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The Impact of Organizational Climate on Organizational Reputation - The Mediating Role of Organizational Health: An Empirical Study from Jordan

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Abstract

The current study's objective is to determine the impact of organizational climate on organizational reputation in the context of organizational health as a mediating variable, in a case study of textile enterprises in Jordan that are listed on the Industrial Qualified zones. The study population contains (12) companies, according to the industrial qualified zones, with 317 employees who are working at CEO, deputy CEO, and supervisor positions chosen through convenience sampling. While the final sample of the current study consists of 174. Furthermore, to test the current study's hypotheses, the Smart Partial Least Square (PLS) technique was applied. Additionally, the current study concludes that there is a positive impact of organizational climate on organizational reputation. The current study shows that organizational climate has a positive impact on organizational health and organizational health has a positive impact on organizational reputation. Moreover, there is the mediation impact of organizational health on the relationship between organizational climate and organizational reputation. Based on the results of the current study, the study proposes that the level of organizational climate, organizational health, and organizational reputation in the examined companies be enhanced and increased.

Keywords: Organizational Climate, Organizational Health, Organizational Reputation, Jordan

JEL Classification Code: M31, M10, M19, O15

1. Introduction

Human resources are an important element to ensure the efficiency of the organization, especially in light of the coronavirus pandemic (Mufraïni et al., 2021). Human resources also play a significant part in the improvement and development of how organizations change (Khanh, 2021). Given the recent changes in organizations in terms of the role that organizational climate plays in improving employee performance and preparing all means for

the organization's advancement in the face of intense competition, organizations must create an organizational climate for all employees to keep them for the longest possible period of time. Hence, organizational climate is regarded as one of the most important factors affecting the workplace environment. It also has a direct impact on employee behavior (Al Shbail & Al Shbail, 2020).

Organizational climate is a concept that defines the goals of the organization and how to achieve these goals (Holloway, 2012). To fulfill its predefined goals and objectives, the organization must be healthy in its current organizational climate; otherwise, the concept or element of organizational health will not be present, and the company will not achieve its specific objectives. Thus, organizational health is defined as a set of psychological, material, social and organizational factors that would affect both managers and workers and make them more active and more interested in carrying out their work and duties in a positive manner. Moreover, organizational reputation refers to the ability of the company to generate value. Researchers debate that organizational reputation is affected by the quality of economic and sociological aspects

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together (Ertug & Castellucci, 2013). According to Zarandi et al. (2017), organizational reputation is defined as an intangible asset and considered an important component of an organization's existence and progress.

In this context, an organization's reputation is a perspective that represents shareholders' reactions to previous acts and activities on the one hand, as well as their views on intangible assets on the other. As a result, the current research aims to determine the impact of organizational climate on organizational reputation while considering organizational health as a mediating variable.

2. Literature Review

2.1. Organizational Climate

Organizational climate is defined as the element of a professional environment that has a strong influence on the action and performance of the employees working in that workplace. It indicates whether the expectations and beliefs of the individuals are fulfilled (Litwin & Stringer, 1968). Organizational climate is about the values and beliefs that are not apparent, but present in the behavior of the employees. The concept of organizational climate can be defined as routine forms of feelings and behaviors of workers related to the workplace environment (Hall Jr & Lee, 2014).

Organizational climate is the way of employees' perception to recognize features of the firm's culture. Organizational climate denotes the shared perception of employees towards the formal policies of their employer and informal practices of their leadership (Hall Jr & Lee, 2014). Accordingly, we defined organizational climate as a set of facilities and forces such as social, physical, technological, and political which have a direct and indirect effect on employees within the organization and how the employees see or view their organization which is reflected in their performance.

2.2. Organizational Health

Organizational Health is an organization's ability to function effectively, to cope with change appropriately, and to grow from within which results in high performance (Rožman & Štrukelj, 2020). Organizational health refers to the set of abilities and talents that individuals have within a company, as well as how they are used to achieve the company's objectives. It is the ability of an organization to align, execute, and renew itself faster than the competition to sustain exceptional performance over time. Organizational health, on the other hand, is a place that motivates and encourages people to stay and work with pride to build the organizational structure on the one hand

and establish an effective system to achieve the intended goals on the other.

Organizational health as a work environment is regarded as an important and necessary matter for increasing the efficiency and effectiveness of the organization, as it contributes to higher revenues, and the organization must have a comprehensive and integrated plan to improve and develop the concept of organizational health (Yadav et al., 2016). Based on the above literature, the concept of organizational health is a necessary matter for both organizations and employees to achieve their objectives efficiently and effectively.

2.3. Organizational Reputation

Organizational reputation is the perceptual representation of a company's past actions and future prospects that describes the firm's overall appeal to key constituents when compared to other leading rivals. A company's overall reputation is a function of its reputation among its various stakeholders (investors, customers, suppliers, employees, regulators, politicians, non-governmental organizations, the communities in which the firm operates) in specific categories (product quality, corporate governance, employee relations, customer service, intellectual capital, financial performance, handling of environmental and social issues) (Zarandi et al., 2017).

Organizational reputation is defined as the comprehensive perception formed from the perspective of stakeholders who are dealing with the organization in the various activities, systems, decisions, and policies of the organization that determines whether they continue to deal with the organization or not. Moreover, it can be defined as one of the strategic assets of high value that distinguishes the organization from other organizations in the same sector. A positive organizational reputation, on the other hand, has a clear and strong effect on increasing earnings, attracting competent human resources and new customers, and enhancing relationships with suppliers, all of which increase customer satisfaction and loyalty. Hence, organizational reputation is considered a core factor in organizational success. It gives all stakeholders a positive image regarding the organization's services, whether excellent or not.

3. Previous Studies and Hypotheses Development

3.1. Organizational Climate and Organizational Reputation

Okoli (2018) conducted a study that aimed to investigate the relationship between organizational climate and job satisfaction among academic staff in selected private

universities in the Southeast. The findings of the study revealed that there is a significant relationship between organizational climate and job satisfaction. Amir and Salah ElDin (2017) mentioned in their study that customer relationship management has an effect in enhancing the reputation of Iraqi private banks. Ingram (2016) mentioned that there is a relationship between the talent management dimensions and organizational performance with the climate for creativity as a mediating variable.

H1: *Organizational climate has an impact on organizational reputation.*

3.2. Organizational Climate and Organizational Health

Kaluza et al. (2020) showed that the leaders' insights into organizational health climate were positively linked to their health attitudes and their awareness. On the other side, Mabekoje (2017) stated that the organizational climate and organizational health would considerably forecast individual-based, organization-based and total organizational citizenship behavior.

H2: *Organizational climate has an impact on organizational health.*

3.3. Organizational Health and Organizational Reputation

Fatmawati and Fauzan (2021) discovered that there is a positive impact of corporate responsibility on corporate reputation and word of mouth. Deniz (2020) discovered a statistically significant, moderate, and negative relationship between perception of corporate reputation and turnover intention. Huynh and Nguyen (2019) revealed that there is a positive impact of prior financial performance on earnings quality and organizational reputation. Zarandi et al. (2017) mentioned in their study that there is a significant association between organizational reputation and behavioral intentions of Bank Shahr customers. Hall Jr and Lee (2014) found that a positive correlation between firm performance and firm reputation.

H3: *Organizational health has an impact on organizational reputation.*

3.4. Organizational Climate, Organizational Health, and Organizational Reputation

According to Okoli (2018) and Mabekoje (2017), the author expected there is a mediating role of organizational health in the relationship between organizational climate

and organizational reputation. Accordingly, the author developed the fourth hypothesis which stated that there is a mediation impact of organizational health on the relationship between organizational climate and organizational reputation.

3.5. Study Model

Based on the reviewing the literature related to the variables of the study. The researcher provided the following proposed model (Figure 1).

4. Methodology and Procedures

The current study seeks to measure the impact of organizational climate on organizational reputation in light of the presence of organizational health as a mediating variable. However, the current research used the technique of Smart Partial Least Square (PLS).

4.1. Study Population and Sample

The study population contains (12) companies according to Industrial Qualified zones, with 317 employees who are working at CEO, deputy CEO, and supervisor positions chosen through convenience sampling, while the final sample of the current study consists of 174.

4.2. Study Instrument

The researcher developed a questionnaire to collect the data from respondents, the questionnaire containing four sections. The first section includes demographic information. The second section covers the organizational climate variable which is measured by (10) questions and was adopted from Furnham and Goodsteint (1997). While the third section covers the organizational health variable which is measured by (10) questions and has been adapted from Yuceler et al. (2013), Nair et al. (2014), and Hussain (2018) with some slight modifications. The fourth section covers the organizational health variable which is measured by (10) questions and was obtained from Sala (2011) with

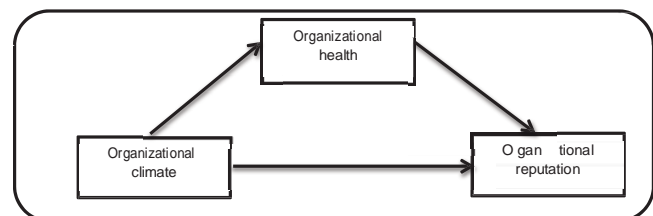


Figure 1: Proposed Model

some slight modifications to be suitable for the current study (Table 1).

5. Results and Discussion

5.1. Validity and Reliability

To test the validity and reliability of the instrument (questionnaire), the researcher conducts a set of tests such

Table 1: Displays the Characteristics of the Study Sample

Variables	Category	Frequency	Percentage (%)
Gender	Male	76	43.7
	Female	98	56.3
Total		174	100
Education	Diploma	112	64.4
	Bachelor	49	28.2
	Master	11	6.3
	PHD	2	1.1
Total		174	100
Experience	Less than (5) years	72	41.4
	(5) To less than (10) years	43	24.7
	(10) To less than (15) years	34	19.5
	(15) years and above	25	14.4
Total		174	100
Position	CEO manager	21	12.1
	CEO deputy	57	32.8
	Supervisor	96	55.2
Total		174	100

as Cronbach Alpha, Composite Reliability, and Average Variance Extracted. The result of Table 2 shows the value of Cronbach Alpha for the organizational climate is (0.909) and for Organizational health is (0.914), whereas the value of Cronbach Alpha for organizational reputation (0.920). All of these values are more than 0.70, which indicates that there is an internal consistency of the instrument. Besides, the value of Cronbach Alpha is acceptable when it's more than 0.70 (Hair et al., 2010). Accordingly, this indicates that the questionnaire is suitable and valid for analysis. Furthermore, Table 2 reveals that the Composite Reliability values are greater than 0.70, indicating that all independent variables are accepted. As well as, the value of the Average Variance Extracted was within the acceptable limit and more than 0.50.

As shown in Table 3, the result of discriminant validity indicates that there is a logical spacing of the questions for all the variables and there is no interference or repetition with other variables (Fornell & Larker, 1981). In addition, Table 3 explained all the values of variables are higher than the correlations associated with the latent variables, and this indicates the discriminant validity.

5.2. Hypotheses Test

Table 4 shows that the value of R^2 (0.477) at a significant level (0.000), which indicates that organizational climate interprets 47.7% of the change in the organizational reputation, therefore, the following hypothesis is accepted, which states that there is a positive impact of organizational climate on organizational reputation. Furthermore, Table 4 explains that the value of R^2 (0.553) is at a significant level (0.000), which indicates that organizational climate interprets 55.3% of the change in organizational health. Therefore, the following hypothesis is accepted, which states that there is a positive impact of organizational climate on organizational health. Besides, Table 4 explains that the value of R^2 (0.618) is at a significant level (0.000), which indicates that organizational health interprets 61.8% of the change in the organizational reputation. Therefore, the following hypothesis is accepted, which states

Table 2: Results of Reliability of Scale and Convergent Validity

Factor	The Arithmetic Means and Standard Deviations		Reliability Internal Consistency, Reliability of Scale, and Convergent Validity		
	Mean	S.D	CA More than 0.70	CR More than 0.70	AVE More than 0.50
Organizational climate	2.25	0.875	0.909	0.925	0.555
Organizational health	2.32	0.808	0.914	0.928	0.566
Organizational reputation	2.36	0.860	0.920	0.933	0.581

Table 3: Shows the Correlation and Discriminant Validity

	Organizational Climate	Organizational Health	Organizational Reputation
Organizational Climate	0.773		
Organizational Health	0.745	0.798	
Organizational Reputation	0.704	0.752	0.762

Table 4: Shows the Results of the Hypotheses Test

	Variables	R^2	R^2 Adjusted	β	SD	T-test	Sig	Result
H ₁	Organizational Climate → Organizational Reputation	0.477	0.474	0.691	0.050	13.922	0.000	Accepted
H ₂	Organizational Climate → Organizational Health	0.553	0.551	0.744	0.040	18.559	0.000	Accepted
H ₃	Organizational Health → Organizational Reputation	0.618	0.615	0.786	0.042	18.749	0.000	Accepted

Significant at the 0.05 level.

Table 5: Shows the Test of the Fourth Hypothesis

Independent Variable	Mediator Variable	Dependent Variable	β	SD	T-test	Sig	Result
O C → O H → O R			0.488	0.066	7.397	0.000	Accepted
R^2			0.636				
R^2 Adjusted			0.631				

Whereas: OC: Organizational climate; OH: organizational health; OR: organizational reputation.

that there is a positive impact of organizational health on organizational reputation.

According to Preacher and Hayes (2008), to test the fourth hypothesis, the two conditions (steps) must be fulfilled: The first criterion implies that the Bootstrap of the indirect effect (total impact) is significant, indicating that the association between organizational climate and organizational reputation through organizational health is significant (Table 5). Bootstrapped confidence interval (lower and upper level), and Table 6 shows this.

Comparing Table 5 with the direct effect in Table 4, we find that the value has increased from (0.477) to (0.636) and this indicates the mediating role of organizational health between the organizational climate and the organizational reputation, and to verify this, the researcher conducted a test of Fornell and Larcker (1981).

The second condition was achieved through Table 6. The bootstrapping of the upper level was (0.617), while the bootstrapping of the lower level was (0.358). Besides, we note that zero does not cross them, which indicates that

there is an effect of the mediating variable (organizational health) on the relationship between the organizational climate and organizational reputation. Accordingly, the fourth hypothesis is accepted, which is, there is mediation impact of organizational health on the relationship between organizational climate and organizational reputation.

5.3. Discussion

There is a positive impact of organizational climate on organizational reputation. This result is aligned with studies of Okoli (2018) and Amir and Salah El Din (2017). Consequently, this justifies that organizational climate is seen as a valuable asset to the organization that affects the corporate reputation. In other words, if employees have access to the organizational environment requirements, this creates a favorable image in their minds and motivates them to improve their performance, leading to a positive impact on the organization's reputation. Furthermore, Organizational climate has a positive impact on organizational health.

Table 6: Shows the Test of the Fourth Hypothesis Template Mediation Calculation

						Bootstrapped Confidence Interval		
	Path a	Path b	Indirect Effect	S E	t-value	95% LL	95% UL	Decision
H4	0.773	0.631	0.488	0.066	7.390	0.358	0.617	Mediation

This result is consistent with previous studies (Kaluza et al., 2020; Mabekoje, 2017). The researcher explains this finding through the fact that organizational climate affects organizational health by adopting some issues such as supportive, engaged, directive behaviors. Additionally, organizational climate reflects organizational health and helps the organization to survive and dealing with the internal and external forces in the environment.

Moreover, Organizational health has a positive impact on organizational reputation. This result is consistent with previous studies (Deniz, 2020; Zarandi et al., 2017; Hall Jr & Lee, 2014). Employees' awareness that the organization provides them with all tools to satisfy their needs and desires affects organizational reputation, which improves the organization's image and reputation in the minds of workers and consumers. Finally, there is a mediation impact of organizational health on the relationship between organizational climate and organizational reputation. This result is also aligned with previous studies (Okoli, 2018; Mabekoje, 2017) studies. This result refers that the more motivated and healthy the organization, the more this will affect the relationship between organizational climate and organizational reputation and thus achieve organization goals.

6. Conclusion and Limitations

Based on the results of the current study, the study recommends enhancing and increasing the level of organizational climate, organizational health, and organizational reputation in the researched companies. Furthermore, according to the findings, companies should implement a new approach to encourage their employees by meeting their needs, physical and social, to achieve high performance. In addition, focus on the empowerment and delegation strategy gives the employees more power and independence to be creative in their work. On the other hand, companies must improve their reputation by offering high-quality products and services and strive to establish a positive reputation among stakeholders and other parties. Furthermore, research companies must keep a close eye on all changes in the environment to maintain organizational health by focusing on ethics,

communications, and creative and innovative aspects, as well as a smooth information exchange to ensure that all employees at the managerial and organizational levels are involved in the decision-making process. Finally, extend the existing research to other industries and include new mediating or moderating variables like corporate culture and strategic agility.

For the study limitations, the current study attempted to examine the impact of organizational health on the relationship between organizational climate and organizational reputation using a case study of textile enterprises in Jordan. Hence, the current study's findings cannot be generalized or applied to other industries or businesses.

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