THE ROLE OF GOVERNMENT FUNDING IN THE EFFORT TO ENHANCE ORGANISATIONAL PERFORMANCE: A CONCEPTUAL FRAMEWORK

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ABSTRACT

The present article seeks to advance the theoretical knowledge of entrepreneurship by reviewing and synthesizing available research into a conceptual framework that explains the process of how higher education institutes can achieve sustainable performance by adopting entrepreneurial mind set. The framework identifies impact of public entrepreneurial factors, entrepreneurial training on innovation and entrepreneurial orientation on organisational performance of Higher Education Institutions. This research also proposes the moderating effect of government funding to enhance the organisational performance in general and university performance in particular.

Keywords: public entrepreneurship factors, entrepreneurial orientation, entrepreneurial training on innovation, public higher education institutes, organisational performance

1.0 INTRODUCTION

Governments around the world are constantly seeking for ways to improve the performance of public sector. In order to do so, they are frequently in the quest of assessing and exploring policies that are deemed most appropriate. In today’s borderless world, the changing economies and the shifting paradigms of public expenditure as well as the technological advancement urge every government to devolve rigid policies in order to prevent the squandering of public money. With the spending of public money being evaluated and closely monitored, entrepreneurship becomes an important wherewithal generation in the economic setting, not only to bring about the generation of alternative cash revenue streams, but also to improve organisational performance and develop innovative organisational process to enhance organisational performance (Muriu, 2015).
Yang and McCall (2014) stated that higher education around the world has been considered a prominent service provider to the masses of population (based on a 20 to 30 percent of population). As governments are relieving themselves from the role of sole caretaker of public institutions and becoming more accountable to the tax payers, the question on how to fund higher education institutes in light of diminishing public resources begin to emerge. Governments no longer can afford to subsidise higher education and the traditional approach of low or free tuition fee has been considered a regressive use of taxpayers’ resources (Yang & McCall, 2014).

The institutes of higher education play an important role for the socio-economic development of the country. Performance of the Higher Education Institutions (HEIs) has been considerably researched. However, there are numerous studies on organisational performances which are conducted not only based on different criteria, but the studies are founded and evaluated based on different background and approach. For example, in Pakistan the determinants of public entrepreneurship, government funding policies, entrepreneurial orientation and entrepreneurial training are the key factors that not only provide a point of initiation for higher educational institutions to introduce entrepreneurship as the feasible practice in the public sector administration, but also to optimise the quality of research in the field of public entrepreneurship (Salik, Zhu, & Liu, 2014).

According to Zaman (2013), numerous researchers have identified the settings of entrepreneurial organisations that can lead to efficient organisational performance. Entrepreneurship has been regarded as an antidote to the traditional organisation setup. Academic institutions are considered the citadel of innovation and creativity by adopting entrepreneurial practices. Similarly, support structures have been proposed to support entrepreneurial ecosystem at national and international levels (Zaman, 2013).

In academic institutions, the reason for the inferior education quality is due to the lack of practicality in the education system (Goldberg & Cole, 2002). Most of the universities rely only on theoretical education which contributes very little in the skilled development of students. Entrepreneurial factors and entrepreneurial orientation must be taken into consideration for better education quality considering that past studies have discovered a positive relationship with organisational performance (Nayyar, 2012).

Researchers argued that there are many entrepreneurial factors that can affect the performance of Higher Education Institutions. Kim (2007) and Nayyar (2012) have studied the various entrepreneurial factors, i.e. cultural, structural, environmental and managerial factors and their studies ensured that HEIs are affected by these factors. However, Nayyar (2012) and Kim (2007) suggested that there should be a moderator between these variables as the relationship is inconsistent in previous studies. Researchers are continuously studying the theoretical and empirical concepts of entrepreneurial studies where the entrepreneurial orientation (EO) is found to have been the focus of entrepreneurial researches these days. Past studies conducted on the significance of EO on organisational performance have found that EO comprised of different breakthrough strategies that can help in decision making and to take suitable actions (Covin, Green, & Slevin, 2006). Entrepreneurial orientation (EO) also assists organisations in clearing their vision as researchers have refined the dimensions of the EO, i.e. risk-taking, pro-activeness and innovativeness (Covin & Slevin, 1991).

Apparently, most of the studies were focused in the private sector. Nayyar (2012) for instances, conducted a study to assess the mediation effect of corporate entrepreneurship (CE)
on the relationship between the structural, managerial, cultural, environmental factors and performance. Based on previous literatures, little is known about the impact that government funding has on the performance of Higher Education Institutions. This current study proposes a comprehensive framework of firm performance by incorporating the moderating effect of government funding policies in the context of Higher Education Institutions. Therefore, this research proposes the framework that government funding policies can moderate the relationship between public entrepreneurial factors, entrepreneurial training on innovation, entrepreneurial orientation (EO) and organisational performance of Higher Education Institutions.

2.0 LITERATURE REVIEW

2.1 Organisational performance
In addressing performance of public organisations, Brewer and Selden (2000) stated that organisational performance in the public sector is a multifaceted concept that is subjective and complex. Furthermore, the absence of indicators that can accurately estimate actual performance suggests that it is difficult to measure by objective indicators. In addition, Chun and Rainey (2005) argued that common and relatively objective or quantifiable measures of performance in the public sector rarely exist, making it difficult to assess organisational performance. Likewise, many studies have relied on perceptual measures of organisational performance (Chun & Rainey, 2005; Selden & Sowa, 2004).

External stakeholders such as citizens, auditors or users are seen as having more of an independent view when assessing performance. Thus, based on their view on a single encounter with the service and some performance parts such as equity or ‘hidden’ accountability, they are unable to accurately assess the organisation performance (Andrews, Boyne, Moon, & Walker, 2010). On the other hand, internal stakeholders are more likely to have a better view and understanding of the encounters that the organisation faces and thus they are able to assist better in the process of decision making by providing better insights into the performance measure (Andrews et al., 2010).

Dess and Robinson (1984) compared the subjective and objective measures of organisational performance based on 26 manufacturing firms by mail and interview survey. He evaluated the association between different subjective and objective measures such as global performance measures, growth in sales and Return on Assets (ROA) and they discovered a high correlation between subjective and objective measures.

A study by Kim (2007) measures organisational performance based on a seven items scale which is more prevalent in the literatures. Mafini and Pooe (2013) examined the performance of South African government social services departments by using the seven items scale employed by Kim (2007).

2.2 Structural factors
Jain (2011) found that performance outcomes of an entrepreneur are affected internally and externally; internally by individual factors and externally by factors that exist in the environment. Nayyar (2012) observed that performance can be affected by managerial, cultural and environmental factors with corporate entrepreneurship as the moderating variable of managerial factor and performance outcome. Organisation structure acts as a framework for organisation to follow in order to succeed in specific strategy. Structural factors comprised of different substructures that include organisational, institutional, regulatory and
legal structure. D’Costa, Garcilazo, and Martins (2013) study portrayed a strong relationship between structural factors and growth and this serves as an evidence to support the relationship proposed in this research. However, these studies do not include the organisational structure in any directional relationship. Aluko (2003) used organisational structure as the indigenous variable and found that organisational structure has a positive impact on organisational performance. Based on these arguments, the proposed proposition for the above discussion is as follows:

Proposition 1a: Structural factors are positively related to performance of an organisation

2.3 Managerial factors
Different researchers have also focused on the significant and vital role of strong management as a public entrepreneurial factor (Boxall & Purcell, 2011). Studies suggested that managerial factors could affect organisational performance in a positive way. However, this only occurs if certain conditions are present; managers have realistic expectations, resource allocation capability, conduct regular evaluation, have good sense of market and follow a flawless roadmap (Antoncic & Hisrich, 2001). Dick and Metcalfe (2001) studied managerial factors in the context of public sector. Their findings depicted that managerial factors are significantly and positively related to organisational commitment in which this can further lead to improved organisational performance. In Pakistan, researchers have evaluated the role of managerial factors in manufacturing sectors (Awan, Bhatti, Qureshi, & Bukhari, 2009) and it was found that there exists a significant impact of managerial factors on organisational performance. Yet, there is lack of research in the context of public universities. The earlier arguments and additional supporting literature leads to the proposition for the above mentioned relationship:

Proposition 1b: Managerial factors are positively related to the performance of the organisation

2.4 Cultural factors
Martins and Terblanche (2003) documented that culture in the internal organisational environment serves as a back up to the entrepreneurial activities in the organisation. Cultural factors give rise to new opportunity, ideas and innovation in the organisation and this in return enhances an organisation’s efficiency (Miron, Erez, & Naveh, 2004). Organisation culture appeared as a vital source of competitive advantage for the organisations due to its unique value creation, unique human and mechanical assets characteristics (Barney, 1986). It is also noticed that individuals from the entrepreneurial universities and colleges are those who developed the organisational culture in ways that opposes the traditional HEIs, such as the multiversity model (Kenny & Reedy, 2006). Although some researchers suggested that culture and performance are unrelated (Kim, Pindur, & Renolds, 1995), on the other hand, Aluko (2003) discovered a significantly positive relationship between cultural factors and organisational performance. As a result from these arguments, this current study formulates the following proposition:

Proposition 1c: Cultural factors are positively related to the performance of organisation

2.5 Environmental factors
Organisation’s performance has been discussed in the context of outsiders/extrenal environmental factors by various researchers (Amaral & Magalhaes, 2002). Meanwhile, post-secondary institutions were also found to be under the significant influence of external
environmental factors and this is especially true in the case of the public sector (Hinton, 2012). Researchers also found that environmental factors are positively correlated with political factors. Ideal political factors can lead to favourable environmental variables, which further helps in enhancing an organisation’s performance (Aluko, 2006). Researchers also found a positive effect of environmental factors on organisational performance (González-Benito & González-Benito, 2005). Therefore, on the basis of the aforementioned literatures, the following proposition is formed:

Proposition 1d: Environmental factors are positively related to the performance of the organisation.

2.6 Entrepreneurial orientation (EO)
Entrepreneurial orientation refers to the strategy-making procedures and smartness of an organisation, which helps it in entrepreneurial activities (Lumpkin & Dess, 2001). Entrepreneurial orientation (EO) is regarded as an essential attribute of high performing organisations (Lee & Peterson, 2001; Lumpkin & Dess, 2001). Wiklund and Shepherd (2005) applied a configuration approach to investigate the relationship between EO dimensions of innovativeness, risk taking and pro-activeness to measure organisational performance in public sector. On the other hand, Kreiser, Marino, and Weaver (2002) claimed that dimensions of EO vary significantly. Other studies describe that the performance of organisations in the public sector is positively influenced by innovation and pro-activeness (Naldi, Nordqvist, Sjöberg, & Wiklund, 2007). Nonetheless, according to Hameed and Ali (2011), a negative relationship between EO and organisational performance exist, unless a moderator between these two variables is present. In general, most of the literatures tend to have discovered a positive relationship between EO and organisational performance. It is based on those empirical findings that the following relationship is proposed:

Proposition 2: Entrepreneurial Orientation has a positive relationship with performance of the organisation

2.7 Entrepreneurial training on innovation
According to Kavinda, Maganjo, and Kithae (2013), entrepreneurship training is vital. Rosli and Mahmood (2013) found that employee and employer’s entrepreneurial training on innovation are positively related to the performance of the firm. Continuous training is required for the improvement in the public sector universities (Mulgan & Albury, 2003). Apparently in some countries, many public sector organisations are not focused on delivering quality innovation training programmes (Albury, 2005; Bates, 2001). A recent study on public sector illustrated that only 40 per cent of the employees received training with regards to innovation whilst the remaining 60 per cent had not been offered any entrepreneurial training (Mbiya, Egessa, & Musiega, 2014). Studies revealed that the participants who attained entrepreneurial training on innovation are not only more innovative, but they also have higher need for achievement (Gürol & Atsan, 2006). Based on the results reported in previous studies, the following proposition is therefore postulated:

Proposition 3: Entrepreneurial training on innovation has a positive relationship with performance of the organisation

2.8 Government funding policy
Ahmad (2013) discussed the relationship between government funding policy and higher education. Researchers found that government funding significantly increase the performance
of organisation (Agranoff & McGuire, 2003; Kettl, 2002; Salamon, 2002). In many countries, the public sector universities obtain funding directly from the governments to enhance their performance (Sörlin, 2007). The moderating effect of government supports on performance is partially it as moderator (Abdullah & Hussin, 2010). Therefore, through the reviews of various literatures, it is concluded that structural factors have significant relationship with performance and funding policies and it can therefore affects performance. The moderating effect of government funding policy however must be researched. Considering the gap in research, the following proposition is conjectured:

Proposition 4a: Government funding policy moderates the relationship between structural factors and organisational performance

Higher education funding has been one of the most significant indicators of higher educational institutions. Researchers found that positive change in government funding policy leads to positive change in university performance (Albury, 2005). It is assumed that University funding lies under the responsibility of state. For instances, Austrian Universities are funded by federal government at a higher extent and the performance of Austrian Universities have significantly improved by then (Strehl, Reisinger, & Kalatschan, 2007). Researchers uncovered that funding policies can also effect managerial decisions (Jacoby & Weston, 1952). However, the moderating effect of government funding policy between managerial factors and organisational performance is non-existence in previous literatures. Although past studies have demonstrated that some form of relationship between management decision and funding policy exists, the relationship between managerial factors, organisational performance, funding policy and higher education performance needs to be further examined. This study hence proposes the following relationship:

Proposition 4b: Government funding policy moderates the relationship between managerial factors and Organisational Performance

Public enterprises are operating in a competitive external environment where they have to comply with not only changing governmental policy context, but also with other external environmental factors with regards to the delivery of public services (Anheier & Kendall, 2012). Sandfort and Milward (2008) found that grants have the most significant positive consequences on a variety of desirable outcomes. Literatures on moderating effect of government funding policy between environmental factors and organisational performance is rare, thus leading to the proposition of the following relationship:

Proposition 4c: Government funding policy moderates the relationship between environmental factors and Organisational Performance

Significant relationship between cultural factors and academic performance in higher education is evident (Rovai, Gallien Jr, & Wighting, 2005). Study revealed that there is a moderating effect of corporate entrepreneurship between cultural factors and organisational performance of Higher Education Institutions. However, no direct relationship was found between cultural factors (goal ambiguity, multiplicity, accountability and performance objectives) and government funding in previous literatures. In addition, the moderating effect of government funding policy between cultural factors and organisational performance is also non-existent. Therefore, it remains ambiguous on whether or not government funding is able to moderate the relationship between cultural factors and the performance of Higher Education Institutions. Hence to prove this effect, following relationship is proposed:
Proposition 4d: Government funding policy moderates the relationship between cultural factors and Organisational Performance

Due to some dramatic changes in government policies, government are constantly pressuring the public sector to develop more tactical strategic planning in order to be funded (Conway & Whitelock, 2007). Therefore, many researchers proposed entrepreneurial orientation as the solution for growth and survival of public sector organisations (Balta, Darlington, Smith, & Cornelius, 2012). There has been a dearth of researches that investigate the moderating role of government funding policy between Entrepreneurial orientation and performance of an organisation. Thus, it is assumed that with Entrepreneurial orientation, performance is enhanced and funding can be obtained by organisations in the public sector. In accordance with this scenario, this study posits the following proposition:

Proposition 4e: Government funding policy moderates the relationship between Entrepreneurial Orientation and Organisational Performance

Most universities obtain grants for entrepreneurial training on innovation through industrial-governmental funding policy since these training programmes that develop entrepreneurial individuals can prove fruitful for both the industry and government (Cumming, 2007). For the government, entrepreneurs are viewed as a part of their economy and for this reason, they are keen to fund entrepreneurial education in order to promote innovation and technical advancements in the country (Leitão & Baptista, 2009). Nevertheless, it is observed from the literature that government are conscious of the funding policy on entrepreneurial training on innovation for it can be the means to improve the performance of organisation and to enhance the economy. Therefore, taking into consideration this relationship, the following relationship has been proposed:

Proposition 4f: Government funding policy moderates the relationship between Entrepreneurial training on Innovation and Organisational Performance.

Based on the review of the literature on entrepreneurship, public entrepreneurship factors, entrepreneurial orientation, entrepreneurial training on innovation and government funding, following research framework has been proposed.
2.9 Implications for practice

The results of this study can be beneficial especially for the public sector universities that seek to enhance their performance. This study also provides the direction for the development of an entrepreneurial mode and resources in the public universities in Pakistan.

Deans and professors may find this research helpful in the process of fabricating innovative quality management practices in their universities. In addition to that, the knowledge in terms of structural, cultural, managerial and environmental factors to enhance the performance of their university is also made available through this study. Further understanding in the subject of innovativeness, risk-taking, pro-activeness, innovative training and their role in improving a university’s performance are also discerned in this study.

The significance impact that government-funding policies has on organisational performance reckons that an entrepreneurial culture should be encouraged in Higher Education Institutions. Hence, the deans of Higher Education Institutions should consider establishing an entrepreneurial culture as learning opportunities and growth drivers that is aligned to innovation, pro-activeness behaviour and risk tolerance.

Figure 1. Proposed Framework of entrepreneurship
3.0 CONCLUSION

This study has reviewed and synthesized available literature into a conceptual framework to enhance our understanding of entrepreneurship model for public higher education institutes. The role of government funding is highlighted as central as it provides universities fuel to improve their ability to discover and exploit entrepreneurial opportunities and to learn how to overcome traditional obstacles when organizing and managing new ventures.

The conceptual framework provides a theoretical platform from which to further explore the dynamics of entrepreneurial universities. The framework does not solely focus on the relationship between public entrepreneurship factors, entrepreneurial orientation, entrepreneurial training on innovation, but is also directed toward the influential moderating role of government funding to transform universities into entrepreneurial universities. Based on these arguments, the process of entrepreneurial university is suggested to consist of three main components: public entrepreneurship factors, entrepreneurial orientation, entrepreneurial training on innovation and one moderating factor government funding that can enhance university performance. These components are then discussed in order to develop the arguments on how public entrepreneurship factors, entrepreneurial orientation, entrepreneurial training on innovation and government funding can enhance performance of public sector universities.

This research overall concluded that public sector Higher Education Institutions should provide leverage to activities related to entrepreneurship, promote the practices based on entrepreneurship; improve the ideologies and values of entrepreneurship, without the help of contracting out activities like privatisation. This study consequently suggests a comprehensive framework by introducing public entrepreneurship factors, entrepreneurial orientation, entrepreneurial training on innovation to enhance public university performance and highlighting the moderating role of government funding in this process.

4.0 REFERENCES


