



The Influence of Leadership as Moderating Variable Among Strategy Execution and Organizational Performance in Jordanian Public Sector

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Abstract

This paper aims to analyse the effect of leadership on the relationship between strategy execution and organizational performance of organizations in public sector in Jordan. The framework explores the dimensions of some constructs and their effects on organizational performance. The proposed constructs of independent variables are organizational level of analysis (organizational structure, organizational culture, reward system and external consultant), execution plan (execution objectives, execution tasks, and execution responsibility) and leadership. Specifically, leadership was tested as a moderator. In this quantitative research, cross-sectional data of administrative officer working in 30 ministries of the Jordanian government were obtained. The total respondents were 137 and all of them work as administrative officer in public organizations in Jordan. This research uses of data analysis in SEM (Structure Educational Modeling) using the Partial Least Square 2.0. The results obtained showed a moderator effect of leadership on the relationship between (organizational structure, organizational culture, reward system and external consultant), and organizational performance, the study found the Leadership will moderate on the relationship of organizational structure, organizational culture, reward system and external consultant towards organizational performance in Jordanian public sector.

Keywords: Strategy execution, organizational structure, organizational culture, external consultant, organizational performance

1. Introduction

In the current economic and financial crisis knowing the factors that generate success and the ways in which it can be measured has a critical importance. Performance indicators are designed to provide information on the quality of processes performed within an organization offering support to achieve the objectives on time and within a predetermined budget. But, to fulfil this role is necessary to understand their full and proper use. No business scenario can guarantee economic stability, and the ability to control organizational performance during a financial crisis becomes more difficult. An organization in difficulty must be able to identify those measures that enable it to respond effectively to new problems to adapt as quickly as possible to changes in the business environment (Gavrea, 2011).

Although some of these researchers asserted that in their studies the strategic execution including organizational structure, organizational culture, reward system and external consultant is a significant and positive impact on organizational performance (Pearce, Fritz, & Davis, 2010; Felício, J. Augusto, Vitor R. Caldeirinha, and Ricardo Rodrigues, 2017) & Clapp-Smith, Rachel, and Tara Wernsing, 2014) Clapp-Smith, Rachel, and Tara Wernsing, 2014), but other researchers (Andersen, 2010, Baker & Sinclula 2009, Mieso, 2010; Cruz-Ros, Cruz, & Pérez-Cabañero, 2010; campell, Line, Runyan, & Sweeney, 2012) Marino, Kuratko & Weaver, 2013) studied the relationship between strategic execution organizational level factor i.e.

organizational structure, organizational culture, reward system and external consultant conformed that in their studies there is no significant impact between strategic execution factor including (organizational structure, organizational culture, reward system and external consultant) and organizational performance, that is caused inconsistent result, as well as the traditional approach advocated by Baron and Kenny (1986) if direct relation has mixed results than introduce a moderator to get the definite results. Moreover the modern approach advocated by Preacher and Hayas (2004) also supporting moderating effect.

It is crucial that researchers examine how organizational culture and organizational performance are related. In the field of strategy execution, and many scholars have pointed to the importance of reward systems in effective strategy execution (e.g. Hill, 2011; Neilson et al, 2008; Hrebiniak, 2008; Higgins, 2015; Okumas, 2001; Noble, 1999; Hussey, 2013; Floyd and Wooldridge, 2011) organizations need a reward system that monitors progress toward full execution and demonstrates senior managements interest and investment in attaining the goals of the strategy (Hrebiniak, 2005).

Therefore, in this paper used the leadership as a moderator to show the effect of leadership on a relationship between strategic execution and organizational performance in general sector in Jordan, Leadership can have a significant influence on the level of success of an effort (Beer and Eisenstat, 2000; ALtamimi & ALshawi, 2014). (Yukl, 2009 & Siam, 2015) asserted that leadership is one of the most important factor that impact the performance of a given organization and researcher who attempt to examine organizational performance should look into this

construct. For example, research by Alexander (1985, 1991) found that a lack of leadership and direction of management can present a barrier to implementation. The leadership defined as „the process whereby one person influences organizational members with implementation responsibilities to work toward the successful implementation of a strategy (Maas, 2008). This person supports the implementation project members, and creates the conditions under which the project-members can perform their implementation tasks (Hilman and Siam, 2014; Siam 2015).

From the other hand in Jordan very little studies examine the strategic execution factor such as organizational structure, organizational culture and reward system Siam (2015). In addition Al-Dehayyat (2013, 2015) pointed out in his study that more than 75% of public institutions in Jordan are practicing the strategic planning activities, but not in the scientific and professional way used in the organizations. He added that there is not only the top management in the public sector institutions convinces the strategy execution role, but also paid a lot for the formulation of a master plan. However, Al-Shaikh and Hamami (1994), and Aldehayyat and Anchor (2013,2008) identified that Jordanian organizations made considerable efforts to formulate their strategies , moreover Al-Dehayyat (2015) added The top management did not clarify what happened when these companies put into effect the strategic decisions which had been formulated.

Because of such differences, Budhwar and Mellahi (2007) stressed an urgent need for examining how leaders affect the attitudes and behaviours of others (especially their subordinates) in a different cultural environment. Thus, the present research is expected to provide a cross-cultural understanding of the different constructs and the way these constructs are interrelated and also the way they influence organizational performance.

2. Literature Review

2.1 Strategy Execution Factors

Maas (2008) framework and the factors yielded by his study related to the context, content, and process of a strategy execution may have an influence on the performance of strategy execution efforts. Hussy (2013) point out that the success of the strategy execution means the success of the organization. The factors of the strategy execution divide into three groups: factors related to the context in which the execution takes place and mention only to the organizational level of analysis factors in this context such as (organizational structure, organizational culture, reward system and external consultants), and process with which the strategy is executed and will focus on leadership (Maas 2008; Kreiser, Marino, Kuratko, & Weaver, 2013). The first part we start to discuss the strategy execution organizational level and its factors, one of the most important factors in the context of the strategy execution mentioned by most of the researchers in the strategy execution field, and its follow:

2.2. Organizational Structure

Organization structure is defined as the way in which tasks are allocated, who reports to whom, and the formal coordinating mechanisms and interaction patterns that will be followed (Robbins, 2012). However, the relationship between strategy formulation and organization structure has been widely researched, only limited attention has been paid to the relationship between strategy execution and organization structure (Zheng, Yang, and Mclean 2015; Hrebibiak, 2006; Higgins, 2014; Alashloo et. al 2005). A proper alignment between strategy and organization structure is a necessary precursor to successful strategy execution. Therefore, strategy execution often requires a revised organization structure (Hrebiniak, 2006). Although there

is no evidence to suggest that a particular organization structure is more or less suited for execution (Miller, Wilson, and Hickson, 2016). Van Der Maas (2008) and Olson, Slater, and Hult (2015) point out that the organizational structure consist of two dimensions, the level of centralization and the level of formalization. Van Der Maas (2008) in his study and Gupta (2014) emerged that the level of centralization and level of formalization of the organization structure of an organization can have an influence on the organizational performance (Li et.al, 2014; Van Der Maas, 2008).

2.3.Level of Centralization

Olson et al, (2015) in their study indicate to centralization where the decision making is closely captured by top managers or which level the top management is delegated to middle and lower level managers.int he centralized organizations the lines of responsibility and communication are comparatively clear in centralized organization, and the way to top management for support can be moved quickly. The level of centralization is defined as the level in the organization at which decisions are taken (Olson et. al, 2015).

In an organization with a high level of centralization, the last decisions are almost made by exclusively at top management and absolute acceptance of top-level decision is expected. Non-profit sector tends to be more centralized than in the profit sector, with a few distinguished exceptions. The level of centralization also differs per industry. For example, companies with educated and expert staff tend to be more decentralized. Management is more in need of these employees and therefore tends to include them more in decision-making process. Furthermore, managers will be less tending to tell an expert or specialist what to do. In more low-skilled industries such as retailing and hotels, the organizational structure is more centralized.

2.4. Level of Formalization

Olson et.al, (2015) refers to the formalization to the extent to which decision, regulations, working relationships, and policies are governed by formal rules and procedures (organizational activities). Mintzberg (2015) point out that the degree of formalization in the public organization can have an influence on the execution efforts. A low level of formalization within an organization can have several consequences for strategy execution (Van Der Maas, 2008). When few things relevant and link to the execution are formalized, this can create vagueness and misunderstanding among employees during the execution efforts. When matters such as execution actions and activities, procedures, and responsibilities are not formalized, staffs do not know what they can do and what they cannot do. This is difficult when tasks are clear and routine and when responsibilities are clearly known. However, in strategy execution, new tasks are usually necessary to execute the strategy without formal procedures, rules and responsibilities, uncertainty can get up among employees. Moreover, when problems arise during an execution and responsibilities are not clearly established, staffs may blame each other.

2.5.Organizational Culture

Organizational Culture Cater and Pucko (2010) defined organizational culture as the tie in which patterns of meaning are held through the organization (Shah & Nair, 2014; Jiang & Carpenter, 2013; Yeh, Lee & Pai; 2010; Zheng, Yang & McLean, 2010) added that sharing beliefs, values and expectations of members is the concern of culture through which accomplishing performance of an organization can be affected. In fact, its impact is the most mentioned factor as was mentioned by (Speculand, 2014; Cater, Pucko, 2010; Parnell, 2008; Zheng et al, 2005; Homburg, Krohmer, Workman, 2004; Noble, 1999). Moreover, an

execution performance may be affected by organizational culture (Tolleson, 2016). a) Organizational culture stems from the interpretive context among Individuals, according to Robey and Rodriguez (2013) argument, which guides their behavior and makes sense of their environment. Thus, organizational culture has appropriated with execution (Parnell, 2008). b) Organizational culture is not meant to be needed in one aspect, but also execution processes take into consideration the policy execution literature yet, limited research has been conducted on the influence of organizational culture execution. (Schaap, Stedham, Yamamura, 2008; Peters and Waterman, 2012; Hussey, 2015) showed that a strategy can be partly accomplished when they are viewed. However, Maas (2008) states that it's neither easy nor fast to change the culture of an organization.

2.6. Reward System

A reward system is defined as „the related set of processes through which behaviors are directed and motivated to achieve individual and collaborative performances; the set of processes comprises of goal setting, assessing performance, distributing rewards, and communicating feedback (Waweru, 2016; Mieso, 2010; Homburg et al, 2014). An effective reward system can have a positive influence on implementation success. Rewards may consist of monetary compensation such as salary and bonuses but can also include non-monetary compensation such as compliments, positive attention, praise, recognition, and good performance assessment interviews. Other non-financial rewards include when organizational participants perform well this is communicated to the whole organization and having employees of the month and year. However, not only should well-performing individuals be rewarded but poorly performing individuals should be addressed as well. For example, when organizational members do not perform well, they can be dealt with by having performance interviews, transferring them to another department, not giving them a raise, demoting them, or firing them (Laamanen, Skurnik, 2009). In the field of strategy execution, many scholars have pointed to the importance of reward systems in effective strategy execution (e.g. Hill, 2011; Neilson et al, 2008; Hrebiniak, 2008; Higgins, 2016; Okumas, 2001;; Hussey, 2015; Floyd & Wooldridge, 2014).

2.7. Leadership as Moderator

According to Yukl (2016), leadership refers to the process of influencing others to comprehend and agree towards what is required to be done and the way to do it, and it is the process of driving individual and collective efforts towards achieving common objectives (p. 8). The concept of leadership has gained importance within the field of management. In this respect, Fiedler (2006) argued that an effective leader can result in success or failure of a group, organization, or even an entire country. The idea of leadership originated with the theory of “Great Man”. Great Man theorists believed that leaders are born and have inborn qualities; in other words, leaders cannot be made. The word “Man” was intentionally used to imply the role of males only. As such, in the beginning, leaders were those who were successful in their military exercises and they were generally men (Bolden, 2014). Despite its fundamental flaws in associating great leaders with men, some contemporary management scholars and organizational psychologists still favour the great man idea (Organ, 1997). Consistent with the great man theory, scholars have attempted to delineate the prominent attributes that distinguish leaders from followers. People who are adaptive, responsive, motivated, achievement-orientated, assertive, decisive, energetic, determined, and self-confident, are considered to be good leaders or have the potential to be one (McCall, 2014; Stogdill, 2004).

2.8. Organizational Performance

Schoorman *et al.* (2007) indicated that the determination of organizational performance, for many organizations, is by the organization's ability to use its resources to predict its future. Today, more organizations are seeing their employees as their most valuable resources. Bolman and Deal (2003) explained that measurement of organizational success today is based on the organization's ability to set up a structure that is a close to a family arrangement. The structure of the organization has proven to be an essential factor when examining success in maintaining employees and customers (Wilson *et al.*, 2008). The practice of reviewing structures has become a good example for upcoming organizations dictating that employees are important to the performance of organizations and should be valued when making every day decisions. Approximately, there are 30 different criteria to evaluate organizational performance, ranges from organizational stability to employee turnover rate, from productivity to profit and revenue, and from organization's growth to stock values (Cohen & Bradford, 2005). Lee *et al.* (2010) in their study identified four dimensions of the organizational performance, which are acceptable academically. The dimensions are production cost, product quality, product delivery, and production flexibility. According to Kaplan (2012), researchers used the balanced scorecard to measure the organizational performance in their studies (Franklin, 2011; Kaplan & Norton, 2006).

2.9. Contingency Theory

Contingency theory holds that there aren't any universally valid rules of organization and management (Burrell & Morgan, 1979; Lawrence & Lorch, 1967; saunders, 2005), and (Morgan, 2007) means that the contingency theory may be outlined as a leader-match theory. The speculation tries to match leaders to acceptable things. It's named contingency theory as a result of it suggests that a leader's effectiveness depends on how well the leader's vogue fits the context of a specific scenario (Morgan, 2007). Eucukuysal and Beyhan (2011) add that the contingency theory is seen within the strategic various generation parts, where alternatives are developed to enhance the organization's match with its surroundings.

3. Hypotheses

1. There will be a positive relationship between organizational structure and organizational performance.
2. There will be a positive relationship between organizational culture and organizational performance.
3. There will be a positive relationship between rewards system and organizational performance.
4. There will be a positive relationship between external consultant and organizational performance.
5. There will be a positive relationship on leadership as a moderator between organizational structure and organizational performance.
6. There will be a positive relationship on leadership as a moderator between organizational culture and organizational performance.
7. There will be a positive relationship on leadership as a moderator between rewards system and organizational performance.
8. There will be a positive relationship on leadership as a moderator between external consultant and organizational performance.

4. Conceptual Framework

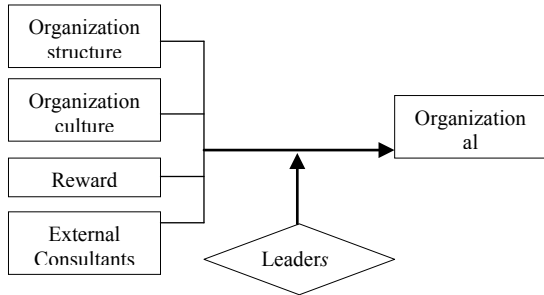


Fig 1: Conceptual Framework

5. Methodology

According to the Zikmund, Babin, Carr, & Griffin (2013), research design is the overall plan or structured that is used to conduct the study which specified the methods and producers for collecting and analyzing the related information. The researchers have the clear picture of the phenomenon of study on which they wishes to collect the data prior to the collection of data. (Saunders, Lewis, & Thornhill, 2008). In term of research design, the thesis needs to obtain the predetermined and highly structure data collection techniques. Besides that, the relationship between the independent variables and dependent variable are measured through the numerical data form and analyze using the various techniques of statistics. The quantitative research assisted with the questionnaires survey strategy as mentioned and discussed above. The questionnaires are distributed to Administrative Officer in Jordanian Ministry Office. In this research, the 137 participants chosen were from the administrative officer in 30 Ministries of Jordan.

Measurements

Measurement is one of the most important processes in research. It is a process of observing and recording the observations that are collected in the research (Kawulich, 2005). A number of measurements were employed to measure the variables of the study as shown in Table 1.

Table 1: Measurement components

Construct	No	Type of variables	Author
Organizational Structure	5	Independent	Mieso(2010)
Organizational culture	4	Independent	Wallach (1983)
Reward System	6	Independent	Baily (2008)
External Consultant	5	Independent	Van Der Mass (2008)
Leadership	6	Moderator	Helman and Siam (2015)
Organizational performance	5	Dependent	Franklin (2011)

6. Analysis and Discussion

To prove the hypothesis in this study that is looking at the significance of the influence between variable parameters and values of the coefficient on the significance (t statistic). For the purpose of analysing the data of the present study, structural educational modelling partial least square used to constitute the analysis technique of the collected data.

Hypothesis Testing

1. Organizational structure (OS) investigation on the Organizational Performance (OP) had been define a lot by previous researcher. But based on the argument by the previous researcher, a findings based on the public organization were not consistent. Hypothesis 1 describes that

there will have a significant relationship between OS and OP. Based on the various Ministry respondents, it shows that based on the Jordanian environment, OS is very significant on OP. It was align with the suggestion by Robbins (2012), Zheng Yang and Mclean (2009) and Hrebibiak (2006). From this findings it will help also to the other organizations to focus on OS to improve Organizational Performance of their Organization.

- Based on the argument of researcher, there are different result based on Organizational culture (OC) and OP. Based on the researchers, the different of culture in certain country will have a different implication to the Organizational Performance. Mass (2008) highlights the constraints on the culture towards Organizational Performance. But based on the respondent in Jordanian Ministry Department show that OC have very significant impact on Organizational Performance. This result aligns towards the study by Pineno & Boxx, (2015), Begley & Boyd (2003).
- The implementation of rewards system and organizational performance plays an important role and the combination of both strategies may substantially improve Organizational performance. This study show that rewards system is one of the important factors in organization especially in government sector. It show that this variable will be top variables related to Organizational performance with the result 0.726. Based on the result, by providing based on the Ministry staff, rewards system be the number one priority on organizational performance. It align with the suggestion by the previous researcher how rewards system need to be one of the concentration element (Waweru, 2011; Mieso, 2010; Homburg et al, 2004). Rewards may consist of monetary compensation such as salary and bonuses but can also include non-monetary compensation such as compliments, positive attention, praise, recognition, and good performance assessment interviews. Other non-financial rewards include when organizational participants perform well this is communicated to the whole organization and having employees of the month and year. So from these findings it need to circulate to all of the organization to enhance this variables in their operations.
- Hypothesis 4 highlighted that based on the capable of curtain organization, sometimes that also have some limitations to resolve. Based on the previous researcher, there also need some parties that can be an important role in strategy formulation and implementation to achieve the organization objectives. Based on the results, the correlation between this independent variables and dependent variables mentioning that these variables in top three needs to determination of the organization in invent in their organization. The correlation result was 15.063 which also significant to the organization. So for future, the organization also needs to crowd sourcing in achieving their objectives (Mintzberg, 2015; Drazin and Howard, 2014).
- There are missing statements on the argument of on the combination of organizational structure, organizational culture, reward system and external consultant towards organizational performance and Leadership being the moderating variables in this relationship. Based on this paper, this study proposed this relationship to increase the organization performance. Based on the result, there was a positive relationship which by combining together all these variables, leadership also being the strong effects on this relationship.

7. Summary

Conclusion based on the results of research that has been done can be drawn that there are very significant relationship between OS, OC, RS, EC and leadership on organization performance. Moreover, a clear ranking can be built to show the highest correlation that organization can depend on if they need to increase their organizational performance. With the limitations found by the researcher, it is expected that the future researcher can examine the other factors which can give significant result in the OP and do the research in perspectives to identify the impact on OP. The size of the sample also considered relatively small to identify the exactly result of the research and therefore no generalizations could be made in terms of the industry population. Future research can explore more on the organizational factors rather than individual factors.

8. Limitation

This paper is limited to the only administrative officer in ministries in Jordan. Furthermore, it relied upon single information sources from each ministry in the belief that these individuals had the knowledge of the organization's strategy execution leadership, and organizational performance. However, having multiple respondents from each firm would have been highly preferable. Although the total response was 137 (35.6%) of the total 384 this number requires caution in interpreting or generalizing the results. It can be interpreted and generalized only among the 30 ministries in Jordan.

The research employs self-reports to gather the research data, which may cause the regular means variance, a condition where exact relationships between variables are overstated. Personal bias and misconceptions may influence responses. Common method variance is a potential problem whenever data are collected from a single source by sometimes using a single questionnaire and self-report at the same time (Schmitt & Klimoski, 2013). Therefore, given this scenario and the likely presence of response bias, inferences made from the results should not be considered definitive. The sample needs to be extended to take other sector in Jordan. More research designs are likely to strengthen the insight into the aggregated model. A qualitative and/or longitudinal data collection within the strategy execution in higher educational institutions usage would give more in depth of insight to the phenomena.

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