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**DETERMINING THE IMPACT OF REWARD SYSTEM, TOP MANAGEMENT, AND ORGANIZATIONAL STRUCTURE ON ORGANIZATIONAL PERFORMANCE THROUGH MEDIATOR VARIABLE STRATEGIC THINKING (CASE STUDY: BARANCHES OF ISLAMIC AZAD UNIVERSITY IN HAMEDAN PROVINCE)**

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**ABSTRACT**

This study concentrates on effective factors on strategic thinking in organizational level. Regarding previous studies in the different areas of management such as strategic management and the management of human resources, this research presents a hypothetical model that makes a relationship among variables focusing on strategic thinking in organizational level and finally these variables are related to organizational function. The present study attempts to investigate the effect of rewarding system, senior management and organizational structure on the function of an organization in the branches of Islam Azad University in Hamedan Province through intervening variable, strategic thinking. For this purpose, 180 senior managers and staff of the university randomly were selected and analyzed and for collecting information in this research, a standard questionnaire was used. The modeling way of structural equations and the software of LISREL were used to prove the hypotheses. The present study includes five hypotheses and after they were proved and the statistical analysis was done, all of five hypotheses were affirmed. The results gained from the data analysis indicate that the variables (rewarding system, the emphases of senior manager, formality and concentration) have an impact on the organizational function of the organization.

**Keywords:** *Rewarding System, Top Management, Organizational Structure, Organizational Performance, Strategic Thinking*

**INTRODUCTION**

The ability of strategic thinking is one of the important necessities for managers in the different levels of an organization. Promoting proper ways of management and strategic thinking are considered as the most important actions that a manager and an organization can apply in order to prevent from stagnation and to progress (Bernhut, 2009). Strategic thinking is a course of thinking that likely expanded in military organizations for the first time many centuries ago. These organizations found out that the promotion of strategic thought would help them to concentrate on appropriate matters and topics and to present a reference common framework for the discussion and the review of strategy once more. This definition emphasizes on the instruments and the means of strategic thought (South, 1981). Strategy refers to competition and opportunist competitors. Strategy means being different from other competitors, finding a competition for running and winning it. Strategic thought is defined as a process of finding alternative ways in order to compete and to keep the value of customers. This definition refers to purposes as well as the functions of strategic thought (Abraham, 2005). The previous studies related to strategic thinking were in different areas including strategic marketing and the management of human sources that deal with topics such as the definition of the conception and the analysis of the necessity of it (Fairholm and Card, 2009), the consequences of strategic thinking (Liedtka, 1998), the ways of strategic thinking (Allio, 2006), the way of the expansion and the improvement of strategic thinking (Goldman, 2008), the results and the consequences of it and the way of the evaluation of strategic thinking levels (Goldfarb and Yang, 2009). However, there are few comprehensive and coherent studies about the background and the

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consequences of strategic thought. The purpose of this article is to revitalize the conception of strategic thought and the recognition of its dependent parts and elements. This research may have an effective role in the progress and the promotion of theories and the techniques of the strategy of the organization and strategic management. The framework of the presented thought is effective and useful in order to understand and to recognize a relationship between the necessities of strategic thought and strategic thought in organizational level and to identify the factors of the growth and the expansion of it in organizational structure. Moreover, this research presents the framework of theory that will be useful in order to understand a relationship between strategic thinking in organizational level and the function of an organization in the affirmation of the results of it. On the other hand, the function of an organization shows how an organization achieves its mission and purposes. The function of an organization represents a start from a certain situation and the achievement of an exact purpose. This may include several purposes such as the share of marketing, the amount of sales, the motivation of staff, the satisfaction of customers, the level of quality and so forth (Slater, 1994).

### **Reward System**

The system of compensation and reward is one of the important factors in organizational culture because it can persuade, encourage and make staff hopeful in doing their activities (Hambrick and Snow, 1989). The compensation of service as wages or consistent payment and the variable of conditioned long-term payment can be considered as one of options of storing. Conditioned long-term payment is considered as one of important faults of motivation that is useful to adapt and combine the actions of management with the output of an organization (Jensen and Murphy, 1990). Organizations may relate incentives and motivations to the quantity norms of action (accounting or centered-marketing) or they consider quantity norms. The system of rewarding that includes quality aspects and long-term administrative action can be considered as a key factor in achieving the strategic purposes of an organization and it has an effect on the behavior of an administrative manager (Bonn, 2005).

### **Emphasis Top Management**

Strategic thinking includes a systematic perspective as one of its five parts (Liedtka, 1998). In this way, the main element of it is a comprehensive view toward an organization and its surrounding environment. A comprehensive view involves the ability of separating from daily problems and the way that matters and problems are related to a complete pattern that is the underlying of events and special details. Hence, the emphases of a senior manager of an organization may encourage staff to have a general and comprehensive view; as a consequence, it may persuade them to have strategic thought (Bonn, 2001).

### **Formalization**

The establishment of formality includes the assignment of roles, processes and choice through rules and regulations (Pandolica, 2009). The organic structures act well in order to promote and to expand strategic thought because they increase and produce communications and collaborations and improve the presentation of new ideas. In contrast, mechanic structures definitely prevent from the exchanging of ideas, collaborations and communications (Bonn, 2005). The most successful organizations use the dynamic process of strategic thought financially that is the combination of key elements that are both standard and temporary strategic planning through adding strategic points (Dibrell, 2007).

### **Centralization**

Previous searches in the area of innovation present different results related to the autonomy and the independence of an organization positively or negatively in relation to innovation. Most of the freedom of action in an organization is related to the foundational innovation of a product (Weick, 1995). The process of foundational innovation is decided by a centered structure and the strategy of the technology of invaded pivot develops and promotes (Boland, 1984). Developing new services, an organization may face to an unpredictable situation and conditions that may push the organization out of the boundary of knowledge available. Dealing with such situations involves having a centered structure. In contrast, an organizational structure with the routine process of information and the high level of the freedom of action may be an appropriate structure in the consistent and repetitive innovation of services (Moon, 2006). The interference of middle managers in the process of strategic decision making leads to strategic

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growth and development in organization (Bonn, 2005). The interference of middle managers in the process of strategy enriches the source of ideas and frameworks that senior managers can use. In other words, the decentralization in organizational structure may assist senior managers in the collaboration of staff of lower ranks and middle managers in decision making, the acquisition of new knowledge and the presentation of strategies (Liedtka, 1998).

#### **Strategic Thinking**

In a traditional definition, strategic thinking is creative, destructive, foresighted and naturally experimental and is in contrast with the traditional conceptions of strategic planning. The other definition of it according to a systematic and comprehensive point of view, focusing on purpose, quick thinking, the implementation of hypothesis and the pivot and the ability of using chances intelligently combine this conception with the process of strategic planning more easily (Liedtka, 1998). In an inconsistent and uncertain environment, the ability of divergent creative strategic thinking can be seen instead of conservative and convergent planning as a central element in creation and the preservation of competitive benefit (Greatz, 2002). He presented strategic thinking that combines logical and convergent action with the process of creative and divergent thinking. The above definitions emphasize on the parts or the features of the process of strategic thinking (Bonn, 2005). Strategy refers to competition and opportunist competitors. Strategy means being different from competitors, finding a competition for running and winning it. He defines strategic thinking as the process of finding alternative ways in competition and the keep of the value of a customer (Abraham, 2005). This definition refers to purposes as well as functions of strategic thinking.

#### **Organizational Performance**

Function means the mood or the quality of working. Hence, organizational function is a general factor that refers to the way of doing organizational actions. Neely (2002) has presented the most important definition of function " the process of the explanation of effective and working quality of last actions". According to this definition, function is divided into two parts: First effectiveness that describes the way of the use of an organization from sources in order to produce services or products. In other words, it is a relationship between the real and desired combination of inputs for the production of certain outputs; Second Effectiveness that describes the rank of achieving the purposes of an organization (Rahnavard, 2008).

Nazemi (2009) did a research in order to investigate relationship between strategic thinking and function on five companies. This research surveys relationship between strategic thinking and function as the factor of success in the companies and the effect of the modification of the variable of organizational learning on relationship between strategic thinking and function. The results show that there is a direct relationship between them in surveyed companies, but organizational learning does not modify any relation.

Benito and Sanchez (2013) did a research in order to survey the effect of training on the growth and the expansion of strategic thinking in Spain. The results show that strategic behavior is highly important in the permanent action of company, especially competitive conditions. Hence, the design of a correct strategy is a key factor for companies.

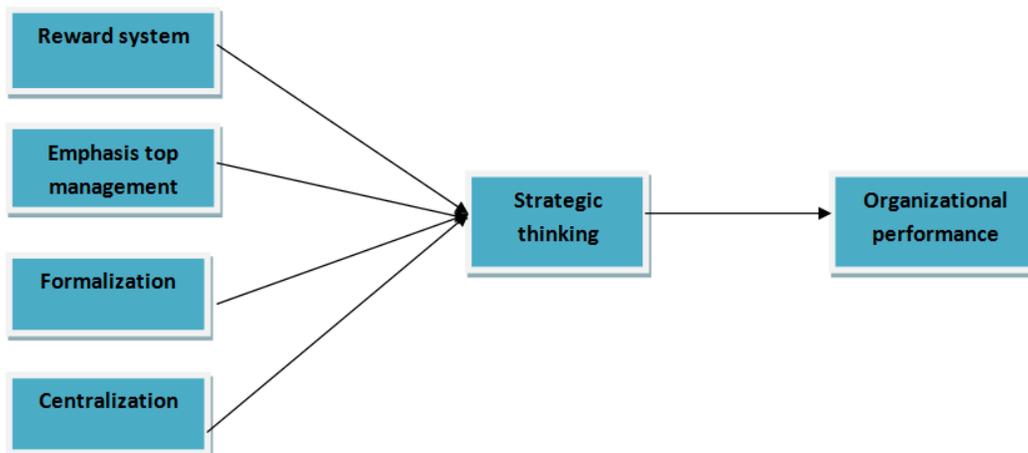
Strategic design needs a combination of strategic thinking that includes the analysis of strategic environment of an organization, the definition of the prospect of future, the production of new ideas for better thinking than competitors and strategic planning that means using the mentioned ideas for the establishment of the programs of trade.

#### **Hypotheses**

- H1.** Reward system has a positive impact on strategic thinking.
- H2.** Emphasis top management has a positive impact on strategic thinking.
- H3.** formalization has a positive effect on strategic thinking.
- H4.** Centralization has a positive impact on strategic thinking.
- H5.** Strategic thinking has a positive impact on organizational performance.

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**Model**



**Figure 1: Research Conceptual Model (Moon, 2013)**

**MATERIALS AND METHODS**

Research methodology is a set of rules, tools, and reliable valid and organized ways to check the facts exploring the unknown and achieving to problems solutions (Khaki, 2007). This research method is practical based on research objective and in terms of nature and method is categorized among the top research, so, the statistical techniques of structural equation were used, basically, paying to the causal relationship between variables.

The research population consisted of all employees and top managers branches of Islam Azad University in Hamedan Province. Regarding to analysis using structural equation technique as hypotheses analyzing method, in order to sampling, we can utilize determination of sample volume principles in multiple regression analyzing so that the ratio of samples numbers to independent variables shouldn't be less than 5, otherwise the results from regression analyzing equation would not be too generalized. In more conservative ratio, 10 observations have been suggested to per independent variable. Even taking 15 observations into account the views for each predictor variable in the multiple regression analysis using the least standard squares, is counted as a good estimation. Given the number of questions is 18, the sample should be at least between 90 and 270 people, that in the study 180 questionnaires were collected and analyzed.

In this research, a questionnaire measuring instrument which was used to collect data for the purpose of a standard questionnaire use Moon (2013), will be completed by the employees and top managers of the branches of Islamic Azad University in Hamedan Province.

**Reliability and Validity**

In this study, a questionnaire to assess the reliability coefficient for internal consistency using Cronbach's alpha coefficient method is used. In this way and to verify the reliability of the questionnaire was distributed to 25. The reliability of results is presented in Table 1.

**Table 1: Research questions distribution and reliability test results**

Variable	Items in Questionnaire	Cronbach's $\alpha$
Reward system	3	0/743
Emphasis top management	3	0/785
Formalization	3	0/770
Centralization	3	0/791
Strategic thinking	3	0/831
Organizational performance	3	0/838
Appendix total	18	0/895

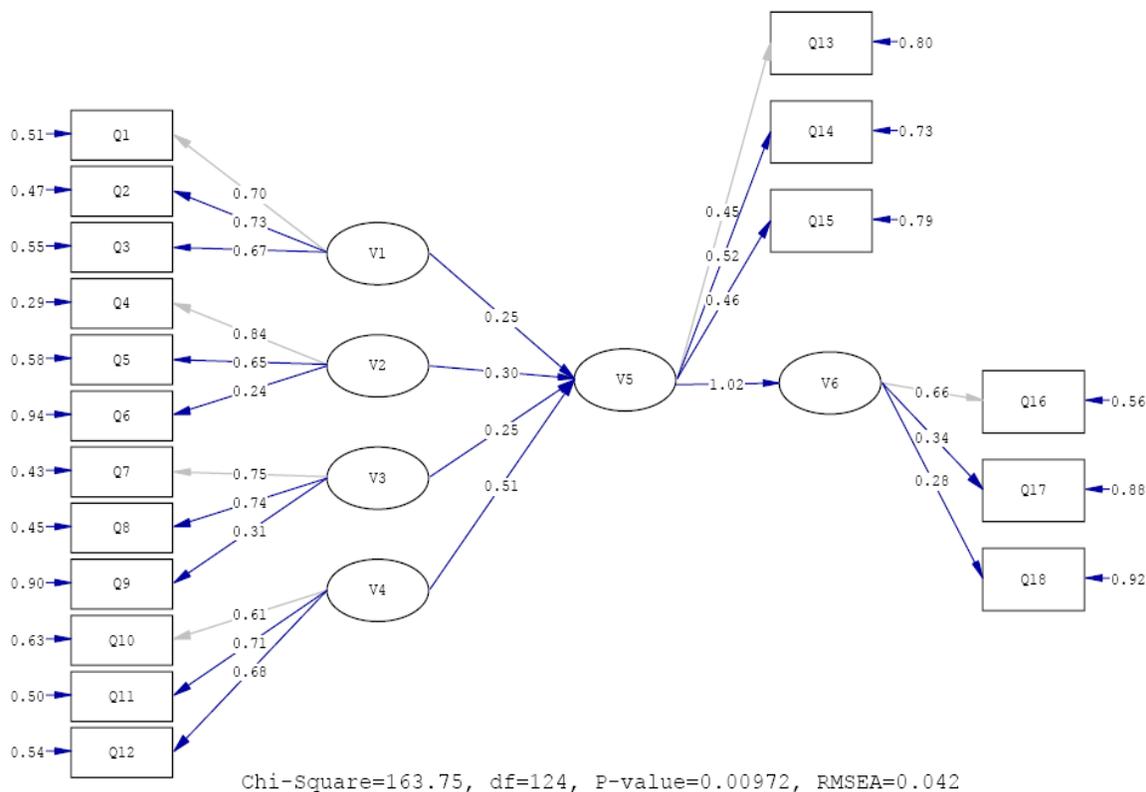
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Test the research hypotheses have been done by using structural equation modeling. Structural equation appropriate statistical technique is based on the hypothesis about the existence of causal relationships between variables, causal models with a linear equation to test. Before examining the assumptions, model fitting is done to confirm the model, the results will be notable.

**Table 2: Results of Model Fitness Indices**

Index	Acceptable Value	Value	Results
$\chi^2/df$	< 3	1/32	Goodness of fit
RMSEA	< 0.08	0/042	Goodness of fit
CFI	> 0.9	0/94	Goodness of fit
GFI	> 0.9	0/91	Goodness of fit

After confirming the fit of the initial model, the LISREL software design and hypotheses are tested. When the data of sample group is transformed into covariance or correlation matrix and furthermore a series of regression equations is described, we can analyze the model in order to its fitting verification in a society where the sample had been extracted. In Figure 2, the standard model using the LISREL software is shown.

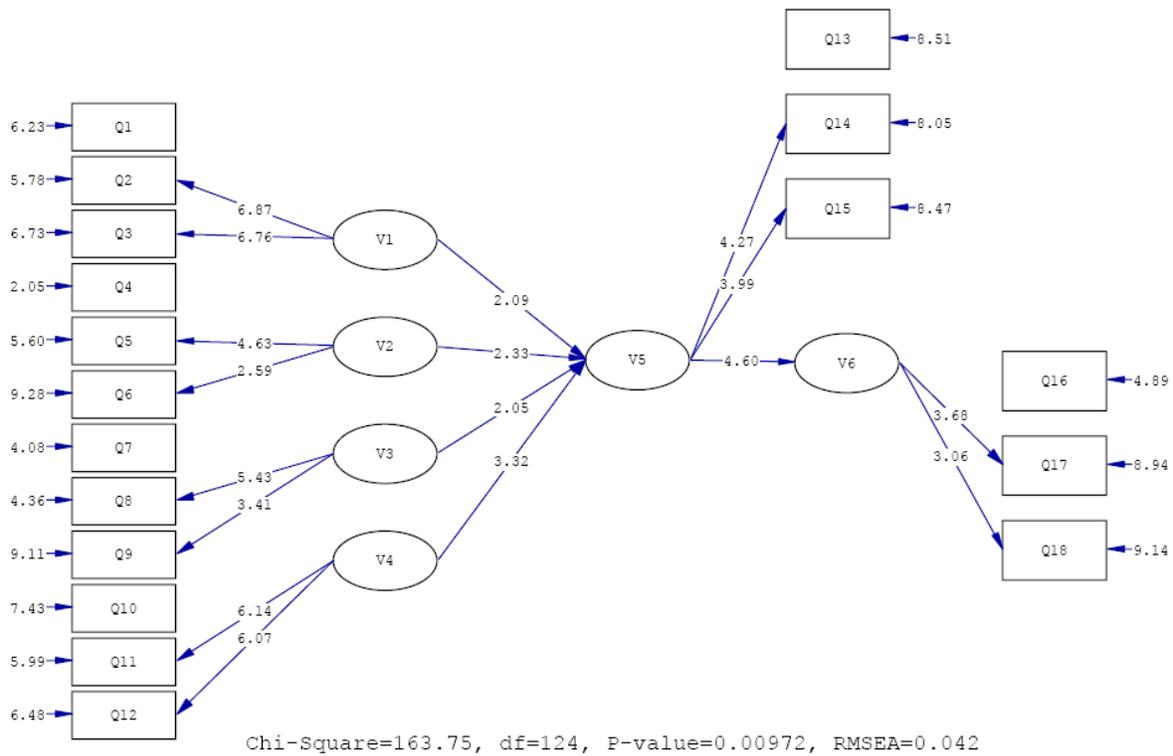


**Figure 2: Standardized coefficients for the structural model and measurement**

**RESULTS AND DISCUSSION**

The diagram of T statistic values shows the values of test for each coefficient. Here, for each parameter in model, a value of observed "t" is obtained and we can with over 95% confidence interpret that the relationship is significant if the sample size is greater than 30 and observed "t" is more than 1.96.

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**Figure 3: t-statistics for the coefficients of the model**

Table 3 summarizes the results of testing hypotheses is stated.

**Table 3: Calculated values of t-statistics and standardized coefficients**

Hypothesis	Standardized coefficients	T-statistics	Results
1	0/25	2/09	+
2	0/30	2/33	+
3	0.25	2/05	+
4	0/51	3/32	+
5	1/02	4/60	+

As the results show, all hypotheses are verified.

**Conclusion**

Strategic thinking has a special situation in the current world and has an important role in crucial matters in countries, organizations and so forth and decision making and personal plans. Using strategic thinking opens a horizon of coming future, increases the chance of using chances available and new ones. Organizations face to competitive pressures from different sources in current turbulent environments and need managers that are equipped with the tool of strategic thinking and can provide the grounds of the promotion of the function of an organization. The results show that the variables of the system of rewarding, the emphases of senior manager, formality and concentration as the inner factors or variables of an organization have an effect on the function of the organization. According to gained results from the hypotheses of the research, the rewarding system as one of the major factors of organizational culture can encourage managers and staff to do activities or can prevent them from doing activities. The design of the rewarding system can influence the behavior of staff and will have important results for managing and strategic decision making in an organization. Moreover, the emphases and the support of a senior manager on strategic thinking encourage members to have a general and comprehensive point of view.

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Consequently, the increase of the level of strategic thinking in an organization has a positive effect on the function of an organization. Preventing from the exchanging of ideas and communications in an organization, formality (mechanic structure) and the concentration of an organization can lead to the reduction of the level of strategic thinking in an organization and finally have destructive effect on the function of an organization.

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