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The impact of institutional structure on organizational effectiveness: considering organizational justice as a mediator

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ABSTRACT

The study aimed to investigate the potential impact of institutional structure (IS) on organizational effectiveness (OE) as it was recommended to be further explored. It was hypothesized that organizational justice will mediate the IS-OE relationship. This empirical study was conducted in higher education institutes (HEIs) in Lahore with academicians as respondents. 327 respondents were contacted and data were gathered. Multiple Regression was employed to test the hypothesized relationships. The results validated the model proving partial mediation of OJ.

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Introduction

Organizations vary with respect to their functions, size, structure and circumstances in which they operate “[1]”. In the same way the meaning of organizational effectiveness towards organizations also depends upon the nature, structure and operations of the organizations. “[2]” provides the definition of the word “effective” as being successful or achieving the required and wanted results. From this the meaning of effectiveness was made clear in a way that there is not a special index for determination of effectiveness, however, it is the achievement of the required objectives set by the organization. Mere maximizing of monetary performance might not be the objective of all organizations so the study viewed effectiveness from a broad spectrum and considered the contentment of major stakeholders as an index to measure organizational effectiveness. To assess the effectiveness of educational institute, Cameron effectiveness model “[3]” is used in the study which states that the institution is effective if it satisfies its major stakeholders.

To meet the specified objectives organizations need to structure them in a way that can facilitate them to reach the stated goals and objectives. Therefore “[4]” argued that institutional structure is the most significant contributing component to workplace ambiance. Likewise “[5]” contended that IS has a significant role in explaining OE. “[6]” defined structure as continuing arrangement of relationship between organizational members. “[7]” defined organizational structure as the means by which responsibility and power is owed and work procedure are conceded out. Many researchers agreed on the multifaceted nature of the construct institutional structure. Thus “[8]” used traditional view presented by “[9]” to measure organizational structure. The traditional view examines the structure from mechanistic view point with two major dimensions centralization and formalization. One can find studies in which the structure impacted many individual outcomes. Employee satisfaction, motivation, productivity “[10]” and student learning “[11]” are already tested in relation

with IS but according to “[5]” it is necessary to consider IS in relation with OE as the ways through which IS impacts OE is not specified in the literature. In the same way “[12]” contended that the facets of institutional structure had not gained significant consideration in the educational sector. So the study focused IS to predict OE in educational sector.

“[13]” contended that mechanistic structure is found in higher education institutes (HEIs) in Pakistan which means that there is high centralization and formalization. The decision making power is in the hands of higher authorities and there are strict formal procedures to be followed upon. Mechanistic structures are more stable “[14]” hence it can be presumed that structure of higher education institutions is stable. From this the study extracted the question that whether a mechanistic structure in (HEIs) of Pakistan impacts organizational effectiveness or not.

The present study intended to explain the mechanism through which the relationship between IS and OE can be explained broadly. Subsequently it has targeted to mediate the relationship between IS and OE through organizational justice (OJ). Perceptions of justice in employees are important because if employees feel the procedures, distribution and interactions are fair than it may lead towards effectiveness. “[15]” found a positive relationship between OJ and OE. “[8]” asserted that IS may be one of the contributor to promote justice perceptions. From this the study perceived that in the presence of justic perceptions the relationship between IS and OE will be more significant. This addresses another research question of the study whether OJ will mediate the relationship between IS and OE.

IS and OE:

The structure of the organization can be argued as a prominent predictor of OE as according to “[5]” and “[16]” IS has a significant impact on OE. Since the study assessed IS from a mechanistic view “[9]” therefore has focused on two dimensions of IS namely centralization and formalization. Mechanistic structures can produce more positive results in the

organizations where there are routine schedules “[17]”. Organizations with diversified operations and relatively big in size should follow mechanistic structure as “[18]” found that large organizations with formalized structures were more effective. According to “[19]” those organizations where there is high uncertainty can be benefitted from low formalization and centralization. “[20]” contended that effectiveness of the organization was the product of its structure for this it pursues that if the structure of the organization is stable and is associated with its operations than organization is on its way to effectiveness. Subsequently, the study perceived that it depends upon the nature of organization to follow which type of structure furthermore it has variant impact on effectiveness accordingly. From this the study developed the hypothesis:

H1: Institutional structure contributes positively towards organizational effectiveness.

IS and OJ:

In organizations the tension between the goal of efficacy and the goal of morality is commonly found which acts as a conceptual link between structure and justice perceptions. To maximize the profits is the goal of efficacy which is a direct effect if structure but justice perception are built by taking into account the goal of morality. This conceptual link was demonstrated by “[21]”. To achieve both goals at a time organizations should structure themselves as to maximise the justice perceptions automatically. This can be done by aligning structure with organizational justice. Previous research on these topics depicted a positive link between IS and OJ “[22]”, “[7]”. “[8]” argued that mechanistic structure (formalization) has the potential to build up justice perception. So by that the study developed the following hypothesis:

H2: Institutional structure regresses organizational justice

OJ and OE:

The literature does not provide much on the relationship between OJ and OE. One can regard this relationship as a recent phenomenon and is under consideration. “[15]” conducted research in Sub Sahara organizations and found a positive significant relationship between OJ and OE. The same significant results were found by “[23]”. Since the study has tried to distinguish between performance and organizational effectiveness so has not reported the relationship between OJ and performance. So the study has identified the literature gap and developed the following hypothesis:

H3: Organizational justice regresses organizational effectiveness

Mediating role of OJ:

In many studies OJ is proved to be significant predictor of employee and organizational outcomes. Furthermore, OJ has strengthened many relationships in previous studies. OJ acted as a mediator between leadership-feedback utility “[24]”, leader member exchange-Organizational Commitment and leader member exchange-turnover Intentions “[25]” relationships. OJ mediated the relationship between administrative performance appraisal and organizational commitment “[26]”. Therefore the study assumed that OJ will also strengthen the relationship between IS and OE. From this the study developed another hypothesis:

H4: Organizational justice will mediate the relationship between institutional structure and organizational effectiveness.

Methodology:

Data were collected from 244 teaching faculty members practicing in higher educational institutes in Lahore, Pakistan. Questionnaires were sent via emails with a response rate of

75%. As the study was cross sectional and data were self reported so the study considers it necessary to assess the effect of common method variance. Harman’s single factor test “[27]” was employed reported one factor variance accounted for 32.18% variance which shows that common method variance is not a cause of concern.

Measures:

The aspects of structure were measured using the scales of two authors. For formalization and centralization scales developed by “[19]” and “[17]” were used respectively. The perceptions of justice were measured by 20 items scale presented by “[28]”. For organizational effectiveness adapted scale of “[3]” presented by “[29]” was utilized. Reported reliability of the scales is shown in Table 1.

Table 1

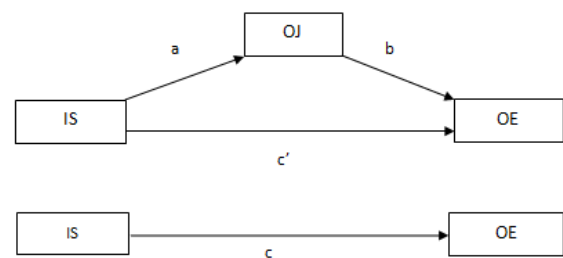
Variables	Mean	S.D	1	2	3
1. IS	3.35	0.65	(0.82)		
2. OJ	3.28	0.78	0.61**	(0.94)	
3. OE	3.48	0.61	0.66**	0.71**	(0.92)

** p<0.01

Values in brackets are reliability alpha coefficients

Table 1 shows the mean, standard deviation, Pearson correlation, and the reliability value (α) of the constructs understudy. The variable IS is moderately correlated with OJ ($r=0.61$; $p<0.01$). The correlation coefficient between IS and OE is showing a moderate correlation ($r=0.66$; $p<0.01$). A relatively strong and positive correlation is found between OJ and OE ($r=0.71$; $p<0.01$). Due to reported moderate correlation multicollinearity was assessed. The VIF (Variance Inflation Factor) values against the variables IS and OJ were 1.61 and 2.95 respectively which were below the threshold of 5 “[30]”.

Figure 1



To test the mediation SPSS Macro for “[31]” mediation paths, presented by “[32]”, was employed. Figure 1 shows the variables under study and the paths used in the mediation test. Path “a” is the relationship between IS (IV) and OJ (Mediator). Path “b” is the relationship between OJ (Mediator) and OE (DV). Path “c” is the direct relationship of IS (IV) on OE (DV). Path “c” is the total path along with effect of OJ (mediator) in the relationship between IS and OE.

Table 2

Link	β	Std. Error	t
a (MX)	0.7306**	0.0610	11.9698
b (YM.X)	0.3811**	0.0405	9.4072
c' (YX)	0.3427**	0.0485	7.0617
c (YX.M)	0.6211**	0.0442	13.6395
R ²	0.59		

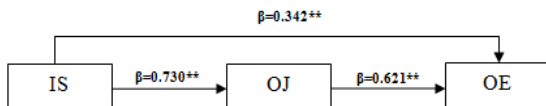
Now interpreting the result of each path displayed in Table 2. Paths “a” shows a significant positive relationship between IS and OJ ($\beta=0.7306$; $p<0.01$) substantiating H2. Moving towards path “b” the relationship between OJ and OE is also significantly positive ($\beta=0.3811$). Considering path “c” a significant positive relationship is shown ($\beta=0.3427$; $p<0.01$) confirming H1. The total path “c” is also showing promising and

significant results ($\beta=0.6211$, $p<0.01$) presenting partial mediation of OJ (H4).

Conclusion and Discussion:

The present research contributed to the body of knowledge by showing a positive significant relationship between IS and OE in higher educational sector of Lahore, Pakistan. The study found an intervening relationship between IS and OE through OJ. The findings revealed that there is a strong collective impact of IS and OJ on OE. Hence the mediation is proven. Partial mediation is found in the study which shows that not only through OJ but IS also have a strong impact on OE. The empirical model is shown in Figure 2.

Figure 2



The results of the study showed a positive relationship between IS and OJ which shows that positive perception of IS generates justice perceptions. This finding is consistent with previous studies on IS and OJ “[7]”. “[5]” argued that IS has an influential effect on OE even without any intervening path so the present study validate the argument as OJ partially mediated the relationship between IS and OE. The partial mediation means that not only through the paths of OJ, IS also has the capacity to predict OE. But the positive relationship between mechanistic IS and OE is not consistent with the study conducted by “[5]” in organizations with HR professionals as respondents. The different results can be because of shift in sector as research findings cannot be generalizable across sectors. “[17]” argued that organizations where static routine schedules are to be followed then mechanistic structure is well suited to them. So the positive relationship between mechanistic IS and OE is justified in higher educational sector where there are strict formal procedures to be followed upon without any flexibility.

Limitations and future research:

Since the data were collected only from one city due to resource constraint including more cities in the sample may generate different results. The value of R^2 shows that IS and OJ collectively can explain 59% variation in OE. It is important to investigate the other antecedents of OE to fill up the rest of the 40% change in OE.

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