

**The Causal Relationship of Organizational Performance  
of Thailand Private Higher Education Institutions**

A Paper to be Presented at the 9th Annual Hawaii International Conference on Education

Honolulu, Hawaii

January 4-7, 2011

Descriptors: relationship, transformational leadership, organizational culture,  
knowledge management, organizational performance, private higher  
education institutions, educators

Tippaporn Mahasinpaisan

(tippaporn.m@bu.ac.th)

Bangkok University, Thailand.

**Title of Research: The Causal Relationship of Organizational Performance of  
Thailand Private Higher Education Institutions**

ABSTRACT

The purpose of this study was to propose causal model of the relationship among transformational leadership, organizational culture, knowledge management, and organizational performance. A sample of 389 was randomly drawn from instructors of private higher education institutions under the Office of the Higher Education Commission. Data were collected by using questionnaires with reliability 0.98. Data analysis was descriptive statistics, and LISREL analysis.

The results indicated that transformational leadership, organizational culture, and knowledge management had direct influence on organizational performance, whereas transformational leadership and organizational culture had indirect influence on organizational performance through a mediating function of knowledge management; and the causal relationship model agreed with the empirical data. Results in this study supported the knowledge management researchers who emphasized that the concept of knowledge management in the organization (transformational leadership and organizational culture) can help develop organizational performance.

Educators in the private higher education institutions have to work with various attributes to develop a knowledge-based society that can lead to maximize organizational performance.

(Contains 2 tables and 2 figures)

## **The Causal Relationship of Organizational Performance of Thailand Private Higher Education Institutions**

Thai higher education has the clear direction to promote higher quality, efficiency, and effectiveness and to enhance national competitiveness in the regional and global arenas. Government has conducted a comprehensive retrospective of higher education performance and has laid out a new vision in the Second 15-Year Long Range Plan for Higher Education (2008-2022). This plan for higher education transformation covers all key aspects of higher education management, including administrative systems, teaching and learning, research promotion and higher education finance. Its main aim is providing citizens with the skills and capabilities necessary to raise national competitiveness.

The private higher education's outcome tries to highlight changes in management paradigm, and the rise of strategic management which both can help education managers improve their organizational performance. While a knowledge-based revolution is taking place, it comes in a matching concept: knowledge management for organizations and the knowledge-based economy for Thailand. Both are part of a major evolutionary economic movement which is beginning to reshape the global economic structure, and knowledge management should be seen as one of the most concrete and important set of practices and policies than an organization can adopt, marking a significant step in an institution's evolution toward becoming a global, learning organization that can survive in the knowledge based economy. This paper, therefore, is to study the relationship between educators' leadership, knowledge management, and organizational culture and organizational performance of Thailand Private Higher Education Institution.

### **Literature Reviews**

The original formulation of transformational leadership theory comes from Burns (1978). At the core of transformational leadership is the concept of transformation, or change of the organization. According to Bass & Avolio (1998), they added that transformational leadership best reflects this change management and make clear the leaders' characteristics. The first characteristic is that followers are driven by a moral need, the need to be champion, or the need to take a higher moral stance on an issue. Followers like to feel that a higher organizational spiritual mission guides their motives. The second need is a paradoxical drive for consistency and conflict. Transforming leaders

must help followers make sense out of inconsistency. Conflict is necessary to create alternatives and to make change possible. The process of transformation is founded on idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration. The transformational leaders must attach a high value to knowledge, encourage questioning and experimentation through empowerment, build trust, collaboration and organization learning. Moreover, leaders need to focus on organizational culture that can be viewed as the sum total of beliefs, values, attitudes, and assumptions shared among its members. Organizational culture deals with planned change and transformation, and understanding its process has become extremely important in all institutions including colleges and universities (Keup, Walker, Astin, & Lindholm, 2001, Bollinger and Smith, 2001, Lee & Choi, 2003). Thus, organizational culture is then considered more important in the private higher education institutions.

A process of knowledge management is based on the ability of all members of the organization to add value to the basic business processes through the creation, communication, codification, and coordination of both explicit and tacit knowledge stores (Nonaka & Takeuchi, 1995). Specifically, Nonaka & Takeuchi (1995) theorized that the flow of knowledge transitions from socialization to externalization, to combination, and to internalization, basically from the raw experience to understanding, then to categorization, and finally to the creation of personal mental models that transcend the experience.

This link simply provides basis from which to grow new theories of leadership to help educators of the new knowledge organization turn implicit knowledge into significant organizational performance (Lee & Kim, 2001; Lee & Choi, 2003; Migdadi, M. 2005; Brachos *et al.* 2007; Lyons, 2008; Ho, C.T. 2009).

### **Conceptual Framework**

The conceptual framework for the causal analysis of organizational performance of Thailand Private Higher Education Institutions displays two exogenous latent variables: transformational leadership: idealized Influence, inspirational Motivation, intellectual stimulation, individualized consideration (Bass & Avolio, 1998), and organizational culture: trust, collaboration, learning (Lee & Choi, 2003), one mediating variable: knowledge management: socialization, externalization, combination, and internalization (Nonaka & Takeuchi, 1995), one endogenous latent variable: organizational performance: balance scorecard (Migdadi, 2005).

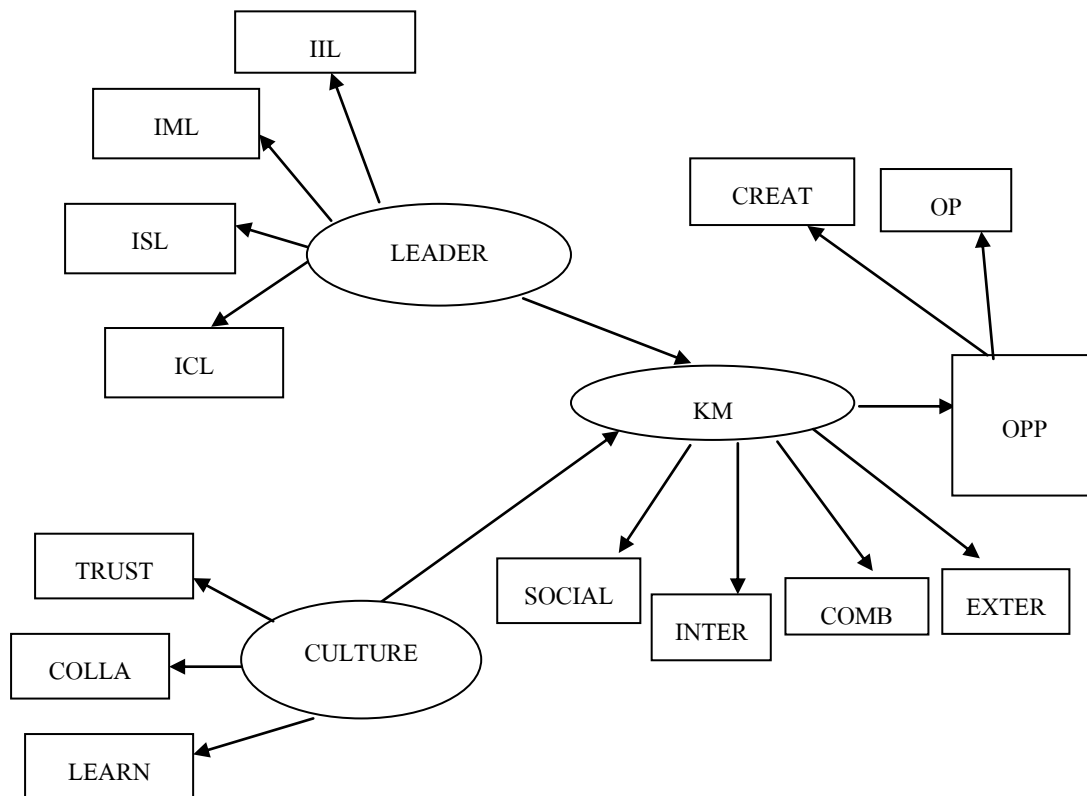


Figure 1: The research model

### Methodology

**Participants:** This study was based on 389 samples who were randomly drawn from instructors of private higher education institutions under The Office of the Higher Education Commission. This study used multi-step sampling.

The research instrument was a questionnaire constructed from the adapted research. Once created, the instrument was checked by five education experts (IOC = 0.93). Next, the instrument was administered to a try out sample (N = 60) for the purpose of establishing reliability estimates (0.98).

The research instrument attributes used five-point Likert scales ranging from strongly agree to strongly disagree in 90 items.

Data were analyzed through descriptive statistics, correlation coefficient analysis, exploratory factor analysis, confirmatory factor analysis, and structural equation model analysis.

## Research Results

The mean of change leadership and organizational culture of private higher education institutions is high level. The mean of transformational leadership is high in terms of idealized influence, inspirational motivation, individualized consideration, and intellectual stimulation respectively, and the mean of organizational culture is high in terms of collaboration, learning, and trust consecutively. The mean of knowledge management and implemented results and organizational performance is moderate level. The mean of internalization is highest level, and socialization, combination, and externalization are at the consecutive level.

Table 1. General Statistics of variables

Variables	X	S.D.	Skewness	Kurtosis
<b>LEADER: Transformational Leadership</b>				
IIL: Idealized influence Leadership	3.65	0.74	-0.79	0.79
IML: Inspiration Motivation Leadership	3.61	0.76	-0.72	0.53
ISL: Intellectual Stimulation Leadership	3.50	0.57	-0.62	0.67
ICL: Individualized Consideration Leadership	3.56	0.70	-0.82	1.05
<b>CULTURE: Organizational Culture</b>				
TRUST: Trust	3.48	0.41	-0.40	0.59
COLLA: Collaboration	3.57	0.36	-0.89	1.54
LEARN: Learn	3.53	0.37	-0.48	0.14
<b>KM: Knowledge Management</b>				
SOCIAL: Socialization	3.32	0.41	-0.22	-0.35
INTER : Internalization	3.26	0.42	-0.28	0.23
COMB: Combination	3.32	0.37	-0.06	-0.14
EXTER: Externalization	3.36	0.31	-0.32	0.13
<b>OPP: Organizational Performance</b>				
CREAT: Creativity	3.30	0.40	-0.28	-0.03
OP: Organizational Performance	3.25	0.34	-0.31	0.01

( n = 398)

The results indicated the model influence of causal relationship that the validity testing in the causal relationship equation of transformational leadership, organizational culture, knowledge management, and organizational performance in the private higher education institutions were fit to the empirical data chi-square = 28.68; df = 48; p = 0.99; RMSEA = 0.000; GFI = 1.00; AGFI =

1.00; RMR = 0.015 and LSR = 0.90 by the ULS method. The researcher adjusted the relationship model to fit the medication indices according to the computer program from maximum likelihood method (ML) to unweighted least square (ULS).

Table 2. Result of LISREL Analysis Step

Goodness of fit statistics	Chi-Square df/p-value	RMSEA	RMR	CFI	GFI	AGFI	LSR
Lisrel analysis process							
Lisrel analysis step 1	$\chi^2 = 201.28$ df=59/p=0.00	0.078	0.059	0.99	0.93	0.89	9.44
Lisrel analysis step 2 modification indices: ML	$\chi^2 = 59.31$ df=48/ p=0.13	0.024	0.017	1.00	0.98	0.96	3.28
Lisrel analysis step 3 modification indices: ULS	$\chi^2 = 28.68$ df=48/ p=0.99	0.000	0.015	1.00	1.00	1.00	0.90

To conclude, the causal relationship among transformational leadership, organizational culture, knowledge management, and organizational performance in the private higher education institutions showed that the organizational performance variance can explain 55%, knowledge management is the mediating variable and has the positive relationship to organizational performance ( $r = 0.79$ ). This analysis of structural equation modeling: SEM is fit to the empirical data.

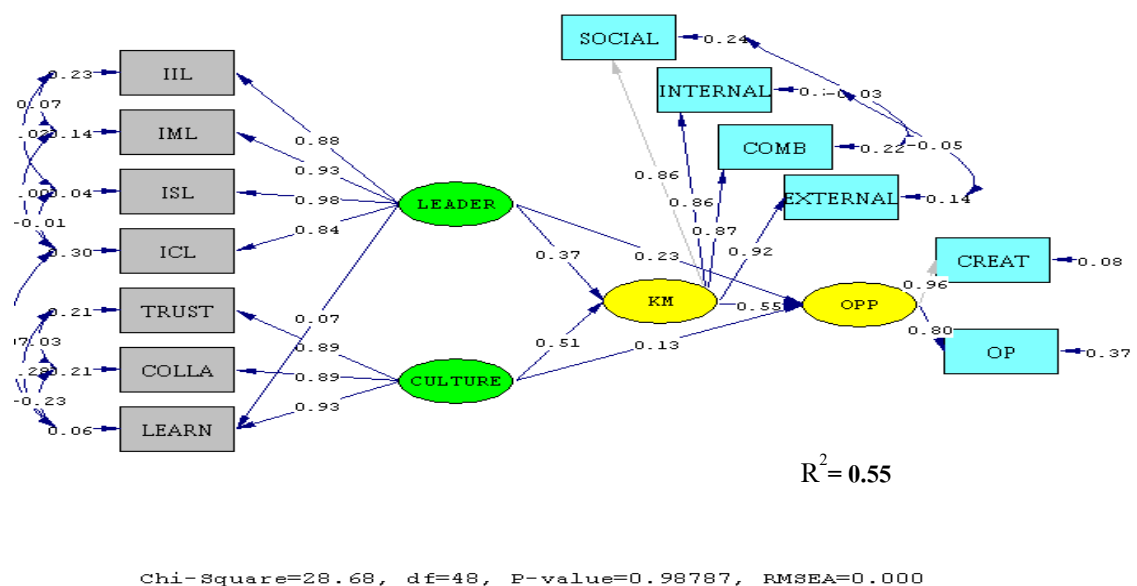


Figure 2. The Causal Relationship Model

Result of hypothesis tests indicated that transformational leadership, organizational culture and knowledge management have direct influence on organizational performance. Transformational leadership and organizational culture have indirect influence on organizational performance through a mediating function of knowledge management. Also, causal structural relationship model among transformational leadership, organizational culture, knowledge management and organizational performance of Thailand Private Higher Education Institutions was conformed to empirical data with the goodness of fit statistics. This model could explain 55.00 percent of the organizational performance variance. The results supported the knowledge management researchers (Nonaka & Takeuchi, 1995, 1998, 2004; Davenport & Prusak, 1998; Lee & Choi, 2003; Deahpande *et al.*, 1993; Migdadi, M. 2005, Tasmin & Woods, 2007) who emphasized that the concept of knowledge management in the organization can help develop organizational performance and increase organizational effectiveness in a concrete and sustainable way with the supporting factors to knowledge management process such as leadership, organizational culture, organizational structure, and information technology.

### **Discussion and Recommendation**

Knowledge management is the educators' tool that helps develop the decision making (Lyons *et al.*, 2008) and organizational effectiveness by managing knowledge to be intelligent capital (explicit and tacit knowledge) and develop human's potential according to Senge's five disciplines of learning organization concepts (1990) which consisted of systems thinking, personal mastery, mental models, building shared vision, and team learning. The discipline is accordance to Nonaka & Takeuchi (2004) which stressed on dialogue and discussion that can lead to sharing, learning organization and eventually become the best practice of organizational performance which highlighted on four missions: students' qualities, quality of research, academic services, and art and cultural maintenance.

Furthermore, Educators in the private higher education institutions have to work with various attributes such as strategic management, internal and external policies, life-long education, internationalization, new communications technologies, new functions involving with the development of knowledge-based society that can lead to maximize organizational performance.

### **References**

- Bass, B. M. & B. J. Avolio. (1998). **Manual for the Multifactor Leadership Questionnaire**, Mindgarden, Inc, Redwood, CA.
- Brachos. D. *et al.* (2007). "Knowledge effectiveness, social context and innovation." **Journal of Knowledge Management**. Vol. 11 (5).



- Commission on Higher education, Minister of Education. (2008). **“Framework of the Second 15-Year Long Ranges Plan on Higher education of Thailand.”** (online).  
<http://www.mua.go.th/~bpp/developplan/index.htm>. 3 August 2010.
- Ho, C.T. (2009). “The relationship between knowledge management enablers and Performance.” **Industrial Management & Data Systems**. Vol. 109 (1).
- Lyons, K. *et al.* (2008). “Integrating knowledge management and quality management to sustain knowledge enabled excellence in performance.” **Journal of information and knowledge management systems**. Vol. 38 (2).
- Mahasinpaisan, T. (2010). **The Causal Relationship among Leadership, Organizational Culture, Knowledge Management and Organizational Performance of Private Higher Education Institutions**. Dissertation. Kasetsart University.
- Migdadi, M. (2005). **Knowledge Management Enablers, Process and Organizational Performance: An Integration and Empirical Examination**. Dissertation. Wollongong University.
- Nonaka, I & H. Takeuchi. (1995). **The Knowledge-Creating Company**. Oxford University Press, New York.
- \_\_\_\_\_. (2004). **“Hitotsubashi on Knowledge Management.”** John Wiley & Sons (Asia) Pte Ltd, Singapore.
- Senge, P.M. (1990). **The fifth discipline: The art and practice of the learning organization**. London: Century Press.
- Kaplan, R. S. & D. P. Norton, (2004). **Strategy Maps: Converting Intangible Assets into Tangible Outcomes**. Boston: Harvard University Press.
- Lyons, K. *et al.* (2008). “Integrating knowledge management and quality management to sustain knowledge enabled excellence in performance.” **VINE: The journal of information and knowledge management systems**. Vol.38 (2): 241-253.
- Lee, H. & B. Choi. (2003). **Knowledge Management Enablers, Process, and Organizational Performance: An Integration and Empirical Examination**. Dissertation. Seoul University.
- Tasmin, R. & P. Woods, (2007). “ Relationship between corporate knowledge management and the firm’s innovation capability.” **International Journal of Services Technology and Management**. Vol. 8 (1): 62-79.