance stated that the financial measures lack the strategic focus (Kaplan & Norton, 1996). Furthermore, these measures may mislead the top management in predicting the future performance of their respective businesses (Kaplan & Norton, 1996). In addition to this, literature also provides that non-financial outcomes offer a variety of benefits to organizations such as increasing employee motivation, involving them into task(s), keeping high potential employees of the firm, and cultivating a culture that may inspire workers (at all level) to meet organizational objectives (Peters & Waterman, 1982).

However, according to Kaplan and Norton, (1992), the organizational environment is rapidly changing which has brought numerous challenges for organizations and have also exceeded

customer expectations; due to these challenges the businesses require to go beyond the traditional measurement mechanism. Further stating Kaplan and Norton, (1992) have suggested that rather than employing narrow focused traditional measurements the businesses should be able enough to consider all operational aspects and the market factors in measuring organizational performance.

In addition to these recommendations, the work of Johannessen *et al.*, (1999) provides critics on the efficiency of organizational performance measures that were financial in nature. Accordingly, the first limitation that Johannessen *et al.*, (1999) have stated is due to the vulnerability of the financial measurement to the method of variance. They suggested that these measures might be misleading as they could be affected by the industry-related factors. Secondly, Johannessen *et al.*, (1999) stated that due to the financial measures could be manipulated; the financial measures do not always represent the actual performance.

Thirdly, according to Kaplan and Norton, (1996), the financial measurements could only reflect the effect of past activities on organizational performance and they might mislead when the purpose of a given research is to predict future performance. Fourthly, measuring new goals are not reflected in the financial measures as they tend to be more stable (Hanson & Mowen, 2003). To simplify the argument of (Hanson & Mowen, 2003) it could be said that the financial measures fail in identifying the contemporary issues that related to organizational performance. Fifthly, researchers have mutually stated that the strategic focus is lacking in financial measures (Neely, 1999; Kaplan & Norton, 1996). Further stating researchers (Neely, 1999; Kaplan & Norton, 1996) have also claimed that these financial measures always emphasized on short-term benefits; hence it resulted in an increasing gap between established strategies and their execution (Neely, 1999; Kaplan & Norton, 1996).

### 2.2 Organizational Culture

More recently, Engelen, Flatten, Thalmann, and Brettel, (2017) while investigating the role of organizational culture on entrepreneurial orientation with the sample of 643 German and Thai companies have suggested that the two are complementary to each other. These scholars have further suggested that the firms should harvest appropriate organizational culture to advance in entrepreneurial orientation (corporate entrepreneurship). However, Engelen *et al.*, (2014) have also supported the notion that organizations do have varying cultures and those cultures are also at large influenced by the national cultures (a more broader perspective of culture at a country level) therefore it is necessary to investigate the influence of organizational culture on corporate entrepreneurial practices in a given company under a given national culture.

Allaire and Firsirotu, (1984) for identifying OC system argued that two interrelated sets of systems can have a great influence on an organization's culture. The first among them is the system, which is in-lined with (Schein's, 1990) typology of culture. This system consists of strategies, policies, structures and management practices of an organization and is aligned with the classic theory of management (CTM). The focus of this CTM has been on achieving the organizational goals with the focus on task orientation (Mackenzie, 1986; Thompson, 1967).

The second system which influences OC is the organization's belief system consisting of ideologies and values. However, scholars suggest that the responsibility for the development of organizational culture is central to top management (Allaire & Firsirotu, 1984). From setting organizational goals till communicating them effectively to all people concerned with an organization is the leader's responsibility (Heck, Larsen, & Marcoulides 1990; Reynolds, 1986).

Zheng, Yang, and Mclean (2010) stated that the dominant culture of an organization goes through the phases of inspiration, implementation, negotiation, and transformation while the organization is going through growth phases such as start-up phase, growth phase, maturity phase and revival phase. For a longer period of time, the organizational culture has been thought of unitary (Schein, 1983). Whereas other researchers claimed that organizational culture is dynamic by challenging the earlier assumption of 'unitary' (Barely, 1983). Therefore, the gradual development of sub-cultures within organizations has received much attention in research.

**H1:** organizational culture has a positive relationship with organizational performance

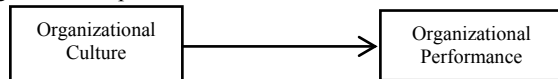


Fig 1: Theoretical framework

### 3. Methodology

#### 3.1. Instrumentation and Data Collection Procedure

Consistent with Rosenthal, and Masarech, (2003), this study would also adopt Wallach (1983) operationalization to measure the organizational culture within the organization. The aggregated score of the nine items measures the characteristics of organizational culture as a continuum with a perception of the culture as highly mechanistically structured on the lower end of the scale, and highly organically structured on the upper end. Individuals are required to evaluate their perceptions of their working culture as mechanistic or organic, based on a nine-item instrument. Reliability coefficient for the measures is 0.81 both by Ouchi, and Wilkins, (1985); Prajogo, and McDermott, (2005) The data collection procedure was done by using survey questionnaire from the top management staff of three public sector universities of Amman in Jordan. For the total population of 7059 top management in the three public sector universities in Jordan, at least 142 responses were required (Krejcie & Morgan, 1970) nevertheless to improve response rate 370 questionnaires were circulated out of those 152 complete questionnaires were collected.

### 4. Result of Study

#### Demographic variables

Table 1 provides a summary of the distribution of samples on demographic characteristics (N=152). A majority (53%) of the respondents were female. They were aged between 31 to 50 years and working in the current position for not more than 10 years (92.7%) while being in the industry ranging from 11 to 20 years (43.7%).

Table 1: Profile of Respondents

| Variables                 | Categories | Frequency | (%)  |
|---------------------------|------------|-----------|------|
| Gender                    |            | 71        | 47.0 |
|                           |            | 80        | 53.0 |
| Age                       | 21-30      | 31        | 20.5 |
|                           | 31-40      | 55        | 36.4 |
|                           | 41-50      | 54        | 35.8 |
|                           | Above 50   | 11        | 7.3  |
| Years in current position | 1 -10      | 140       | 92.7 |
|                           | 11- 20     | 7         | 4.6  |
|                           | 21 – 30    | 3         | 2.0  |
|                           | nr         | 1         | 0.7  |

| Years in organization | 1 -10   | 52 | 34.4 |
|-----------------------|---------|----|------|
|                       | 11- 20  | 66 | 43.7 |
|                       | 21 - 30 | 27 | 17.9 |
|                       | 31 - 40 | 6  | 4.0  |

### 5. Measurement Model

To experimentally determine the construct validity of the model, specialists apply a 2-step Structural Equations Modeling (SEM) method that has been directed by Anderson and Gerbing (1988). According to Anderson and Gerbing (1988's) approach to start with, analyst surveyed the internal reliability convergent validity for the questionnaire, trailed by the discriminant validity of builds brings about table 1 and table 2 individually. Next are the figures.

Table 2: A result of the measurement model

| latent variable            | Item     | Loading  | AVE     | CR     |
|----------------------------|----------|----------|---------|--------|
| Organizational culture     | OC11     | 0.946233 | 0.63457 | 0.9343 |
|                            | OC13     | 0.834531 |         |        |
|                            | OC15     | 0.902267 |         |        |
|                            | OC16     | 0.892859 |         |        |
|                            | OC17     | 0.735399 |         |        |
|                            | OC2      | 0.916543 |         |        |
|                            | OC20     | 0.956244 |         |        |
|                            | OC5      | 0.822443 |         |        |
|                            | OC6      | 0.729234 |         |        |
| Organizational performance | OC8      | 0.919353 |         |        |
|                            | OC9      | 0.654334 |         |        |
|                            | OP1      | 0.873655 | 0.72237 | 0.9456 |
|                            | OP2      | 0.849325 |         |        |
|                            | OP4      | 0.751685 |         |        |
|                            | OP5      | 0.817496 |         |        |
|                            | OP6      | 0.801468 |         |        |
|                            | OP7      | 0.463359 |         |        |
|                            | OP8      | 0.847373 |         |        |
| OP9                        | 0.787223 |          |         |        |

OC1, OC3, OC4, OC9 and OP3, OP9 were removed since the loading is below 0.4 succeeding to Hulland (1999).

To measure reliability, all items' loading for reflective constructs were inspected to pass a cut-off point of 0.5, as recommended by Hair et al. (2010). The higher the loadings mean that there is more shared variance between the construct and low loadings shows the very small explanatory power of the model, as well as reducing the estimated parameters linking the construct (Hulland, 1999). To assess convergent validity, outer loadings, composite reliability (CR) and the average variance extracted (AVE) were determined. Any loadings below 0.5 were deleted, resulting in final AVE and CR to be above the benchmark value of 0.5 and 0.7 respectively (please refer to Table 2). In addition, discriminant validity for reflective measurement model can also be established through the Fornell-Larcker criterion. According to this criterion, the square root of AVE for each latent construct should be greater than the correlations of any other latent construct. As shown in Table 3, the square root of AVE for each construct is evidently higher than the correlation for each construct.

Table 3: The discriminatory validity of constructs

| Latent variables           | 1        | 2           |
|----------------------------|----------|-------------|
| Organizational culture     | 0.829384 |             |
| Organizational performance | 0.782934 | 0.782456322 |

### 6. Structural Model

Structural model: subsequently presenting the outcomes of the measurement model, next are the outcomes of the structural model (Ringle et al., 2005) presented below in Table 3 and Figure 1.

**Table 4:** Path coefficient and hypothesis testing

| H  | Relationship  | Beta     | SE       | P value | Result    |
|----|---|----------|----------|---------|-----------|
| H1 | Organizational culture and organizational performance | 0.693456 | 0.004562 | 0.00    | Supported |

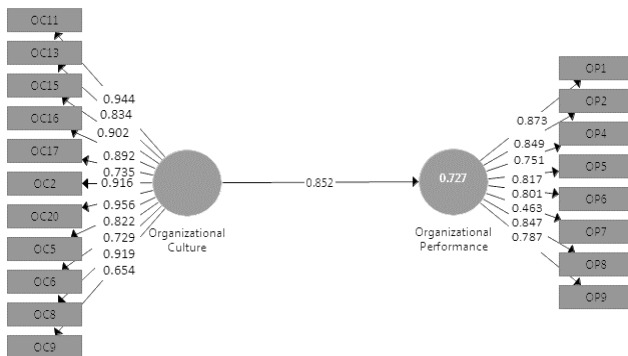
**Fig. 2:** Outcome of the structural model analysis ( $p < 0.05$ ;  $p < 0.01$ )

Table 4 defined the effect of organizational culture and organizational performance. The result of the study shows significant between organizational culture and organizational performance ( $b=0.852$ ;  $0.00$ ) similarly the result show the significant positive relationship between organizational culture and organizational performance. Furthermore, the result of figure 2 shows the H1 is supported. R-square reported 0.727 for organizational culture. This independent variable can clarify 70% variance of organizational culture.

## 7. Discussion

The influence of organizational culture on organizational performance in the top management of public sector, Jordan was inspected in this study. The Consistency Theory (Denison, 1995) it was contended that organizational culture influences the organizational performance in the top management of public sector in Jordan. The outcomes of this study designate that organizational Culture has the positive relationship with organizational performance in the public sector, Jordan. These results of this study support previous researchers (Hashim & Mahmood, 2011, 2012).

## 8. Conclusion

The findings of the current study have contributed to a number of important implications for theory and practice. In particular, it offers recommendations to academicians, managers and business practitioners on the need to consider appropriate measures and ways to improve organizational culture. In short, the below section would discuss the contribution of the study in terms of theoretical and practical aspect.

The results provided an initial demonstration of the important relationships among contextual variable, organizational culture, and organizational performance. These relationships provided several practical implications for organizations. Firstly, organizational culture is seen as a conducive condition for the growth of the organization. Thus, this study enhanced the importance of the organizational culture that plays an important role in promoting organizational performance and sustaining a durable competitive advantage in an organization. Therefore, it is recommended that management of an organization should maintain excellent organizational culture.

Secondly, the research result reported that organizational culture has the positive relationship with organizational performance. Therefore, it is wise for the management to consider

organizational culture in designing an organization. In the environment that is changing rather fast, an organic organization is expected to be more suitable. As in the public sector, top management should be responding immediately to the needs and demand of the customers.

Lastly, the relationship between organizational culture and organizational performance necessitates the management to come up with better ideas and knowledge on how to shape the attitude of the employees. Therefore, organizations that which requires employees who can take initiative and cope with uncertainty such as in the public sector could benefit from organizational culture. The result of this study gives evidence that those who experience organizational culture would become more involved with their job. According to Keller (1997) and Diefendorff et al. (2002), organizational culture is a predictor of firm performance. Hence, developing organizational culture about one's job is crucial.

Therefore, the model proposed in this study is suitable to be a guide especially for the organizational trainers and human resource personnel in their effort to develop organizational culture. However, cautions are needed because these are not the only contributors to organizational culture as it explains only 70 % of the variance. There are other factors that would contribute to the organizational performance in the public sector that needs to be explored further.

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