

Empirical framework of the relationship between organizational health and strategic performance

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ABSTRACT

The current research attempts to clarify the intertwined properties between organizational health and strategic performance. Moreover, it established an integrated framework for the fields, with limited information about organizational health and its relationship with strategic performance. The focus is to explain the relationship between organizational health and strategic performance. The main objective of this research is to investigate whether organizational health has a direct effect on strategic performance. Several contributions of this research were an integrated model of organizational health and strategic performance which were empirically tested. A revised model was presented and that may lead to contribution to future research in this area. However, a review of the management literature reveals that the relationship between organizational health and strategic performance is still vague. Hence this study will try to fill the gap from the perspective of resource-based view.

Keywords: Organizational health, strategic performance.

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INTRODUCTION

Organizational health is a new approach to study the organizational climate; it is a good tool that effect strategic performance of educational organizations in the private sector in Najaf city. As far as the organizations operate in the constantly rapid variable nature of environments, the change in those organizations must be easy and organizational health is the best solution to achieve a state of flexibility in organizations for streamlined change, supported by the strategic perspective of performance in order to contain the dimensions of the internal and external organization environment.

The present research investigates the relationship between organizational health and strategic performance empirically, as a way to solve a problem in educational organizations that UNESCO pay attention to it. This is focused on sustainable development as a tool to provide present needs by way that keep the future generation's needs (Gislason et al., 2008).

ORGANIZATIONAL HEALTH

In the beginning, informal organizations thought through attempts to understand the basis of the work environment. Researchers have tried to describe the nature and function of informal organizations, aspects of the unofficial organization studied by various names, including non-formal organizations, organizational atmosphere, organizational climate, or organizational health (Barth, 2001).

To explain organizational health, it is essential to examine the aggregate health in relation to the health of various components of the organization. Systems theory underpins this aggregate health scenario. Systems theory was conceived by a reach of scholars as a means of examining and engaging with a miscellany of topics in complex organizational systems (Nair et al., 2014).

The Theorists administrators were contrived to use organizational health as metaphor, they tried to make a

similarity between the organization and the human body, which means the organization can be sick like the human body.

Organizational health has been defined as, the organization's ability to successfully adapt to their environment, and create harmony among its members and to achieve its goals (Hoy and Miskel, 1991; Hoy and Tarter, 1997; Parsons et al., 1953; Chauvin, 2010; Fairman, 2015).

DIMENSIONS OF ORGANIZATIONAL HEALTH

Miles (1969) determined ten dimensions of organizational health we chose five of it in this research.

Focused goal

Some employees do not know the level of the organization's goals, which they work, and they do not believe they can achieve those goals, particularly with regard to the part of innovation. So, they believe that the organization's goals unattainable. In order to face the challenges individuals realized the need for attention to the Organization's objectives for the purpose of sustainability and survival.

Adequate communication

Because of the big size of organizations the systems will be asynchronous, so that the information channel becomes decisive. The clear information system and the vertical, horizontal movement to the information through the parts of organization, that leads to successful plans.

Optimal power equality

It is the state of the distribution and sharing the power to make an opportunity to highlight their superior capabilities, and that leads to motivate them to participate in decision-making. This reflects positively on improving the organizational climate.

Resource utilization

The ability of the leader to use the team members' capabilities in economical way with personal side and low stress, economic use of financial resources applied by giving lucrative salaries for teachers and administrative staff.

Morale

Miles chose this expression of morale because of its link

with feeling, well-being, satisfaction, and pleasure, all these by relativism characterized with individuals feeling they are under the care of the organization, so this is what makes the professors keep working under pressure.

STRATEGIC PERFORMANCE

The UNESCO's documents reports refer to the sustainable development as a responsibility of everyone to play their part in making it a reality. Sustainable development can be defined as the development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Gislason et al., 2008). Accordingly, we can recognize the important strategic side of performance by making the needs of future generations considerable through the performance in the present time. This is an important characteristic for strategic area which reflected to make the strategic performance very necessary at this time, because it includes the long term goals for any organization.

In order to manage a strategic performance the organization should follow a policy needed by the strategic performance management. This policy must be able to understand strategic performance and work on the means for achieving these results (Kloot and Martin, 2000). This is one of the strategic performance advantages, because of its focus on the importance of means, like the importance of the strategic results as an aspect of performance. However the organization is interested in means which are often internal and plan in short term, instead of results that are often external and long-term plans in the environment of any organization.

The performance has been defined as "behavior or action relevant to the attainment of an organization's goals that can be scaled, that is, measured" (Cania, 2014). Many writers view the differentiation between primary and secondary goals to be very important when linking performance measurement with organizational accountability.

The first step of the strategic planning process is to determine the organization's primary objectives as the tool that paints relationship between the organization and its stakeholders, and the secondary objectives of the strategic choices that determine the mechanism to achieve its primary objectives (Atkinson and McCrindell, 1997).

This is an important distinction in defining aspects of performance management systems. There is an obvious and complementary relationship between results (primary objectives) and determinants (secondary objectives). A focus on secondary processes for achieving primary objectives provides a tool for monitoring relationships with the stakeholders (Kloot and Martin, 2000).

The developed model of strategic performance which is interested in the shareholders, competitors, customers, is

Table 1. Balanced approach to performance management.

Performance management process	Questions to be addressed
Primary objectives or results to be achieved	To succeed how should we appear to our shareholders?
Financial customers	To achieve our vision how should we appear to our customers?
Secondary objectives or determinants of success	To satisfy our stakeholders and community
Internal business processes	What Business processes must we excel at?
Innovation and learning	To achieve our vision how will we sustain our ability to change and improve?

the balanced scorecard (Kaplan and Norton, 1992). The shareholders work on achieving the primary objective by planning, design, implementation, and operation; that is the concept of strategic performance measurement system according to Atkinson and McCrindell (1997). Kloot and Martin (2000) showed that clearly in Table 1.

Performance management is defined by Armstrong (2006) "as a strategic and integrated approach to delivering sustained success to organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors".

Through this definition we can transpire the strategic dimension of performance because performance management is a strategic approach and the sustainability of delivered success that came by continues improving performance as the holistic aspect of performance which represents one of the important characteristics of strategy.

Organizational health and strategic performance

The organizational health is a modern approach and it is special because of its vision of treating the occupational stress through two ways. First, to make both of the employees well-being and organizational performance considerable; because having happy and satisfied employees, without performing efficiently and productively, will be nothing to the organization. Furthermore, an organization that works efficiently and productively at the expense of employees' well-being, will be without value because the organizational health is a modern form of human relationship school; accordingly, the organization improves employee well-being and organizational performance in the same time. Secondly, the organizational health perspective recognizes that employee well-being and organizational performance are determined by both individual and organizational performance (Murphy and Cooper, 2003).

So, improving the organizational performance comes about by making the strategic performance to be connected with improving well-being of employees on a long term. This improvement should be comprehensive (Figure 1).

Many investigations linked new product to strategic

performance management as one of its dimension (Gholampour and Abdul Rahim, 2014). Innovativeness is one of Miles's organizational health dimensions that include that any system characterized by healthy must devise new procedures, and the search for new targets and produce new products. This integration between organizational health and strategic performance about innovation aspect which is a new product leads to multiple the achievement of strategic goals of any organization.

Sustained organizational health is among the most powerful assets a company can build. Healthy companies generate total returns to shareholders three times higher than those of unhealthy ones (De Smet et al., 2014). Organizational health mission is to implement those diagnostic and development services that leads to improving the critical dimensions of organizational health that are statistically significantly correlated with raise the performance and productivity, and that, in turn, leads to a sustainable system success (Fairman, 2015).

METHODOLOGY

Based on the previous studies, the empirical framework is developed based on the recourse-based view. Consequently, Figure 2 shows the relationship between organizational health and strategic performance.

The proposed empirical framework might be a good contribution to the organization to their organizational health literature. It shows the relationship between organizational health and strategic performance, through that we have five hypotheses which are:

1. There is a positive effect of organizational health dimension of goal focus on strategic performance.
2. There is a positive effect of organizational health dimension of adequate communication on strategic performance.
3. There is a positive effect of organizational health dimension of optimal power equality on strategic performance.
4. There is a positive effect of organizational health dimension of resource utilization) on strategic performance.
5. There is a positive effect of organizational health

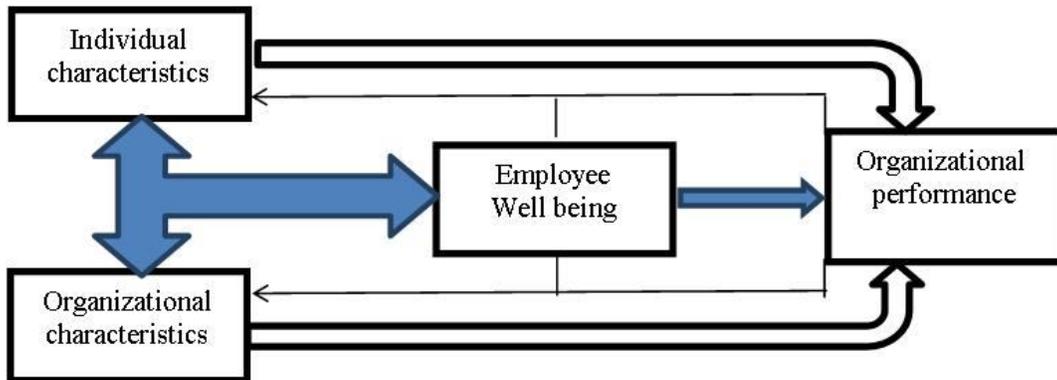


Figure 1. Organizational health flow diagram. Source: Murphy et al. (2003).

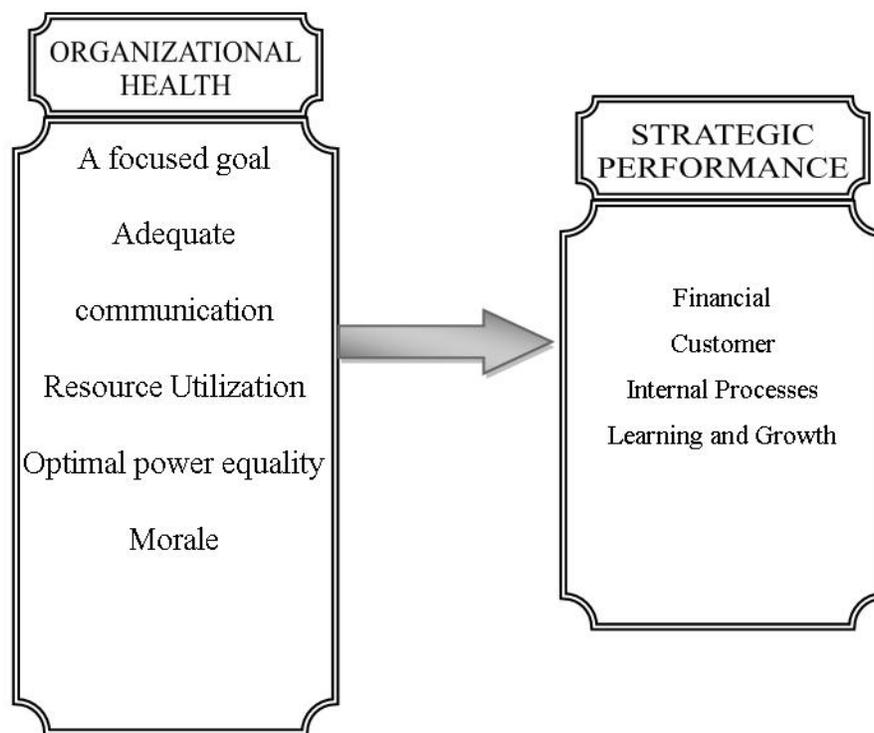


Figure 2. Conceptual framework.

dimension of morale on strategic performance.

Data and measures

A total of 110 questionnaires have been distributed to respondents. The collected questionnaires are 103 giving responses at the rate of 94% (Table 2). After checking it, the researcher finds that 5 questionnaires are not usable, at the rate of 5%. Thus, the researcher drops and these questionnaires. Finally, 98 questionnaires which form a percentage of 90% are subjected to statistical analysis. This is the appropriate sample size to use SPSS. The 98

Table 2. Response rate.

Responses	Total	%
Questionnaires distributed	110	100
Collected questionnaires	103	94
Uncollected questionnaires	7	6
Unusable questionnaires	5	5
Validate questionnaires	98	90

questionnaires are appropriate to complete the processes research in this study.

Tests of normality

The null hypothesis for this test is that data is normally distributed if the chosen level of significance (α) is 0.05, but the null hypothesis is rejected if the p-value is less than equal to 0.05. If the p-value is greater than 0.05, the null hypothesis will not be rejected. In this study, both the Kolmogorov-Smirnov and Shapiro-Wilk tests are used to test normality of questionnaire items. Table 3 summarizes results of normality tests for all items average of dimensions of the questionnaire. The Shapiro-Wilk and Kolmogorov-Smirnov testes reject the null hypothesis that all items of questionnaire are normal distributed at the .01 significance level, indicating that normality of questionnaire items is not assumed. The result is sig. =0.00.

Internal consistency analysis (Cronbach's alpha)

Coefficient alpha is a measure of squared correlation between observed scores and true scores. Normality, reliability is measured in terms of the ratio of true score variance to the observed score variance. It can test the internal consistency of each factor. According to Sekaran and Bougie (2010), the Cronbach's alpha is used to examine the internal consistency of the scales. According

to them, the instrument is considered good when the alpha coefficient is 0.80, considered acceptable when it is 0.70 and poor when it is 0.60.

To verify the dimensionality and reliability of the research variables, purification processes, including item-to-total correlation matrix are then assessed to identify the internal consistency and reliability of the variables. In the reliability analysis, the item-to-total correlation must be larger than 0.5 and at least not less 0.35. Here, the results of the reliability for each variable are shown in Table 4.

Hypotheses verification

Correlation analysis and regression analysis

A correlation coefficient measures the strength of linearity between the studied variables, that is, organizational health and strategic performance. The correlation results are shown in Table 5.

The correlation between organizational health dimensions and strategic performance are positive and are significant at the 0.01 level (2-tailed), and these results support all hypotheses.

In conclusion, the variable (dimensions) is significant. Thus, the result of multiple regression analysis will not be rejected the hypotheses (Table 6).

Table 3. Tests of normality summarized results for all items of questionnaire.

Variable	Code	Kolmogorov-Smirnov			Shapiro-Wilk		
		Statistic	Df	Sig	Statistic	Df	Sig
Focused goal	OHF	0.2026	98	.000	.901	98	.000
Adequate communication	OHA	0.2328	98	.000	0.8874	98	.000
Optimal power equality	OHO	0.1868	98	.000	.912	98	.000
Resource utilization	OHR	0.1932	98	.000	.900	98	.000
Morale	OHM	0.175	98	.000	0.9018	98	.000
Financial approach	SPF	0.168	98	.000	.910	98	.000
Customer approach	APC	0.1696	98	.000	.916	98	.000
Internal processes approach	SPI	0.2386	98	.000	0.9028	98	.000
Learning and growth	SPL	0.1618	98	.000	.909	98	.000

Table 4. Reliability analysis of organizational health dimensions and strategic performance.

Variable	Items	Item-to-total	Cronbach's alpha
Focused goal	OHF1	0.524	0.885
	OHF2	0.603	
	OHF3	0.682	
	OHF4	0.393	
	OHF5	0.538	
Adequate communication	OHA1	0.551	0.886
	OHA2	0.509	

Table 4. Continues.

	OHA3	0.562	
	OHA4	0.382	
	OHA5	0.355	
	OHO1	0.442	
	OHO2	0.378	
Optimal power equality	OHO3	0.545	0.886
	OHO4	0.549	
	OHO5	0.366	
	OHR1	0.601	
	OHR2	0.492	
Resource utilization	OHR3	0.573	0.884
	OHR4	0.642	
	OHR5	0.494	
	OHM1	0.364	
	OHM2	0.404	
Morale	OHM3	0.601	0.886
	OHM4	0.577	
	OHM5	0.423	
	SPF1	0.728	
	SPF2	0.730	
Financial	SPF3	0.780	0.953
	SPF4	0.763	
	SPF5	0.701	
	SPC1	0.679	
	SPC2	0.507	
Customer	SPC3	0.694	0.954
	SPC4	0.757	
	SPC5	0.760	
	SPI1	0.761	
	SPI2	0.745	
Internal processes	SPI3	0.739	0.953
	SPI4	0.777	
	SPI5	0.776	
	SPL1	0.691	
	SPL2	0.660	
Learning and growth	SPL3	0.657	0.954
	SPL4	0.569	
	SPL5	0.586	

DISCUSSION AND CONCLUSION

The statistical results show a high correlation between organizational health dimensions and strategic performance. That means there is significant positive

effect of organizational health dimensions (focused goal, adequate communication, resource utilization, optimal power equality and morale) on strategic performance. So this paper had provided only a small portion of idea regarding strategic performance in the organizational

Table 5. Pearson correlation between variables, organizational health dimensions, and strategic performance (N = 98).

	Focused goal
Person Correlation	.534**
Sig. (2-tailed)	.000
	Adequate communication
Person Correlation	.577**
Sig. (2-tailed)	.000
	Optimal power equality
Person Correlation	.373**
Sig. (2-tailed)	.000
	Resource utilization
Person Correlation	.474**
Sig. (2-tailed)	.000
	Morale
Person Correlation	.364**
Sig. (2-tailed)	.000

Note: * $p \leq 0.05$, ** $p \leq 0.01$.

Table 6. Regression analysis.

Parameter	Unstandardized coefficients		Standardized coefficients	T	Sig.
	B	Std. Error	Beta		
Constant	0.570	0.315		3.105	0.012
OHF	0.223	0.090	0.222	2.468	0.0162
OHA	0.335	0.100	0.302	3.337	0.001
OHO	0.016	0.087	0.17	2.188	0.033
OHR	0.150	0.069	0.197	2.169	0.035
OHM	0.147	0.085	0.150	2.501	0.037

Note: * $p < 0.05$, ** $p < 0.01$.

health. Hence, it would be beneficial for future research to consider the following suggestions:

1. Expand the study into other sector to enhance the consistency of results.
2. Include other driver to measure strategic performance, so that this will increase the accuracy of understanding the drivers that could impact the strategic performance.

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