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Review Article

Organizational Culture as a Bridge: Linking Governance to Enhanced Performance in Nepal's Public Sector Enterprises

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A B S T R A C T

Public sector enterprises (PSEs) play an important role in economic development and public service delivery, especially in developing countries such as Nepal. However, many PSEs still experience challenges in relation to weak governance structures, inefficiencies and limited organizational performance. While corporate governance reforms have been introduced to enhance accountability and transparency, governance mechanisms alone may not be sufficient in explaining variations in organizational performance. Internal factors such as organizational culture and external strategic orientations such as market orientation may influence the governance practices translating into performance outcomes.

This study analyzes the relationships between corporate governance, organizational culture, market orientation and organizational performance. Specifically, it examines the mediating effect of organizational culture and the moderating effect of market orientation in the governance-performance relationship. The approach of this study is systematic literature review in which the synthesis of peer-reviewed studies published between 2010 and 2025 is carried out.

The findings show that corporate governance has a positive impact on organizational performance, while organizational culture serves as an important mechanism to translate the governance practices to advance organizational performance. In addition, market orientation can reinforce the relationship between governance and performance by making organizational behavior more responsive to stakeholder needs. This study adds to the existing literature by presenting an integrated conceptual framework for the relationship between governance, culture, and market orientation to explain the performance in the public sector enterprises.

1. Introduction

Public sector enterprises (PSEs) are an integral part of economic and social development of many countries, including particularly developing countries such as Nepal. These organizations are responsible for provision of important services, supporting the development of infrastructure, and contributing to the national economic stability. Public enterprises are operating in Nepal in many vital areas such as energy, transportation, telecommunication, financial services etc. their effectiveness and performance is important for the national development. In spite of their strategic importance, there are still problems of efficiency, accountability and quality of service in many public sector enterprises. These challenges have resulted in concerns about governance practices and general effectiveness of the public organizations.

Corporate governance has come to be increasingly seen as a necessary mechanism to enhance transparency, accountability and decision-making among managers in organizations. Governance frameworks are designed to ensure that managers make decisions which are in the best interests of stakeholders as well as maintaining organisational accountability and efficiency. Effective governance structures, such as board oversight, transparency and accountability mechanisms will be expected to increase organizational performance by limiting agency problems and enhancing strategic decision-making (Juiz et al., 2014; Lamichhane et al., 2024). Empirical studies have also inferred that robust forms of governance has a role to play in the achieving of better organizational outcomes as it aids in the concept of responsible management practices and the matching of organizational goals with expectations of stakeholders (Pel ahead et al., 2026; Sari et al., 2018.

However, the effect of governance reforms may not always lead to improved performance outcomes especially in public sector organisations, where bureaucratic structures and institutional rigidities may impact on the effectiveness of governance initiatives. While governance mechanisms provide formal structures for accountability and control, the internal organizational environment plays an important part in determining how the governance principles are put into practice. Organizational culture which is defined as a set of shared values, beliefs, and norms that govern employee behavior and decision-making is an important internal factor in organizational performance (Pathiranage, 2019). A supportive and adaptive organizational culture has the potential to increase employee engagement, collaboration, and innovation and, ultimately, result in improved organizational outcomes (Pham et al., 2024; Tulcanaza-Prieto et al., 2021).

In addition to internal organizational factors, external strategic orientation such as market orientation is also important determinants of organizational performance. Market orientation is oriented towards the need to understand the needs of the stakeholders, environmental changes, and the organization's activities coordinated to effectively handle these needs. Although traditionally used by private sector organizations, market orientation has gained added relevance in public sector as well as the public sector organizations strive to improve the quality of services and responsiveness to citizen needs. Research shows that the better performance outcomes in organizations that have a stronger market orientation comes from having an emphasis on service quality and stakeholder satisfaction (Walker et al., 2011; Al-Shourah, 2021). Furthermore, market orientation may increase the effectiveness of governance mechanisms by aligning organizational strategies with the expectations and demands of stakeholders and the environment (Sirola & Mihanovic, 2020).

Despite the plethora of literature on relation between governance, organizational culture and organizational performance, many of the studies emphasize on these variables separately instead of integrating the effects that they have on organizational performance as a whole. Previous research has been mostly concerned with the direct relation between corporate governance and organizational performance with relatively little attention paid to the internal mechanisms by which governance influences performance outcomes. Recent studies show that the mediating role of organizational culture in-between a governance structure and better performance by influencing the behavior of employees and organizational processes (Jarne-Jarne et al., 2022; Abdelwahed and Soomro, 2024). However there is limited research looking at this mediating relationship, especially within the context of the public sector enterprises.

Similarly, while the market orientation has been extensively studied in private sector organizations, the role of market orientation in Public Sector Enterprises has not been extensively studied. In Nepal, existing literature has dealt with mainly the governance reforms and institutional frameworks without giving much attention to the internal organizational dynamics such as culture or strategic orientations such as market orientation. Consequently, there is need for more comprehensive framework that incorporates governance mechanism, organizational culture as well as market orientation in order to explain the organizational performance.

Addressing this gap, this study attempts to develop a conceptual framework that explains the interaction of corporate governance, organizational culture and market orientation in determining corporate performance among the public sector enterprises in Nepal. Specifically, the study is focused at the relationship between corporate governance and organizational performance, the role of organizational culture as a mediator and the role of market orientation as a moderator in enhancing the relationship between corporate governance and organizational performance. By combining these approaches, the research will add to the more complete understanding of the mechanisms of improvement in the public sector organizations.

2. Literature Review

2.1 Corporate Governance

Corporate governance is a system of rules, practices and processes by which organizations are directed and controlled. It offers the framework for achieving organizational goals, while delivering accountability, transparency and responsible decision-making. Governance mechanism is intended to bring the interests of the management and stakeholders closer to each other which helps in improving efficiency and effectiveness of the organization. According to Juiz, et al (2014) governance structures provide institutional arrangements to steer managerial decision making and accountability in both public and private organizations. In case of public sector enterprises, the issue of governance mechanisms is of particular importance because the public sector enterprises are responsible for managing the public resources and are accountable to the citizens and the government authorities.

Corporate governance frameworks tend to include mechanisms such as accountability, transparency and board oversight. Accountability is a sense of obligation of managers and decision-makers to explain their actions to stakeholders. Transparency helps to ensure that the activities of the organisation and financial information are communicated openly helps to reduce the tendency of corruption and inefficiency. Board oversight is oversight and strategic direction provided by governing bodies such as the board of directors or regulatory authorities. Together, these mechanisms operate towards ethical management practices and ensure that organisations operate as per the established policies and strategic objectives (Lamichhane et al., 2024).

A body of growing research point out the importance of corporate governance in improving organizational performance.

Effective governance mechanisms help to reduce the agency conflicts between managers and stakeholders, increase managerial accountability and improve strategic decision making. Empirical studies show that organizations that have good governance structure tend to show better financial and operational results (Pelalec et al., 2026). Research on the public sector enterprises similarly shows that governance practices such as internal controls, monitoring systems and oversight mechanisms play a significant role in corporate performance (Sari et al., 2018). Governance system also help in improved organizational behavior through facilitating transparency and ethical leadership in institutions (Abdelwahed & Soomro, 2024a). In addition, it has been revealed from systematic literature reviews that corporate governance and organisational culture work together and influence the efficacy of organisations and firm performance (Meidawati et al., 2025).

Despite the importance of governance mechanisms that are known, there is often a complex link between corporate governance and performance of an organization. Some of the studies indicate that in the absence of supportive organizational conditions, governance structures may not be enough to enhance performance outcomes. Internal organizational factors such as culture and employee behavior have an impact on implementation of the governance policies and how they are changed into practical results (Jarne-Jarne et al., 2022). Therefore, the impact of governance systems on effectiveness is often bound to depend upon organizational internal dynamics that influence managerial behavior and decision-making processes

2.2 Organizational Culture

Organizational culture is the shared values, beliefs, norms and behavioral patterns of an organization that determine the behavior of its employees and the way they interact and perform their work. It gives rise to the internal environment of an organization and affects the attitude of employees, decision-making process and the effectiveness of the organization. Organizational culture is built over time due to shared experiences and leadership practices and institutional traditions provide the basis for organizational identity and behavior (Pathiranage, 2019).

The concept of organizational culture has received much discussion in management literature as an important factor that affects behavior of employees and performance of an organization. Organizational culture determines the way the employees see their work, how they relate to the other employees, and how they respond to organisational problems. According to Christopher and Amah (2022) strong organisational cultures support commitment, collaboration and innovation which lead to better organisational outcomes. Organizational culture can also be regarded as an intangible asset of value to an organization that can influence competitiveness and long-term sustainability (Tulcanaza-Prieto et al., 2021; Abdelwahed and Soomro, 2024b). Empirical studies further indicate that leadership practices and organizational systems plays a significant influence on the development of culture and its impact on the employee's performance in the public organization (Almahasneh et al., 2023).

Several dimensions are typically associated with organizational culture. Shared values are the guiding beliefs in the organization which influence the behavior of employees and helps in aligning the behavior of individual employees with the organizational goal. Another important dimension is adaptability referring to the ability of an organization to respond effectively to the changes in its environment and also to the emerging challenges. Organizations that are adaptive in their culture are more innovative and responsive to the needs of their stakeholders.

Employee involvement is also an important dimension of culture of the organization. When employees are closely involved in the decision making process and organizational activities, they tend to exhibit greater levels of motivation, commitment and performance. Research indicates that there is a strong relationship between employee participation and engagement and increased job performance and organizational effectiveness (Pham et al., 2024). Organizational culture also plays a role in leadership effectiveness and engagement of employees which in turn help to improve work performance and organizational outcomes (Michulek et al., 2023). Furthermore, research has also established a positive correlation between organizational culture and employee performance and thus implies the role of cultural values in affecting employee behavior (Saad & Abbas, 2018; Akaakase et al., 2025).

The relationship between the organizational culture and organizational performances has been studied extensively in the empirical research. Organizations with strong and supporting cultures are frequently capable of reaching greater levels of productivity, employee satisfaction, and quality of service (Tulcanaza-Prieto et al., 2021). Research in developing economies also shows that powerful corporate cultures make an important contribution to improved organizational performance and employee commitment (Ghumiem et al, 2023). Organizational culture also affects the effectiveness of teamwork, leadership, and creativity among the workers which in turn affects the effectiveness of the organization (Paredes-Saavedra et al., 2024). However, there are some researches that suggest that strong cultures do not necessarily lead to better performance, especially in organizations that are in the public sector wherein there could be a level of bureaucracy that may result to a lower level of flexibility (Xanthopoulou et al., 2022). These mixed findings hit on the importance of investigating the interplay between culture and governance and strategic orientation.

2.3 Market Orientation

Market orientation is a strategy of organization where it focuses on the needs of customers, competitors, and other players. It consists of production, distribution and use of market intelligence to enhance performance of an organization. Market-oriented organizations are focused on satisfying the stakeholders and change the strategy as per the changed environmental conditions. Although traditionally associated with private sector organizations, market orientation has gained greater relevance in the public sector, in response to the need for more effective service delivery and organizational effectiveness in government.

Market orientation is typically considered in terms of having three major elements: customer orientation, competitor orientation, and inter-functional coordination. Customer orientation oriented towards understanding the needs and expectations of the customer or service user and meeting these. Competitor orientation - means keeping track of the strategies and activities of the competing organizations to retain competitive advantage. Inter-functional coordination means working together and sharing information between different departments in order to ensure that the organizational activities are aligned with the needs of the stakeholders.

Research has suggested that market orientation can have significant impacts on organizational performance, as it can help organizations to better understand their external environment and respond effectively to the demands of their stakeholders. According to Walker et al (2011), market orientation increases the performance of the public services by making the service more responsive to the needs of the citizens and improving the quality of service. Similarly, organizations with high market orientation are likely to have better outcomes in terms of performance as they are flexible in their strategies due to the feedback from stakeholders and environmental changes (Al-Shourah, 2021). In addition, market orientation, worked together with entrepreneurial orientation with supportive organizational culture, can again contribute to the enhancing of organizational performance as well as strategic adaptability (Margaretha & Soelaiman, 2022).

In the public sector organizations, market orientation plays an important role in the betterment of service delivery and citizen satisfaction. Public organizations that follow market-oriented strategies are generally more responsive to the needs of the stakeholders, and are more able to provide efficient services. Research in the local government institutions shows that market orientation has a positive impact on the performance of an organization by promoting the need for attention to the quality of the services and the satisfaction of the stakeholders (Sirola & Mihanovic, 2020). Studies also highlight the behavioral and psychological aspect of market orientation in the formulation of strategies and delivering better services to the public at the enterprise in the public sector (Baa & Chattoraj, 2023).

2.4 Organizational Performance

Organizational performance means the extent to which organization has accomplished its objective in an efficient and effective manner. It is a reflection of the general results of organization activities, financial outcomes, efficiency of operation, quality of service, etc. In the case of public sector enterprises the performance evaluation often takes into account not only the monetary performance but also the effectiveness of the rendered services to the public.

Financial performance is one aspect of organizational performance and includes aspects such as revenue generation, cost efficiency, and financial sustainability. Although financial measures are more widely associated with private organizations, there are also public sector enterprises that use financial measures in assessing the efficiency of economics and utilization of economic resources.

Operational performance is another important dimension and measures the efficiency of an organization in conducting its internal processes, resources and human capital. Operational efficiency is particularly important in public enterprises where organizations are under pressure to provide services using limited resources. Studies have shown that governance mechanisms and organizational culture can play a significant role in the performance of the operation through the improvement of decision-making processes and employee productivity (Pelaleg et al., 2026; Pham et al., 2024). Leadership effectiveness and governance integrity have also been demonstrated to improve the performance of employees and the organization (M. M. et al., 2024).

Service quality is another vital aspect of performance of the organizational functions of the public sector organizations. Public enterprises expected to offer reliable and efficient services to the citizens and therefore quality of service is an important measure of performance. Research has presented organizational culture and the performance of employees as having a significant impact on the quality services rendered by the public organization (Widyawati et al., 2021). Similarly, organizations that keep stakeholder needs in mind and take a market-oriented approach tend to show higher levels of service quality and citizen satisfaction.

Overall, the literature suggests that a combination of governance mechanisms, organizational culture and strategic orientations have an impact on organizational performance. Governance structures provide formal mechanisms of accountability and control; while organizational culture determines the way employees behave and how they interact with one another; market orientation helps organizations to respond effectively to demands of external stakeholders. Understanding the interaction between these factors is, therefore, very important for the improvement of performance in the public sector enterprises.

3. Theoretical Framework

This study combines different theoretical perspectives in explaining the relationships between corporate governance, organizational culture, market orientation and organizational performance in public sector enterprises. The theoretical foundation of the study is based on Agency Theory, the Stewardship Theory, Resource-Based View or RBV and the Market Orientation Theory. Together, these theories give a complete explanation of how the mechanisms of governance, internal organizational dynamics, and strategic orientations affect organizational performance.

3.1 Agency Theory

Agency theory explains the significance of corporate governance in organizations in terms of the relationship between the principals (owners or stakeholders) and agents (managers). The theory underlines conflicts that may emerge with managers placing their personal interests over the organizational interests. Such agency problems arise frequently because of information asymmetry and misaligned incentives between the stakeholders and the managers. Consequently, governance mechanisms are needed to ensure that management decision is in accordance with the interests of the stakeholders.

Corporate governance frameworks like board oversight, transparency, monitoring systems and accountability frameworks are put in place to mitigate agency problems and encourage responsible management practices. These mechanisms enable stakeholders to monitor the behavior of managers and constrain opportunistic actions on the part of managers. Previous research suggests that good governance has enhanced organizational performance by increasing accountability and a better decision-making process as well as ensuring efficient utilization of resources (Juiz et al., 2014; Sari et al., 2018). In the public sector enterprise, the agency theory is more relevant because the managers have been entrusted with the duty of managing the public resources on behalf of the citizens and the governmental authorities.

3.2 Stewardship Theory

While agency theory focuses on monitoring and control, stewardship theory gives an alternate view in that it suggests that managers and employees may adopt a role of steward who is interested in achieving organizational goals as opposed to personal interests. As per this view, the individuals get the satisfaction from the performance of their role in contributing to the success of the organization.

Organizational culture plays an important role in encouraging behavior (including stewardship behavior). A culture that is built on trust, collaboration, and shared values can encourage employees to take actions in the best interest of the organization. When employees relate to organizational goals, they are more likely to demonstrate commitment, responsibility and initiative. Studies show that supportive organizational cultures improve motivation and collaboration and organizational performance of employees (Christopher & Amah, 2022; Pham et al., 2024). Values-based leadership and ethical cultures also reinforce the behavior of the stewardship and motivate employees to put the collective goals of organizations first (Bavardi, 2025).

3.3 Resource-Based View (RBV)

The Resource-Based View (RBV) describes the contribution of the internal organizational resources to sustainable competitive advantage. According to RBV, superior performance of organizations is achieved through the development of valuable, rare, inimitable, and non-substitutable resources. These resources could be tangible assets as well as intangible resources such as organizational culture, knowledge and employee capabilities.

Organizational culture is generally acknowledged as a strategic intangible resource that plays an important role in affecting organizational performance. A strong and adaptive culture can provide an improved level of coordination, motivation of employees, and innovation. Because culture is so rooted in organizational practices and behaviors, it is not easy for competitors to duplicate. As a result, organizations with high cultures are more likely to enjoy better performance and long-term sustainability (Tulcanaza-Prieto et al., 2021; Pathiranage, 2019).

3.4 Market Orientation Theory

Market orientation theory focuses on the importance of understanding and responding to the needs of stakeholders to enhance the performance of the organization. Organizations that produce market information, disseminate information within their organization, and effectively respond to environmental changes are more likely to have superior results.

Market orientation generally entails customer orientation, competitor orientation and inter-functional coordination. In public sector organizations, these practices enhance service quality, make citizens more satisfied, and they also lead to greater organizational responsiveness. Research suggest that market oriented public organizations is better able to meet the expectations of stakeholders and provide effective services (Walker et al., 2011; Al-Shourah, 2021). Furthermore, market orientation could enhance the relationship between governance mechanisms and organization performance by matching governance practices with stakeholder needs and environmental conditions (Sirola & Mihanovic, 2020).

4. Conceptual Framework

The conceptual framework of this study shows how corporate governance, organizational culture, market orientation, and organizational performance are conceptually related to each other in public sector enterprises. The framework suggests that the corporate governance has direct as well as indirect effects on organizational performance (through the organizational culture), the market orientation enhances the governance-performance relationship.

Corporate governance is considered as the independent variable in this research. Governance mechanisms such as accountability, transparency and board oversight provide the formal structures that define decision-making and managerial behaviour processes in organizations. Effective governance systems are beneficial in terms of ensuring responsible management practices, reducing conflicts within the agencies and ensuring strategic alignment between the goals of the organization and its stakeholders. Prior research shows that good governance practices can have positive effects on organisational performance due to better managerial accountability and decision-making practices (Juiz et al., 2014; Pelalez et al., 2026).

However, governance mechanisms may not be the sole determinant of the organizational outcomes. The internal environment of an organization, in particular, the organizational culture, is an important factor in the translation of governance principles into the day-to-day functioning of organizations. Organizational culture is the common values, beliefs, and ways of behaving that employees share in an organization that determine their attitude and behavior in the organization. When governance structures are consistent with the culture of trust, collaboration and employee involvement, employees are more likely to align their behavior with organizational objectives. Therefore, organizational culture is presented as an intervening variable that is involved in the process between governance mechanisms and organizational performance. Previous research has indicated that positive organisational cultures can positively increase employee motivation, innovation, and productivity, which can, in turn, result in a positive outcome of performance (Pham et al., 2024; Tulcanaza-Prieto et al., 2021).

In addition to the consideration of internal organizational aspects, the external strategic orientation also has an impact on the impact that governance mechanisms have on performance. Market orientation is an organization's capacity to comprehend the needs of the stakeholders, track the changes that will occur in the market environment, and integrate the internal activities to meet these demands properly. Organizations using the market-oriented approach focus more on the satisfaction of the stakeholders and quality of service, which can enhance the effectiveness of the governance mechanisms. In the case of public sector enterprises, market orientation helps to respond to the citizens and to improve the delivery of public services. Therefore, market orientation is introduced as a moderating variable which increases the strength of the relationship between corporate governance and organizational performance. Organizations with a higher level of market orientation may be more positively impacted by governance mechanisms from the impact on performance outcomes (Walker et al., 2011; Sirola & Mihanovic, 2020).

Based on these relationships the conceptual framework suggests that corporate governance leads to enhanced performance of the organization directly and indirectly through organizational culture. At the same time, market orientation fosters the efficiency of the governance as it strengthens the influence of the governance on performance outcomes. This integrated framework offers an overall perspective regarding understanding of the interaction of governance structure, internal organizational dynamics and strategic orientation in the context of organizational performance in public sector enterprises.

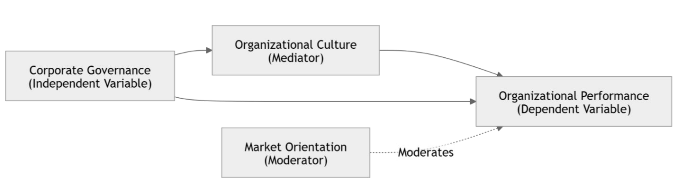

Figure 1 Conceptual Framework Diagram

5. Hypotheses Development

Based on the theoretical foundations and the previous empirical research works, this study has been proposing some hypotheses in order to explain the relationships among corporate governance, organizational culture, market orientation and organizational performance in the public sector enterprises.

Corporate governance has been popularly known as a critical factor that impacts the performance of the organizations. Governance mechanisms such as transparency, accountability and board oversight, are used to ensure that managerial actions are in-line with organizational goals and stakeholder interests. Effective governance structures can help to reduce conflicts of agency and improve decision making processes, and promote efficient use of resources in organizations. Previous research has shown that organizations that have a good governance framework tend to be able to demonstrate better financial and operational performance (Pelalaz et al., 2026; Sari et al., 2018). In case of public sector enterprises, the governance systems are playing an important role in the responsible management of the public resources and increasing the efficiency of the organization. Therefore, strong corporate governance is expected to be a positive influence in performance of the organisation.

H1: Corporate governance positively influences organizational performance.

Corporate governance may also influence development of organisational culture in the institutions. Governance practices have an impact in organizational values, ethical standards, and managerial behavior which can affect the way that employees interact and perform their roles. Transparency in governance structure and effective leadership can promote a culture of accountability, collaboration, and shared organizational values. Studies have suggested that the governance frameworks have the potential to affect the behavior of organizations and enforce the cultural norms within organizations (Abdelwahed & Soomro, 2024a; Jarne-Jarne et al., 2022). When governance mechanisms emphasize transparency and accountability, they may support a positive organizational culture that encourages engagement and alignment of employees with organizational goals.

H2: Corporate governance positively influences organizational culture.

Organizational culture plays a big role in deciding how the employees behave and perform inside an organization. A strong organizational culture with shared values, adaptability, and employee involvement can help to improve employee motivation, cooperation, and productivity. These culture characteristics can be useful in creating an effective organization through enhanced motivation of employees to conform their behavior in line with the organization's goals. Previous research has shown that organizations with supportive and adaptive cultures are more likely to have higher levels of performance and service quality (Tulcanaza-Prieto et al., 2021; Pham et al., 2024). Moreover, effective leadership and governance practices supported by a strong organizational culture can contribute significantly to better performance of employees and overall organizational outcomes (M. M. et al., 2024). In public sector enterprises, organizational culture can affect employee attitudes to service delivery, innovation and responsiveness to the needs of stakeholders. Therefore, a strong organisational culture is expected to make a positive contribution towards the organisational performance.

H3: Organizational culture positively influences organizational performance.

Beyond its direct impact on performance, the organizational culture may also be a mechanism through which governance structures influence organizational outcomes. Governance policies lay down formal structures and procedures, but their effectiveness is often dependent on the way they are interpreted and applied by the employees within the organisation. Organizational culture may take the form of governance principles translated into practice in employee behavior, organizational practices and decision-making processes. When the mechanisms for governance are backed by a strong organisational culture, the employees have a higher chance of following the organizational values and contributing to the achievement of organisational goals. Research has suggested that organizational culture can mediate between governance structures and organizational performance through facilitating the implementation of governance practices (Peláez et al., 2026; Jarne-Jarne et al., 2022).

H4: Organizational culture mediates the relationship between corporate governance and organizational performance.

In addition to internal organizational factors, there may also be external strategic orientations that affect the relationship between governance and performance. Market orientation means the capacity of the organization to comprehend and react to the needs of stakeholders, to track environmental changes, and to coordinate internal activities in order to provide value to stakeholders. Organizations that take a strong market orientation tend to be more responsive to customer expectations and environmental changes, which can make the organization more effective. Research shows that market orientation can enhance organizational performance by raising levels of service, satisfaction, and organizational flexibility (Walker et al., 2011; Sirola & Mihanovic, 2020). In the case of public sector enterprises, market orientation can lead to the improved functioning of the governance mechanisms in ensuring that governance practices are aligned with the needs of stakeholders and service delivery objectives.

H5: Market orientation moderates the relationship between corporate governance and organizational performance.

Overall, these hypotheses are the background of the proposed conceptual model which suggests that corporate governance has direct and indirect impact on the performance of organizations via organizational culture while market orientation enhances the governance and performance relationship. This integrated framework offers an overall explanation of the interaction between governance structures, internal organizational dynamics, and external strategic orientation and their influence on the performance outcome in public sector enterprises.

6. Methodology

This study is based on the theoretical approach in a systematic literature review by examining the relationships in corporate governance, organizational culture, market orientation and organizational performance in public sector enterprises. The purpose of this methodology is the synthesis of the available theoretical and empirical research in an effort to develop a conceptual framework and hypothesized connections of how such variables interact to influence organizational outcomes. A systematic literature review is a structured, transparent method of identifying, evaluating, and integrating relevant academic research to assist researchers in gaining a more in-depth understanding of a specific topic of research.

The research design is aimed at reviewing and synthesizing studies that have previously been done on corporate governance, organizational culture, market orientation and organizational performance. Through this approach, the study analyses the way previous research has conceptualized these variables and examined their influence on organizational outcomes in the public sector and the private sector. By assimilating insights from various theoretical perspectives, as well as empirical results, the study is able to create a conceptual framework to explain the relationships between the key variables and create a basis for future empirical research in Nepal's public sector enterprises.

Relevant literature for this study were collected from major academic databases such as Scopus, Web of Science, Google Scholar and Nepal Journals Online (NepJOL). These databases offer access to peer-reviewed journal articles and other scholarly publications that are related to governance and organizational behavior as well as performance management. The search for literature was made on the basis of the keywords used, such as "corporate governance," "organizational culture," "market orientation," "organizational performance," and "public sector enterprises" using the technique of combining the use of Boolean search to find the literature that deals with the study of the relationship among the variables.

To assure the quality and relevance of the selected literature, a number of inclusion criteria were used. Only peer-reviewed journal articles were considered in order to remain academically reliable. The review mainly considered the studies published between 2010 and 2025 in order to reflect the recent development in the field of understanding governance and organizational management. In addition, specific attention was paid to studies analysing public sector organizations and governance systems in developing economies as they are relevant for the public sector enterprises in Nepal.

The selected studies have been analysed using a narrative synthesis approach (i.e. systematic summarization and analysis of findings to determine common themes and theoretical insights). Through this process, the literature was classified based on the major constructs of the proposed framework, which made it possible to create an integrated conceptual understanding of the relationship between governance mechanisms, organizational culture and market orientation in the organizational performance.

7. Key Findings and Discussion

The findings of this study are based on the comprehensive synthesis of the previous empirical and theoretical studies on the issues of the relationship between corporate governance, organization culture, market orientation, and organization performance. The literature review shows that these variables are interrelated and they contribute to improving the organizational outcomes. The discussion indicates the different mechanisms of governance, the internal organizational dynamics and the strategic orientations affect the performance in the public sector enterprises.

One of the significant finding among the reviewed literature is the fact that corporate governance plays significant role in improving the performance of organizations. Effective governance mechanisms like transparency, accountability and board oversight are critical in ensuring responsible management and efficient use of organizational resources. Governance systems help in reducing agency conflicts between the managers and the stakeholders and better decision-making processes. Several studies have shown that companies with good governance frameworks tend to have better financial and operational performance (Peliaez et al., 2026; Sari et al., 2018). In the public sector organizations, the governance mechanisms are also responsible for the better accountability and service delivery by ensuring that the managerial actions are aligned to the organizational goals and the public interests (Juiz et al., 2014). These findings are in support of the argument that corporate governance plays a critical role in the determination of organizational effectiveness and performance.

Another important finding is related to the mediating effect of organizational culture between governance and performance. While governance mechanisms are the formal structures and policies, implementation of the policies in the organization largely determines the effectiveness of the governance mechanisms. Organizational culture influences the attitude, behaviour and commitment of the employees to organizational goals. A strong organizational culture that is characterized by shared values, collaboration, and adaptability can contribute to better employee motivation and productivity, which can help improve organizational performance. Previous research has consistently found supportive organizational cultures to be positively related to enhanced employee performance and organizational outcomes (Tulcanaza-Prieto et al., 2021; Pham et al., 2024). Moreover, research has indicated that the culture of organisations might be one of the mechanisms through which the governance practices are translated to effective organisational conduct (Jarne-Jarne et al., 2022; Abdelwahed & Soomro, 2024a). These findings suggest that governance structures may not be sufficient to achieve a change in performance if they are not facilitated by positive organisational culture.

The literature has also indicated the moderating role of market orientation in improving the relationship between governance and performance of the organization. Market orientation is oriented toward the need to understand stakeholder needs; monitor the changes in the environment and coordinate within an organization so as to bring value to customers or service users. Organizations with a high degree of market-oriented orientation are typically more sensitive to the expectations of stakeholders and the demands of the organization's environment. In the case of public sector enterprises, market orientation may result in an improvement in service delivery, as it encourages public sector organizations to be focused on citizen satisfaction and quality of service. Studies have shown that market orientation has a significant impact on the performance of organizations as it helps organizations adjust their strategies according to the needs of their stakeholders and market intelligence (Walker et al., 2011; Al-Shourah, 2021). Furthermore, studies have shown that companies with a higher degree of market orientation can be of a higher positive impact of the governance practices on performance outcomes (Sirola & Mihanovic, 2020). This would suggest that market orientation can strengthen the force of the control mechanisms of governance by making organization strategy in line with the demands of outside stakeholders.

The findings also highlight the need for integrating the structure of governance together with internal and external organizational factors in order to enhance performance in public sector enterprises. Governance mechanisms-These are the structural basis for accountability and strategic decision-making and organizational culture-This is how employees behave and how things work internally within an organization. At the same time market orientation helps organizations to react effectively to external environmental change and the expectations of their stakeholders. When these elements are aligned, the chances are greater that organizations have better performance results.

In the context of Nepal's public sector enterprises, this study results show that governance reforms may not be enough to have significant improvements in the performance of the organization. Instead, practices of governance, then, should be accompanied by an effort to develop a supportive organizational culture and encourage a stakeholder-oriented strategic approach. In addition, through promotion of common organizational values, involvement of employees and being more responsive to the needs of citizens, public sector organizations can become more efficient in their operations and more effective in the quality of the service they provide.

Overall the results of this research indicates the need for an integrated approach to governance and the management of organizations. Corporate governance, organizational culture, market orientation should not be viewed as independent factors but as an interconnected part of the whole having bearing on the organizational performance. Understanding these relationships gives useful information for policy makers, managers and researchers who seek to improve the effectiveness and sustainability of public sector enterprises.

8. Practical Implications

The results of this research have some significant practical implications for the policy makers, public administrators and organizational leaders working for the management of public sector enterprises particularly in developing economies including Nepal. The suggestion of the study is that the improvement of organisational performance is not solely about the introduction of the formal governance structures. Instead there is need for public sector enterprises to pursue an integrated approach with combination of effective governance mechanism, conducive organizational cultures and stakeholder oriented approaches.

First it is necessary to strengthen the mechanism of corporate governance which is necessary for increasing accountability and managerial effectiveness in the public sector enterprises. Governance practices like transparency, accountability and effective board oversight have a critical role to play in ensuring responsible management of public resources and improving decision making processes. Policymakers and regulatory organs should, therefore, focus on building on governance structure that foster ethical leadership, transparent reporting and effective monitoring systems (Juiz et al, 2014; Pelaliz et al, 2026).

Second, the results demonstrate the intensity of creating a strong organisational culture in order to support governance reforms. A positive organizational culture that is characterized by shared values, collaboration, and employee involvement can help to improve employee motivation and commitment, which can lead to improved organizational performance. Public sector managers should promote participation of employees in the decision-making process, open communication and advanced opportunities for professional development in order to facilitate the improvement of organization culture (Pham et al., 2024; Akaakase et al., 2025).

Third, the public sector enterprises should have a more of a market approach to becoming more responsive to the needs of their stakeholders. By being focused on understanding citizen's expectations, monitoring of service quality and improving on coordination across departments, organizations can increase service delivery and overall performance (Walker et al., 2011; Sirola and Mihanovic, 2020).

Overall, the study puts to spotlight the fact that sustainable improvements in organizational performance require the balancing of the governance mechanisms, organizational culture and market-oriented strategies. By adopting such an integrated approach, public sector enterprises can enhance efficiency, accountability, and quality of service delivery to citizens.

9. Conclusion

This study was done in an attempt to examine the linkages between corporate governance, organizational culture, market orientation and organizational performance within the context of public sector enterprises. Based on systematic review of relevant literature, the study formulated a conceptual framework in order to explain how the mechanisms of governance, the internal organizational dynamics and strategic orientation interact to have implications on organizational outcomes. The findings of the literature synthesis suggest that corporate governance has a significant role to play in improving the performance of organizations through ensuring transparency, accountability and effective decision-making within organizations.

However, the study also underlines the fact that governance mechanisms may not be a sufficient condition in order to realize better organizational outcomes. Organizational culture is an important factor in the translation of the governance structures and policies into organizational behaviour. A strong organizational culture that is characterized by shared values, employee involvement, and adaptability can help to improve employee motivation, collaboration, and productivity leading to better organizational performance. Therefore, the organizational culture plays an important mediating mechanism that relates to performance outcomes concerning governance practices.

In addition, the study underlines the importance of market orientation as a strategic variable which has the capacity to increase the connection between corporate governance and organizational performance. Market-oriented organizations are better responsive to the needs of the stakeholders and environmental changes thus are able to provide better quality services and in turn enhance the effectiveness of the organization. By combining the idea of market orientation and governance practices with the idea of organizational culture, public sector enterprises can increase their capacity for dealing with the changing demands and service delivery.

The conceptual framework presented in this study provides a holistic understanding on the connection between the governance structures, the cultural dynamics, and strategic orientation on performance of the organization. The research paper contributes to the Governance and Organization management literature based on multiple theoretical perspectives and the internal and external aspects of the organization in the aspects of performance.

From a practical perspective, the conclusions suggest that the policy makers and organizational leaders should think in an integrated way in order to improve the performance of the public sector enterprises. Strengthening of the governance frameworks should be accompanied by attempts at creating conducive organisational cultures and stimulate stakeholder-oriented strategies. Such integration approach can contribute to accountability and efficiency of operations and responsiveness of public organizations to the needs of the citizens.

Overall, this study provides the theoretical foundation in order to understand the complex relationship between the governance, culture, market orientation and organizational performance. By emphasizing on the inter-linked nature of these factors the existing study is providing valuable insights in enhancing the effectiveness and sustainability of public sector enterprises especially in the developing economies like Nepal.

Limitations

Despite the fact that this study has provided the valuable theoretical information to know the relations among corporate governance, organizational culture, market orientation and organizational performance, however it has various limitations. First is the research is based on a systematic review of the literature and conceptual analysis, rather than on primary empirical data. Although this approach offers the chance to synthesize the current research and formulate a general conceptual framework of the existing literature, it does not offer direct empirical evidence to support the posited relationships among the variables. Therefore, conclusions of the study are still mostly theoretical and require further empirical test to validate the relationships.

Second, the study is based heavily on international literature whereas empirical research specifically dealing with Nepal's public sector enterprises is still limited. As a result, contextual differences with respect to institutional structures, governance practices and organisational environments may have an impact on the applicability of the findings. In addition, the study deals with only a few variables, namely corporate governance, organizational culture, market orientation, and organizational performance, whereas the other factors such as leadership style, organizational structure, competence of employees, and institutional pressures in the external environment may also influence organizational performance. Future researches should, therefore, conduct empirical researches in the context of Nepal and include other variables to get a more complete understanding of performance in public sector enterprises.

Future Research Directions

Future research can build on the conceptual framework put forward in this study by carrying out empirical research to test the relationships between corporate governance, organizational culture, market orientation, and organisational performance. Empirical studies based on survey data or case studies in the public sector enterprises of Nepal would help validating the proposed hypotheses and provide more in-depth insights in terms of the governance practices in the local context. Additionally, cross-country comparative studies could investigate the cross-country differences between performance and governance structure and organizational culture. Longitudinal studies may also be interesting in terms of how they can help us understand the impact of governance reforms and cultural changes on organizational performance in a changing world.

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