THE MODERATING INFLUENCE OF ORGANIZATIONAL TRUST IN THE RELATIONSHIP BETWEEN ORGANIZATIONAL CLIMATE AND ALGERIAN SMES.

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ABSTRACT
The purpose of this study is to investigate the moderating influence of organizational trust in climate-performance relationship. The sample size is 205 small and medium enterprises. The survey is self-administered and distributed using non-probability purposive sampling technique to the firms operating in the food industry sector. Owner/managers are the respondents of this paper, and the data was analyzed by using smart Smart-PLS in order to test the existing hypotheses of the study.

KEYWORDS: Organizational climate, Organizational trust, Small and Medium Enterprises performance.

INTRODUCTION
Organizational climate is not a new concept; however, Kurt Lewin tracked the origin of this construct in 1930; and in 1960 this concept has become popular (Shahin, Naftchali & Pool, 2014). Any problems of this construct within the organization can influence its performance negatively; however, according to Umoh, Amah and Wokocha (2013), weak organizational climate leads to lack of cohesion and support that leads to low productivity and performance. On the contrary, good organizational climate within the organization encourages the employees’ motivation and commitment that give a positive influence to the organizational performance (McMurray, Scott & Pace, 2004). However, a strong climate is difficult for other firms to imitate, and a strong climate may create a competitive advantage.

Organizational climate is selected among other constructs available in the literature because of its strong impact on the performance. In addition to that, the influence of organizational climate on performance has been conducted for large companies such as banking and manufacturing, and no study has been established for small enterprises (Feng Jing, F. & Avery, 2011). Therefore, some authors (Koene, Vogelaar & Soeters, 2002) suggest that it is essential to examine the climate-performance relationship in small firms, because organizational climate can influence small enterprises but differently to large companies. Moreover, lack of empirical researches exist in developing countries (Umoh, Amah & Wokocha, 2013), and no empirical study can be found so far selecting organizational trust with organizational trust in Algeria especially in the food industry.
The following part of this paper reveals more literature about organizational climate, organizational trust and small and medium enterprises as well.

II. REVIEW OF LITERATURE

2.1. Firm performance definition

Previous researchers illustrated the definition of performance and SMEs as two separate entities. The following defines the composition of these two terms in details. Organizational performance have been defined from different angles. Apparently, dimensions of firm performance, whether they are subjective or objective are the benchmark of these definitions. Market share (non-financial) and creating wealth (financial) are one of SMEs performance measurements. This is supported by Sandberg, Vinberg, and Pan (2002), as they defined SMEs performance as the capability that leads to creating wealth and offering employment by business start-up, survival and sustainability.

Matin and Sabagh (2015) mentioned that organizational performance referred to the firm’s responsibilities and its ability to achieve the organizational and social goals. Furthermore, other authors defined firm performance differently and simply as in the case of Koohang, Paliszkiewicz and Goluchowski (2017), who argued that organizational performance is the firm’s measure of its development and progress. The latter definition however, seems ambiguous because the authors relate firm performance with progress and development without indicating whether this progress is financial or non-financial development.

Similarly, Otley (1999) defined firm performance in a simpler, more clarified and straightforward way. Organizational performance according to Otley (1999) is “the analysis of a firm’s performance as compared to its objectives and goals”. Likewise, Daft (2000) defined firm performance as the firm’s ability and capacity to fulfill and achieve its objectives by using all its resources in effective and efficient way.

As a summary, authors have different perspectives in defining firm performance. Some authors defined firm performance only from subjective perspective; some defined it only from objectives angle, while others defined it from both objective and subjective sides, however, subjective measurement is the one selected in this study.

2.1.1 SMEs performance dimensions

Primarily, the role of dimension is to evaluate variable in whatever manner, and without these dimensions, it is difficult to clarify or understand the construct. Therefore, Neely, Gregory and Platts (2005) defined dimension of performance as the process of quantify the firm efficiency and effectiveness of different implemented actions to achieve the goals of firm. Firm performance measurement is a very important tool, because it helps owner/managers to assess their firm’s accomplishment in order to make any appropriate decisions.
Based on the justification and supported from literature reviews, plenty of dimensions were found in previous studies. Organizational researchers offered a numerous of variables to measure organizational performance, but so far, there is some consensus on a valid set of performance standards (Cameron, 1981; Lewin & Minton, 1986). The only thing that researchers agreed on is that studies on organizational performance should consist of multiple measures (Cameron, 1986; Hitt, 1988); however, there is no agreement among them on the most convenient way to measure it.

All in all, Maas and Liket (2011) argued that performance measurement models fall into three types: process-focused model, outcome focused model, and monetization model. On the other hand, Richard and Devinney (2009) claimed that performance consists of three areas of measurements: financial performance, shareholder return, and product market performance.

On the other perspective, Hudson, Bourne and Smart (2001) implied that there are three critical dimensions of performance. First, operational dimension which includes time, quality and flexibility. Second is customer satisfaction and human resources, and the third dimension is finance. Taking into account what is mentioned above, dimensions of firm performance could be a process, outcome, product market, customer satisfaction, sales rate, shareholder return, HR, operational performance and finance. Financial performance may include cash flow, sales, profitability, and overhead cost (Hudson, Smart & Bourne, 2001). Non-financial performance could be sales and employee’s growth, market share, brand awareness and customer satisfaction (Li & Wang, 2010; Leitner & Guldenberg, 2010).

As a conclusion, firm performance is operationalized as “the analysis of a firm’s performance as compared to its objectives and goals” (Otley, 1999). Firm performance is the dependent variable of this study in the food sector in Algeria.

2.2 Organizational climate
Organizational climate plays a crucial role in the organization, as it is considered as an essential predictor of firm performance (Arakal & Mampilly, 2013). Walumbwa, Wu and Orwa (2008); Jing, Avery & Bergsteiner (2011) claimed that climate has been determined as a fundamental factor in identifying organizational performance, because climate serves as a catalyst and momentum in motivating employees in order to achieve the company objective (Adeoye & Kolawole, Elegunde & Jongbo, 2014).

Different researchers have suggested plenty definitions of climate and the following are some of them. Organizational climate is originally referred to psychological and organizational environment, situational and social influences on individuals’ behavior (Argyris, 1958; Forehand & Gilmer, 1964; Guetzkow, James & Forehand, 1962).
Other definitions by Jones and James (1979); Joyce and Slocum (1984); Verbeke et al., (1998) organizational climate is defined as the shared perception of employees in their work environment. Likewise, Schneider and Reichers (1983) defined organizational climate as “a shared perception of people within organization that attach to particular features of the job setting”. Among most of the previous definitions, it is noticed that many previous studies showed the following famous definition as “a set of measurable properties of the work environment and assumed to influence their motivation and behavior” (Litwin & Stringer, 1968).

From another perspective, literature review revealed more than 15 types of climate, and the following shows some of them:

2.2.1 Psychological climate
According to James and James, (1989); James, James, and Ashe, (1990); James and Jones, (1974), organizational climate can be seen as “the individual employee’s perception of the psychologic influence of the work environment on his own well-being”.

James, Carol, Emily, Patrick, Matthew, Mary Ann et al. (2008) have characterized the climate variable by showing a difference between organizational and psychological climate. Indeed, this latter is shown from organizational level; however, the psychological climate level is analyzed from individual level perspective. These two aspects of climate describe the perception of employees from their experiences within their organization.

2.2.2 Safety climate
It is a another form of climate that describes the employee’s perceptions of the safety value in the work environment (Neal, Hart &Griffin, 2000). This type of climate focuses on the safety atmosphere, and to what extent the environment is safe to employees.

2.2.3 Service climate
Service climate is another form of organizational climate, and it is defined as the perceptions of customer regarding to service quality of the organization (Schneider, 1980; Schneider, Parkington & Buxton, 1980; Schneider, Paul &White, 1998).

Zammuto and Krakower (1991) presented four types of organizational climate; “rational goal climate”, “the developmental climate”, “group climate”, and “internal process climate”.
1. The group climate: it focuses on internal aspect with high moral and trust.
2. The development climate: it focuses more on external aspect with high morale and trust, and low resistance to change.
3. Rational climate focuses more on success but with lower moral and trust, and low resistance to change.
4. Internal process is more mechanical with a high resistance to change.
Other scholars have examined other forms of organizational climate like justice climate (Liao & Rupp, 2005), and to what extent the employees perceive the fairness and justice within the firm.

Ethical climate (Jaramillo et al., 2006) is another form of organizational climate. It refers to the widespread of morals and ethics within the entire firm. It can be said that whatever the number of organizational climate types found in the literature, climate still has the same meaning, and its types are only employees’ perception of working environment from particular angle.

Prior studies examined a plenty of organizational climate types as organizational climate dimensions. As it aforementioned, there are plenty of numbers of this construct dimensions (Jyoti, 2013).

2.3 Difference between organizational climate and culture

This part of the paper reveals the distinctions between climate and culture to clarify any confusions arisen between these two concepts (Denison, 1996; James & Jones, 1974; Schneider, 1990). Indeed, organizational climate and culture are used to explain firm performance, but these terms were used ambiguous and inappropriately by some researchers and administrators (Glisson, 2015).

Historically, Pettigrew in 1979 was the first who used this concept “organizational culture” in the “Administrative Science Quarterly” when “he spoke about the economic success of the Japanese firms over the American firms” (Popa, B. M., 2011). However, before presenting the difference between organizational climate and culture, it is essential to define the meaning of the culture from its famous scholars and gurus.

Schein (1985; 1992) argued that organizational culture is ”a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” (p. 19, 12). In addition to that, Denison, D. R. (1996), defined culture as “a complex of values, beliefs, ways of thinking and acting which are shared by all the members and which determine the methods to be used within and outside the organization” (Popa & B. M, 2011). Hence, both concepts are similar in studying how the organization is capable to influence the attitude and employees behavior (Okoya, 2013).

The following shows clearly the differences between these two constructs:
Table 1: Organizational climate and culture Differences

<table>
<thead>
<tr>
<th>Organizational climate</th>
<th>Organizational culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>It presents “shared perception of practices and procedures that is closer to the surface of organizational life” (Guion, 1973; James &amp; Jones, 1974).</td>
<td>Presents shared values, norms, and expectations within organization (Handy, 1976; Pettigrew, 1979).</td>
</tr>
<tr>
<td>It is often seen as components that are temporal and easier to change and identify (Denison, 1996; McMurray, 2003).</td>
<td>Changing culture in an organization is much more difficult than changing climate (Popa, B. M, 2011).</td>
</tr>
<tr>
<td>Climate can be seen as “a surface manifestation of the culture” (Schein, 1985; Schneider, 1990), and it is a manifestation of deeper culture elements like beliefs, values, and shared assumptions (Burnes &amp; James, 1995).</td>
<td>Culture refers to the “deep structure of organizations, which is rooted in the beliefs, values and assumptions held by organizational members” (Denison, D. R. 1996).</td>
</tr>
<tr>
<td>Climate has been seen as a descriptive concept related to facts about the environment (Patterson, West &amp; Warr 2004).</td>
<td>Organizational culture is revealed when “employees are asked why these patterns exist” (Patterson, Wallace, West, Lawthom, Dawson, Shackleton, Maitlis &amp; 2005).</td>
</tr>
<tr>
<td>Climate is limited to “the social environment aspects that was consciously perceived by employees” (Denison, D. R. 1996).</td>
<td>Organization culture is “rather stable and consists of - values, beliefs and assumptions - that are deeply rooted in the organization, and it is harder to be determined” (Dennison, 1996).</td>
</tr>
<tr>
<td>Climate mainly concerns is related to “those aspects of the social environment that are consciously perceived by organizational members” (Denison, 1996, p. 624)</td>
<td>Concentrates on the special aspects of a specific social setting (Fey &amp; Beamish, 2001).</td>
</tr>
<tr>
<td>Organizational climate is more “behaviorally oriented” (Patterson et al., 2005).</td>
<td>Concentrates on the development of the organization occurs over time (Fey &amp; Beamish., 2001).</td>
</tr>
<tr>
<td>Climate is temporal and subject to direct manipulation of powerful and influential people (Bock, Zmud, Kim &amp; Lee, 2005).</td>
<td>Created and established from top management’s beliefs and values (Denison, 1996).</td>
</tr>
</tbody>
</table>
The tables show nine differences between climate and culture. The differences between these two constructs can be seen from different angles such as the depth of the concept on the firm, the duration, different discipline, stability, and difficulty extend of change.

Figure 1: Theoretical Framework

The above figure illustrates the direct climate-performance relationship. In this paper, two hypotheses being developed to examine the influence of climate on the SMEs and the moderating influence in the direct path relation. Climate is the independent construct of this study, organizational trust is the moderator and SME is the dependent variable. The following shows the first hypothesis.

**H1** There is a significant relationship between organizational climate and SMEs performance.

**2.4 Organizational Trust:**
Organizational trust is operationalized as “an employee’s feeling of confidence that the organization will perform actions that are beneficial, or at least not detrimental, to him or her” (Tan & Tan, 2000, p. 243). Organizational trust is an organizational construct similar to organizational climate and performance. Meanwhile, it is the moderator in this study in organizational climate-performance relationship.

Prior studies showed very limited studies indicating organizational trust as a moderator. Based on the limitation concerning trust as moderator with performance, some researchers recommended that there should be more studies on trust as a moderator (Vigoda-Gadot & Talmud, 2010; Frost & Moussavi, 2011; Chang & Wong, 2010; Farndale, Hailey & Kelliher, 2011; Liu, 2012; Mulder, Verboon & Cremer, 2009; Micheels & Gow, 2011). Therefore, the present study is driven to use organizational trust as a moderator because of the limited past researches and to carry the scholars’ recommendation. The following is the second hypothesis of this paper.
H2 Organizational trust moderates the relationship between organizational climate and SMEs performance.

III. RESEARCH METHODOLOGY
The present empirical study examines the influence of organizational climate as an independent construct and SMEs performance as a dependent variable using organizational trust as a moderator. All constructs are unidimensional, and the study conducted in Algeria. Food industry is the selected sector from others, because Algeria still dependent in scary way on the importation of western food, besides, Algeria depends on more than 97% of its revenue on oil. Dependence on oil makes Algeria in critical and risky situation, as any decreasing in oil prices will affect negatively on the economy and the country as a whole and this is what Algerians citizens experienced in these days. Small and medium enterprise is the unit of analysis, and questionnaire distributed to 205 firm operating in the food industry. The retained questionnaire from Owner/managers who are the respondent of this study, as they are the only who can answer items related to the organizational level like climate, trust and performance.

The survey was self-administered to collect the required data, and this latter was analyzed by using Smart PLS. Cross-sectional is the method that the researcher applied in this paper.

The findings is very beneficial to practitioners, managers, small and medium enterprises founders in terms of opening their eyes and attract their attentions to very important factor that affects the performance of their firms. From theoretical contribution, this study narrows the gap exists in knowledge concerning to this area by applying climate in different context and different sector that never been conducted before in Algeria.

IV. FINDINGS AND DISCUSSION
Hair et al., (2011) and Bagozzi and Yi (1988) delivereda value of 0.7 and above for composite reliability coefficient for a particular construct. Table 3 illustrates the composite reliability, Average variance extracted anc Cronbach’s Alpha for each variable. The loading as indicated in Table 3 ranged from 0.650 and 0.861; this suggests that there is a reliability of the measures (Bagozzi & Yi, 1988; & Hair et al., 2011). Moreover, Hair et al. (2010) indicated that loadings, average variance extracted (AVE) and composite reliability (CR) are the three key assessors of convergence validity, as illustrated in the following table.
Table 2: Convergent and Reliability Analysis

<table>
<thead>
<tr>
<th>Items</th>
<th>Loadings</th>
<th>Cronbach's Alpha</th>
<th>Composite Reliability(CR)</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational Climate</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>OC1</td>
<td>0.831</td>
<td>0.915</td>
<td>0.932</td>
<td>0.663</td>
</tr>
<tr>
<td>OC2</td>
<td>0.835</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC3</td>
<td>0.823</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>OC4</td>
<td>0.840</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC5</td>
<td>0.790</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC6</td>
<td>0.830</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OC7</td>
<td>0.746</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>SME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SME1</td>
<td>0.861</td>
<td>0.906</td>
<td>0.927</td>
<td>0.681</td>
</tr>
<tr>
<td>SME2</td>
<td>0.852</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SME3</td>
<td>0.769</td>
<td></td>
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<tr>
<td>SME4</td>
<td>0.842</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SME5</td>
<td>0.794</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SME6</td>
<td>0.830</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Organizational Trust</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OT2</td>
<td>0.650</td>
<td>0.917</td>
<td>0.932</td>
<td>0.604</td>
</tr>
<tr>
<td>OT3</td>
<td>0.832</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OT4</td>
<td>0.772</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OT5</td>
<td>0.851</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OT6</td>
<td>0.842</td>
<td></td>
<td></td>
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<tr>
<td>OT7</td>
<td>0.740</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>OT8</td>
<td>0.796</td>
<td></td>
<td></td>
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<tr>
<td>OT9</td>
<td>0.753</td>
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</tbody>
</table>

Basically, there are two hypotheses in the study as all the constructs are unidimensional variables, therefore, the first study is conducting a direct path with climate-performance relationship, and the second hypotheses examines whether trust moderates these relationship. Hypothesis 1 stated that the influence of climate on SME performance is positive ($\beta=0.349$. $t=5.062$. $p<0.00$). Therefore, H1 is supported. In contrary, Hypothesis 2 posited that organizational trust moderates the relationship between organizational climate and SME performance. The results revealed that organizational trust does not moderate the relationship ($\beta= -0.328$. $t=6.734$. $p<0.000$). Therefore, the hypothesis 2 is not supported as illustrated in the table 4.
Table 3: Assessment of structural model with moderator variable

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Original Sample</th>
<th>T Statistics</th>
<th>P Values</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 OC -&gt; SME</td>
<td>0.349</td>
<td>5.062</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2 OT-OC -&gt; SME</td>
<td>-0.382</td>
<td>6.734</td>
<td>0.000</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

V. CONCLUSION

In this research paper an investigation of organizational climate, organizational trust toward firm performance in food sector in Algeria was conducted. This study investigated the relationship between climate and performance moderated by organizational trust.

The results of the analysis shows that there is positive relationship between organizational climate and small and medium enterprises, otherwise, organizational trust moderates the climate-performance relationship. The second hypothesis is not supported because maybe of law and internal regulations. As all employees are treated respectively and fair, therefore, the organizational trust does not have any influence because employees are not afraid if any bad consequences of trust to each other, as the law within firm will give the rights and compensate the betrayed employee. Or, maybe Algerian are sociable people, therefore organizational trust will not make any influence as the social bond and relationships are strong.

REFERENCES


