A Study on Effect of Organizational Climate on Employee Perception, Job Satisfaction and Organizational Outcomes.

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Abstract

The theoretical framework on organizational climate, employee perceptions and job satisfaction, and employee engagement has been continuously studied by scholars and researchers. The varied outcomes of studies lead us to inconclusive understanding about the possible relationships and associations between organizational climate, employee perceptions and performance, employee job satisfaction and organizational outcomes. While some scholars argue that there is a linear relationship between them, others find a curvilinear association. Again while there is a consensus that employee perceptions (about organizational climate) positively correlate with job satisfaction and organizational commitment, there are differences of opinion among researchers about the constituent factors or attributes of 'organizational climate' and determinants of 'climate strength.' The present paper aims at understanding about how do employees perceive the organizational climate and its impact on their motivation, performance, job satisfaction and retention. The findings narrate that the constituent factors of organizational climate are mostly 'non-physical' elements and its strength may be determined by the degree of attractiveness of those elements.

Key words: organizational climate, climate strength, employee perceptions, shared perceptions, job satisfaction, employee engagement, employee motivation.

Introduction

The conceptualization of organisational climate was initiated in the late 1940s and now it has emerged as a popular metaphor to understand the climate synergies in organizations of different types. It is also used as constructs for both, qualitative and empirical studies. Whenever there are discussions on 'situational determinants' or 'environmental determinants' to describe human behaviour, organizational climate appears as the main subject of study and research. Sometimes there are misconceptions about the relatedness of the terms, organisational culture and organisational climate. Although they are interrelated, there are some basic differences between these two. According to Buonoand Bowditch (1989), "Organisational culture is connected with the nature of beliefs and expectations about organisational life, while climate is an indicator of whether these beliefs and expectations are being fulfilled." Each organisation generally has its own organisational climate that clearly distinguishes it from other organisations. It represents unique characteristics and attributes that are perceived by the employees about their organisations which serve as a driving force in impacting their attitude and behaviour. Thus, organisational climate in a broad sense, can be understood as the social setting or an organic ecosystem in an organisation. Organizational culture is perceived as an embodiment of shared assumptions, values and beliefs that govern people through organizational processes, operations and mutually dependable relationships. An esteemed culture may create an empathetic atmosphere that binds or integrates emotions among individuals and groups in an organization for achieving success and experiencing happiness together. However, the assumptions may vary across different level of employees about the construct and its constituent factors. Some may view it from system's perspective and some may still look into it as a departmental or partial phenomenon. Though we cannot ignore that there are differences in climates within departments, yet organizational climate needs to be viewed more as a holistic and integrated phenomenon.

According to Kopelman et al. (1990) it is largely the personnel policies and practices in the organization which determine the climate perceptions of employees. It is believed that the liberalization of Indian economy and the disruptive competition in market has led to the tremendous changes in the human resource management patterns and thus there has been a growing emphasis on development of human resources (Budhwar and Boyne, 2004). With rapid transformation of developmental practices and systems in the organizations, it becomes important to study employee perceptions of the developing environment (HRD climate) and its impact on their work attitudes and behaviour. Developing environment or climate is an integral component of organizational climate which reflects the perception that the employees have about the development environment of the organization. It is felt that employees are the most important resources and so it is important to continuously map their perceptions, satisfaction and motivation on the job (Rao and Abraham, 1986).

The concept building, theorization and contextualization may go through several rhetoric and reality testing. Thus, exploring a fresh research idea requires critical review of existing literature.

Review of Literature

Lindell and Brandt (2000), Bliese and Halverson (1998) and Dawson et al. (2008)have examined the incremental role of climate strength over climate quality in explaining individual and organizational outcomes based on the attraction-selection-attrition model. They realized that people tend to get attracted towards others and settings which are familiar to them in certain ways. That similarity drives them towards greater interaction and socializing, thereby resulting in systematic attenuation of individual differences over time. This is likely to result in greater agreement in climate perceptions which in turn may have positive consequences for performance and other attitudinal and behavioural outcomes. The outcomes of the above studies confirm the linear relationship between climate strength and employee perceptions and performance.

Schneider, Salvaggio and Subirats (2002) in a study among more than 100 bank branches found support for the moderating role of climate strength only for one of the four climate dimensions examined. Gonzalez Roma et al. (2002) also tested for the moderation effects of climate strength between work unit climate perceptions and work unit satisfaction and commitment in a study among 197 regional public health service units. However, in another study among 48 work units in different branches of industry in The Netherlands, Van Vianen et al. (2011) could not find support for the moderation effect of climate strength on the relationship between climate quality and organizational commitment. Moreover, interaction of climate strength with individual climate perceptions was found to be significant for two of the three climate dimensions. The argument put forward by those researchers for examining the moderation effects of climate strength was based on Mischel's (1973) concept of situational strength according to which, in case of low variance in employees' climate perception, people perceive the events in work environment uniformly and have similar expectations about the appropriate behaviour and hence, are likely to display consistent behaviours. Weak climate strength or high variance in employees' climate perception on the other hand, is likely to result in inconsistent employee behaviour which will be largely determined by individual differences. Thus, in case of weak and ambiguous climates, prediction of behaviours is likely to be less reliable as opposed to that in strong climates. This implies that under weak climate strength the relationship of climate quality with outcomes is likely to be weaker than that in case of strong climate situations.

In contrast, several researchers advocated for the curvilinear association of climate strength with organizational outcomes according to which climate strength has inverted relationship with outcomes where it was proposed to have positive impact on the outcomes till it reaches an optimal level and after which the impact is likely to plunge (Dawson et al., 2008; Gonzalez Roma and West, 2005). Their arguments are based on the fact that both too little and too much consensus are detrimental for performance.

Some studies have reported positive and significant relationship between individual's perception of development climate, and cognitive and affective states like job satisfaction (Rohmetra, 1998, Mishra et al., 1999, Ahuja, 2002) and organizational commitment (Purang, 2008; Mishra et al., 1999). Only two studies could be traced in the literature where HRD climate was shown to relate with work engagement, cognitive-affective work related state of mind characterized by vigour, dedication, and absorption (Schaufeli and Bakker, 2003). At the same time it should be noticed that those studies used only individual perceptions of climate but not the shared perceptions which represent the theoretical construct of 'organizational climate' (Pugh and Dietz, 2008). Surprisingly, hardly any study has made an attempt to explore the importance of shared employee perceptions of organizational climate. An analysis of accessible literature available on climate strength as presented above reveals inconclusive findings with respect to the role of climate strength. Thus, it may be difficult to draw any conclusion about the relationship between climate quality and individual perceptions and organizational outcomes, without considering 'climate strength.'Consequently, more research is required in this direction to further our understanding regarding the role and significance of climate strength in work unit processes.Addressing to the above gaps in the literature, present paper attempts to explore the effects of organizational climate on employee perceptions and outcomes, and to understand how far organization climate determines employees' job satisfaction, motivation and organizational outcomes.

Objectives

Main objectives of the study were to understand (i) the effect of organizational climate on the employee perceptions and outcomes, (ii) whether organizational climate determines employee job satisfaction and motivation, (iii) employees' perception about retention factors and (iv) the employee engagement scenario at the company.

Research Method

The study was conducted in a Mumbai based EPC (engineering, procurement and construction) company (name is kept confidential). It has 754 executives across junior, middle and higher levels. The scope of the study was kept limited only to the three levels of executives and hence 754 was the size of target population. Being constrained by limited (permissible) time given for data collection, it had been possible to interact with 57 executives for conducting interviews. Out of which eight respondents could not sit for entire interview process. Later, efforts were made to access them to complete the process. Consequently the sample size came out to be only 50. However, representative sample from each category was not proportionate to their respective strength. A combination of exploratory and descriptive research method was used.

The Findings and Discussion

Respondents' Demographic Background
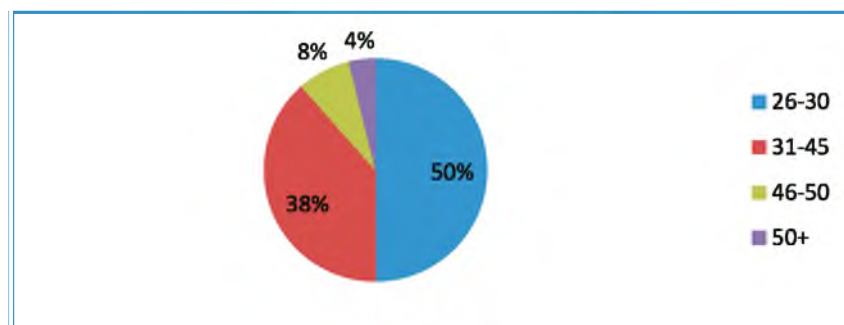
Respondents' Age Profile

Fig – 1

From the above Fig-1 we understand that 50 percent of the respondents falls in the age group of 26-30 years followed by 38 percent in the age group of 31-45 years. So from the available data it is revealed that 88 percent of the respondents are composed of executives who were either very young or in the age group of up to 45 years. They may be assumed as the most productive age groups and expected to have higher motivational level and satisfaction on job.
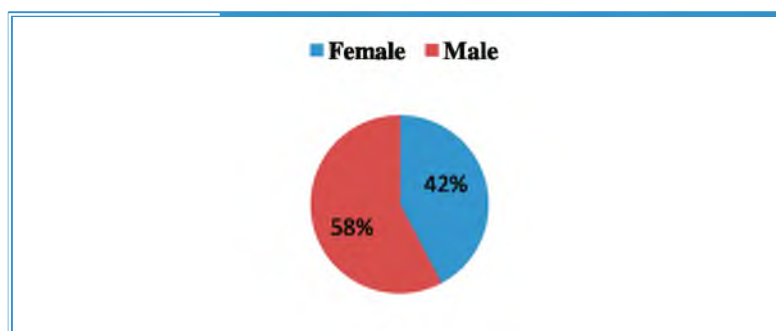
Respondents' Gender

Fig - 2

The Fig-2 makes it very transparent that the company has an inclusive and nearly balanced male and female ratio in its demographic composition of executives. While there has been a far cry in industries across sectors for creating more space for women workforce, the company under study shows a credible profile of gender representation in its leadership structures with more than 40 percent of women executives. Hence, it may be assumed that organizational climate in terms of gender diversity appears to be appreciative in the company.

Respondents' Employment Background
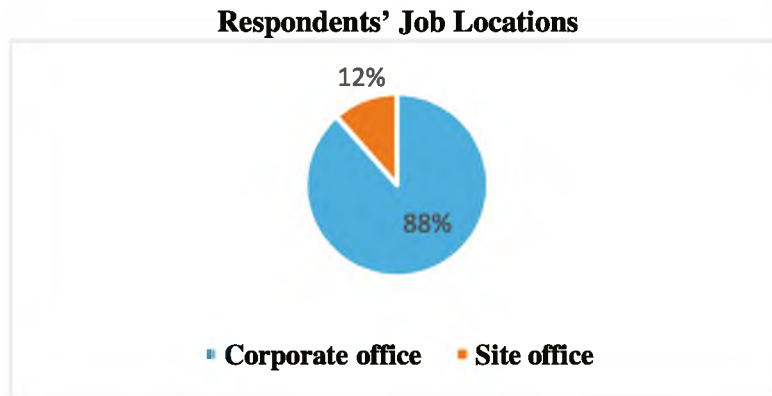
Respondents' Job Locations

Fig – 3

Fig-3 shows that a larger majority (88 percent) of the respondents are located at the corporate office and only 12 percent are posted at project sites. There is no separate table or figure to show the distribution of male and female executives in corporate office and project sites. However, it was observed and understood through interview and interaction that 'job location' is perceived mostly as 'hygiene' factor but not as a motivator by the executives. In general the female executives (respondents) expressed that even it might not be regular but they often visited project sites on official assignments. It was understood from the interaction that comparatively the younger executives (below 40 years) were open to 'relocation' opportunities, provided the job remained interesting and exciting to them. So far as the organizational climate is concerned, non-physical factors, according to most of the executives, are more important than its physical characteristics. In the following sections analysis with more detail insights has been given.
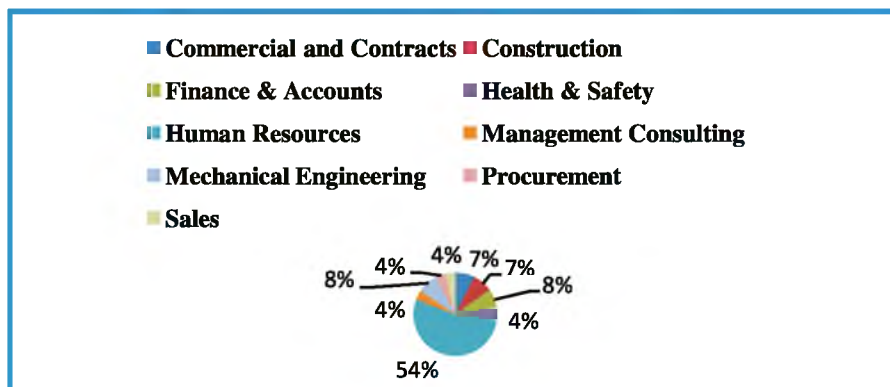

Fig – 4

The percentage distribution in the above graphics (Fig-4) may appear as something surprising, but it was the fact that majority of the respondents accessible to the researcher were from HR department. Since it was the department which had given permission to conduct the study and most of the executives are based in corporate office, so their availability and representation in sample was comparatively higher. About 54 percent of the sample was from HR department followed by small numbers from mechanical engineering, finance& accounts, health &safety etc. It's appropriate to mention here that the executives found to be unable to sit for complete interview process were mostly from mechanical engineering, consulting, construction and procurement departments. Such phenomenon may be linked to their nature of jobs and some unpredictable factors which may directly or indirectly affect their perception and performance.

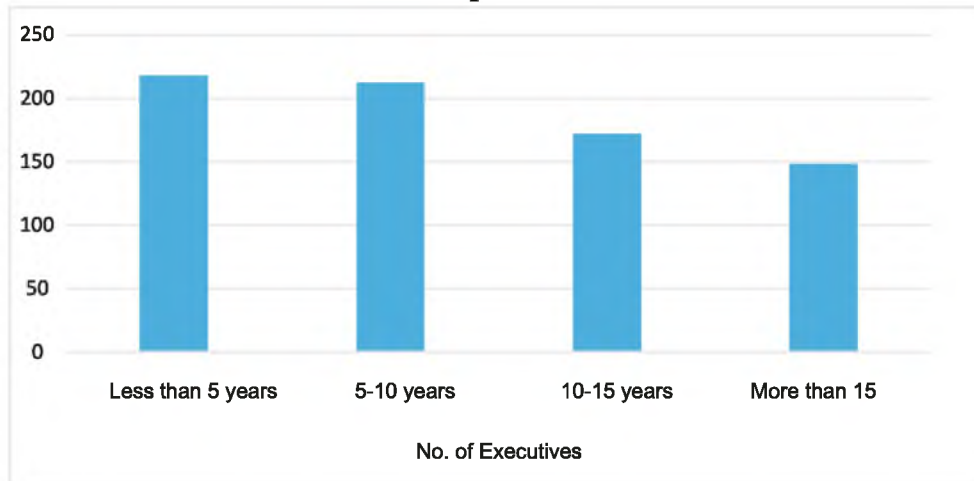**Total Years of Experience of Executives**

Chart -1

The data presented in Chart-1 were obtained from the secondary sources, mainly from company's records. It was reported that less than half of the total population (all executives) had an overall experience, including the present company, for more than 10 or 15 years and about 57 percent had either less than 5 years or 5-10 years of experience. The available data do not provide any conclusive insight about the retention practices of the company but it has been pertinent that nearly 50 percent of the executives have been associated for longer period with the company which is just 20 years old. An attempt has been made to understand the retention practices of the company from the respondents' perspectives. That will be discussed in the following sections.

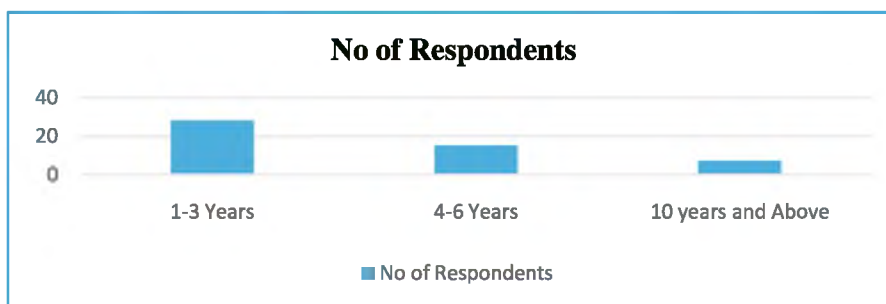**Respondents' Tenure with the Company**

Chart - 2

It has been depicted from the above chart (Chart-2) that the executives who were accessible during field work were mostly having shorter tenure of experience in the company. A majority (56 percent) had 1-3 years of association with the company, followed by 30 percent with 4-6 years association and only 14 percent had 10 years or more. It means mostly the senior executives were not accessible and so the insights shared by the respondents might not be adequate to consolidate the employees' perception about overall organizational climate and performance. While the respondents with comparatively shorter period of association with the company were found to be excited to express their views, the others were little reluctant.

Table-1: Respondents' Perceived Motivational factors

Sr No	Factors	Frequency	Percentage
1	Career opportunity in the company	47	94
2	Appreciation from boss / seniors	49	98
3	Performance linked pay and benefits	33	66
4	Policy Transparency	27	54
5	Challenges on the job/position	48	96
6	Authority and power	28	56
7	Quality of relationship and trust among employees	39	78
8	Respect from clients	19	38
9	Dignity and recognition	42	84
10	Employee engagement activity	47	94

Respondents' Motivation

In the interview schedule there was a question with multiple repose option. Respondents were asked to identify their motivational factors. It was an open question and no keys were provided to them. There had been multiple answers from the respondents (Table-1). It was surprising to note that none of the respondents mentioned anything about physical factors, such as infrastructure, office space, temperature, furniture etc. as motivational elements. Such a perception reiterates that organizational climate is something which is not limited to physical factors or elements and it is more beyond that.

In the next question respondents were asked to describe organizational climate and its determining factors. Their responses are presented in Table-2.

Organizational Climate

Table-2: Respondents' Views on Organizational Climate

Sr No	Responses	Frequency	Percentage
1	Employee friendly working environment	48	96
2	More autonomy in decision making	36	72
3	A trust worthy relationship	38	76
4	Transparent and clearly communicated policy	39	78
5	Caring leadership	41	82
6	Equitable distribution of load and rewards	29	58
7	Cleanliness and hygiene	28	56
8	Tolerance and mutual respect	40	80
9	Opportunity to grow and develop	47	94
10	Effective employee engagement and retention	39	78

From the above Table-2, we can thus conclude that majority of the respondents have rightly identified the factors that determine organizational climate. There could be many more factors and those could be largely similar or partially different across industries. The factors perceived important by the respondents would definitely be qualified as instrumental for making an inclusive, inspiring and development oriented working climate or environment.

Table-3: Organizational Climate and its Impact

Sl. No.	Whether Organization Climate has a direct impact on the following?	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Relationships on Job	34 (68%)	8 (16%)	6	2	0
2	Individual performance	14 (28%)	32(64%)	4	0	0
3	Team cohesiveness and performance	34(68%)	15(30%)	1	0	0
4	Employee job motivation	19(38%)	21(42%)	5	3	2
5	Employee job satisfaction	31(62%)	16(32%)	0	2	1
6	Employee retention	23(46%)	18(36%)	6	3	0
7	Overall organizational performance	41(82%)	6(12%)	3	0	0

According to majority of respondents' perceptions (Table-3), organizational climate directly impacts several organizational phenomena, such as relationship on job, individual and team performance, employee job motivation and satisfaction, employee retention etc.

Employee Retention

Factors Responsible for Employee Retention

The interview process continued with the next question, where researcher wanted to understand respondents' perceptions about affirmative factors responsible for retaining employees in an organization. The views of respondents have been presented in the following Table-4.

Table-4: Employee Perception about Retention Factors

	Affirmative perceptions about factors that may retain employees	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Opportunity for career growth is must to retain employee.	24 (48%)	17 (34%)	6 (12%)	3 (6%)	0

2	Employee may leave if there is no substantial increase in salary/compensation over the years.	35 (70%)	10 (20%)	0	2 (4%)	3 (6%)
3	Employees leave because of negative spill-over from work to home.	17 (34%)	19 (38%)	8 (16%)	4 (8%)	2 (4%)
4	Trustworthiness and mutual respect among employees inspire them to stay.	14 (28%)	13 (26%)	12 (24%)	6 (12%)	5 (10%)
5	Employees love to continue if there is transparency and accountability.	11 (22%)	23 (46%)	9 (18%)	4 (8%)	3 (6%)
6	Employees leave because negative spill-over from home to work.	7 (14%)	10 (20%)	8 (16%)	21 (42%)	4 (8%)
7	Employees leave if they find themselves as non-performing or uncompetitive.	7 (14%)	6 (12%)	24 (48%)	11 (22%)	2 (4%)
8	They may leave if there is injustice, discrimination or inequality in pay structure and treatment of people.	21 (42%)	22 (44%)	3 (6%)	2 (4%)	2 (4%)
9	A decorated and well maintained office space can retain employees.	5 (10%)	7 (14%)	16 (32%)	18 (36%)	4 (8%)

It is pertinent from the Table-4 that in general employees' perception about retention factors falls in the line of theoretical understanding. The prevailing perception of respondents does not consider 'physical ambience and cleanliness at workplace' as something important or relevant to retain employees. So, it may not be, according to the perceptions of employees, a qualitative or desirable component to define organizational climate. However, as perceived by the employees, the factors such as 'opportunity for career growth', 'substantial increase in salary/compensation over the years', 'negative spill-over from work to home', 'injustice, discrimination or inequality in pay structure and treatment', and 'trustworthiness and mutual respect' have emerged as the most important determining factors that may greatly impact employee retention. Further, it is surprising to note that about 50 percent of respondents were indecisive about the implications of 'their non-performance issues' on retention prospects and an equal percentage was ignorant about the risk of work-life imbalance due to 'negative spill over from home to work.'

Employee Engagement Scenario

At the last stage of interview process, an effort was made to understand whether they (i) feel they are engaged, (ii) would recommend their company to job seekers, (iii) are allowed to take risks or do mistakes, (iv) feel proud of working there, (v) receive adequate cooperation and support from their peers and seniors etc. Their views are consolidated in the following Table-5.

Table-5: Engagement Status

Whether you?	Always	Sometimes	Never
Feel you are engaged with your company	38%	44%	18%
Are satisfied with this company as a place to work	40%	54%	6%
Would recommend this company to other job seekers	44%	32%	24%
Are allowed to take risk or do mistakes	38%	38%	24%
Are proud to work for this company	44%	46%	10%
Are allowed to give suggestions	30%	44%	26%
Are properly listened by your boss	28%	26%	46%
Feel your company is open to new ideas	16%	46%	38%
Feel happy while take part in group decision making process	28%	34%	38%
Experience that you are well received and respected	32%	48%	20%
Feel that you celebrate each day at your company	16%	46%	38%
Receive encouragement and constructive feedback	30%	32%	38%

The scenario of employee engagement, as has been revealed through the above Table-5, is not very much conclusive. It may call for further research investigations to draw very specific or concise information about the pattern of employee engagement practices and its scope in and outside company premises. However, the available data depict that the majority of the respondents are not very much confident or decisive about any favorable employee engagement scenario at the company.

Conclusion

The observation and insights through processed data confirm that organizational climate definitely affects the performance of employees and their job satisfaction. Also the analysis reveals that a larger majority of the executives do not perceive 'physical factors' as important constituent of organizational climate. We can say that organizational climate is instrumental in determining the motivation, productivity, employee satisfaction and the overall organizational outcomes. However, the constituent factors or attributes of 'organizational climate' may not be always similar as appears in the text books. If this is considered as a 'construct' then its contributing factors may vary across industries, job profiles, occupations and professions. The perspectives as appeared, may have wider consensus, but are greatly related to employee 'expectations.' A greater variation in expectations may result in varied perspectives about the concept of 'climate strength.' We need to constantly assess and map changing employee perceptions and their expectations for effective 'job designing' (or redesigning), understanding potential and prospective retention factors, and identifying constituent elements to define and shape 'organizational climate.'

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