Institutional Performance of Jordanian Public Sector

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Abstract: The main purpose of this study is to investigate the outcome of institutional culture among top management from the institutional performance. Specifically, it aimed at investigating the effect of institutional culture on institutional performance in public sector, Jordan. Past studies on the institutional 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 institutional culture and institutional 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 institutional culture and institutional 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 institutional culture for better institutional performance. Results stirred on how institutional culture can be used to manage institution strategically.

Keywords: Institutional culture, Institutional performance, Strategy, Public sector, Jordan

I. INTRODUCTION

Today's institutions are becoming flattered, decentralized and boundary-less. Business environments, both national and international crises, have encouraged institutions to look for more flexible, simpler, and more dynamic institution culture (Imperatori, 2017). To the employees, these business strategies with more flexible, simpler, and more dynamic institution 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, institutions 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 institutions 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 institution to work on the issues on how to boost its employees' motivation (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. Workplace environment such as institutional policies and procedures, relationships with peers, and fringe benefits are positively related to job performance. 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 institutional performance.

Several scholars had also suggested ways on how to 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 institutions 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 institution. 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 institutional success (Laforet, 2017). The right attitude mentioned above refers to institutional culture, institutional commitment, and job involvement since these are the common work attitudes that are related to institutional performance (Robbins, 2005). In this respect, scholars have again concurred that institutional culture is one of the main factors that influence the attitude and performance of any institutions (Arifin, 2014; Nwachukwu, 2016; Laforet, 2017).

The discussion above clearly illustrates that institutional
Apart from the above discussion, the literature also provides that management has to look further into the concept in order to make the institutional 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 institutional culture as a motivational approach on institutional performance within the public sector in Jordan, specifically in Amman.

II. LITERATURE REVIEW

2.1 Institutional performance

In the literature, the institutional performance has mostly regularly appeared as the dependent variable (Halim et al., 2014). Gillespie et al., (2017) insisted institutions to give attention towards internal institutional strategies which provide importance to external factors. Their (Barrett et al., 2012) argument is also in-line with the suggestions forwarded by Covin and Laforet, (2016); who identified the external factors. These scholars (Carlos & Paula, 2014) have further stated that the influence of internal institutional factors is found to be greater than external environmental factors over institutional performance.

The past studies on measuring institutional performance effectively, have empirically provided for high level performance displays variety (Prabhakar, Reddy, Savinkina, Gantasala, & Ankireddy, 2018). It could, therefore, be inferred that measuring and operationalizing institutional performance would not be that simple. One need to look into appropriate justifications for why there is a need to measure institutional 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 institutional performance in any given markets and economies.

Apart from above discussion, the literature also provides a healthy discussion on the measurement of institutional performance. In this domain, the scholars have reached up to two different streams; where one is of the opinion that institutional performance should be measured using financial means. This opinion of measuring institutional performance on the objective basis has strong roots in the literature (Demirbag, Tatoglu, Tekinus, & Zaim, 2006; Jusoh, Ibrahim, & Zainuddin, 2008). It would not be wrong to say that traditionally the researchers have been measuring institutional performance on the basis of number (Demirbag et al., 2006). At the same researchers has also stated that this type of measure has remained under great debate (Jusoh et al., 2008).

One of the possible reasons for this would be that measurement of institutional performance by using financial means would be simple and easy to quantifiable using generally accepted account principles. This could simply provide the interested managers a side by side comparison of the respective businesses. In doing so, past researchers have used net-profit, revenues, year-over-year increases in net income, besides others for measuring the performance of their respective businesses against the competitors. Concluding, the proponents of financial performance tried to support it as it provides more objectivity in the measure.

However, the opponents of financial measures to study institutional performance stated that the financial methods non-existence of the strategic focus. Additionally, literature also provides that non-financial outcomes offer a variety of benefits to institutions 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 institutional objectives (Peters & Waterman, 1982). Further to the above arguments, in the following part, a detailed discussion has been provided with regards to measuring institutional performance drawing upon the past studies. Because the main purpose of the current research was to investigate the institutional performance of the public sector, Jordan therefore, the measurement of institutional performance in the Public sector has also been discussed.

As elaborated before, the institutional performance measurement in the literature has been based on financial as well as non-financial measures. However, according to Kaplan and Norton, (1992), the institutional environment is rapidly changing which has brought numerous challenges for institutions 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 institutional performance.

In addition to these recommendations, the work of Johannessen et al., (1999) provides critics on the efficiency of institutional 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 institutional 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 institutional 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 Institutional Culture

More recently, Engelen, Flatten, Thalmann, and Brettel, (2017) while investigating the role of institutional 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 institutional culture to advance in entrepreneurial orientation (corporate entrepreneurship). However, Engelen et al., (2014) have also supported the notion that institutions 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 institutional 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 institution’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 institution and is aligned with the classic theory of management (CTM). The focus of this CTM has been on achieving the institutional goals with the focus on task orientation (Mackenzie, 1986; Thompson, 1967).

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

As per the research emphasis of Allaire and Firsirotu (1984) individuals are mentioned as important 'pillars' of institutional culture. In fact, individual interaction with each other in the institution is based on the beliefs, goals, and attitudes as well as the institutional belief system. A strong institutional culture can be formulated only when institutional members get well with its definition of the firm. Importantly, the attitudes and values of employees are collectively considered as important determinants of institutional culture. Due to the significance of the role of institutional culture as an institutional performance determinant, researchers have paid a great deal of attention for examining its effects and potential limitations (Schein, 1990)

Since a long time, the institutional culture has been reported as imperative construct having its great influence on many individual behaviors (Barney, 1986). Moreover, the institutional culture has played the significant role in understanding individual variables for instance commitment, job-satisfaction, self-efficacy, and collective efficacy (Walumbwa et al., 2005; Lund, 2003; Maignan et al., 2001). For example, Lund (2003), while investigating the institutional culture’s influence over employee behaviors in the workplace, reported that the clan and adhocracy types of culture enhance job satisfaction of employees.

With the well-established institutional culture the institutions not only differentiate themselves from their rivals but they also establish a sense of identity of an institution, resulting in an increase in overall commitment to the institutional goals and objectives. Yiing & Ahmed, (2009) supported this notion stating institutional culture as glue for binding all individuals, activities, and behaviors together through a set of standards that determine the acceptable sets of behaviors.

Beside the other assumptions of institutional culture, the subcultures also exist in institutions (Jermier, Slocum, Fry, & Gaines, 1991). By talking about culture in an institution we talk about the culture which is dominant in an institution. Large institutions have many departments and each of them might have a different culture. Uniformity in interpretations on the basis of culture will not exist without any dominant culture and there will be no judgmental uniformity about the appropriate and inappropriate behaviors. The culture's dynamic view has been studied by several researchers.

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

H1: institutional culture has a positive relationship with institutional performance

III. METHODOLOGY AND DATA COLLECTION

Consistent with Rosenthal, and Masarech, (2003), this study would also adopt Wallach (1983) operationalization to measure the institutional culture within the institution. The aggregated score of the nine items measures the characteristics of institutional culture. 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,
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 essential (Krejcie & Morgan, 1970) nevertheless to increase response rate 370 questionnaires which spread out of those 152 complete questionnaires collected.

IV. RESULTS 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

<table>
<thead>
<tr>
<th>Variables</th>
<th>Categories</th>
<th>Frequency</th>
<th>(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>71</td>
<td>47.0</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>80</td>
<td>53.0</td>
</tr>
<tr>
<td>Age</td>
<td>21-30</td>
<td>31</td>
<td>20.5</td>
</tr>
<tr>
<td></td>
<td>31-40</td>
<td>55</td>
<td>36.4</td>
</tr>
<tr>
<td></td>
<td>41-50</td>
<td>54</td>
<td>35.8</td>
</tr>
<tr>
<td></td>
<td>Above 50</td>
<td>11</td>
<td>7.3</td>
</tr>
<tr>
<td>Years in current position</td>
<td>1-10</td>
<td>140</td>
<td>92.7</td>
</tr>
<tr>
<td></td>
<td>11-20</td>
<td>7</td>
<td>4.6</td>
</tr>
<tr>
<td></td>
<td>21-30</td>
<td>3</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td>nr</td>
<td>1</td>
<td>0.7</td>
</tr>
<tr>
<td>Years in institution</td>
<td>1-10</td>
<td>52</td>
<td>34.4</td>
</tr>
<tr>
<td></td>
<td>11-20</td>
<td>66</td>
<td>43.7</td>
</tr>
<tr>
<td></td>
<td>21-30</td>
<td>27</td>
<td>17.9</td>
</tr>
<tr>
<td></td>
<td>31-40</td>
<td>6</td>
<td>4.0</td>
</tr>
</tbody>
</table>

V. 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

<table>
<thead>
<tr>
<th>latent variable</th>
<th>Item</th>
<th>Loading</th>
<th>AVE</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional culture</td>
<td>OC11</td>
<td>0.946233</td>
<td>0.63457</td>
<td>0.9343</td>
</tr>
<tr>
<td></td>
<td>OC13</td>
<td>0.834531</td>
<td>0.63457</td>
<td>0.9343</td>
</tr>
<tr>
<td></td>
<td>OC15</td>
<td>0.902267</td>
<td>0.63457</td>
<td>0.9343</td>
</tr>
<tr>
<td></td>
<td>OC16</td>
<td>0.892859</td>
<td>0.63457</td>
<td>0.9343</td>
</tr>
<tr>
<td></td>
<td>OC17</td>
<td>0.735399</td>
<td>0.63457</td>
<td>0.9343</td>
</tr>
<tr>
<td></td>
<td>OC2</td>
<td>0.916543</td>
<td>0.63457</td>
<td>0.9343</td>
</tr>
<tr>
<td></td>
<td>OC20</td>
<td>0.956244</td>
<td>0.63457</td>
<td>0.9343</td>
</tr>
</tbody>
</table>

Table 3. The discriminatory validity of constructs

<table>
<thead>
<tr>
<th>Latent variables</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional culture</td>
<td>0.829384</td>
<td></td>
</tr>
<tr>
<td>Institutional performance</td>
<td>0.782934</td>
<td>0.782456322</td>
</tr>
</tbody>
</table>

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.

VI. STRUCTURE MODEL

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

Figure 1: Outcome of the structural model analysis (p <0.05; p<0.01)

Table 3 defined the effect of institutional culture and institutional performance. The result of the study shows significant between institutional culture and institutional performance (b=0.852; 0.00) similarly the result show the significant positive relationship between institutional culture
and institutional performance. Furthermore, the result of figure 1 shows the \( H_1 \) is supported. R-square reported 0.727 for institutional culture. This independent variable can clarify 70% variance of institutional culture.

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

VII. CONCLUSION AND CONTRIBUTION

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 institutional 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, institutional culture, and institutional performance. These relationships provided several practical implications for institutions. Firstly, institutional culture is seen as a conducive condition for the growth of the institution. Thus, this study enhanced the importance of the institutional culture that plays an important role in promoting institutional performance and sustaining a durable competitive advantage in an institution. Therefore, it is recommended that management of an institution should maintain excellent institutional culture.

Secondly, the research result reported that institutional culture has the positive relationship with institutional performance. Therefore, it is wise for the management to consider institutional culture in designing an institution. In the environment that is changing rather fast, an organic institution 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 institutional culture and institutional performance necessitates the management to come up with better ideas and knowledge on how to shape the attitude of the employees. Therefore, institutions that which requires employees who can take initiative and cope with uncertainty such as in the public sector could benefit from institutional culture. The result of this study gives evidence that those who experience institutional culture would become more involved with their job. According to Keller (1997) and Diefendorff et al. (2002), institutional culture is a predictor of firm performance. Hence, developing institutional culture about one’s job is crucial.

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

REFERENCES


