Chapter  II

THEORETICAL ISSUES IN ORGANISATIONAL CLIMATE

This chapter endeavours to provide perspectives to
the study by way of presentation of the basic theoretical
issues involved in the study of OC and the current research
literature available on the topic.

The area of OC is relatively new and therefore the
research literature in it is still evolving.  Moreover, OC
is being understood in a number of experimental ways.
Scanning the relevant literature in OC it was observed that
there has emerged a broad agreement on the following issues.

(a) that OC is a fruitful area of research in OB.

(b) that OC has an impact on job performance and
    job satisfaction.

(c) a broad agreement as to the dimensions of OC
    is emerging in that these dimensions are
    reflected in majority of researches.

(d) that four OC measurement methods namely,
    i) field studies, (ii) perception of the
    participants (iii) objective indices and
    (iv) experimental manipulation of climate
    have been accepted as useful methods of
    studying OC.

(e) that OC could be studied with respect to one
    organisation as an intensive excercise or many
    organisations as an extensive excersive.

(f) that OC could be studied from and with respect
    to different levels of management.

The relevant literatures scanned is presented in this
chapter first with a view to obtain an understanding

regarding the means and methods used for measuring OC.
Thereafter, the current literature on OC, in India and
abroad, is presented with a view to obtain hints as to the
sources, contents and especially the direction in which OC
research is moving. Another purpose of so doing is also
to ascertain the variables with which OC is found to be
usefully related.

The attempted scanning of the literature proved to be
very much useful in understanding the important senses in
which OC is studied, the principle methods available for
measuring OC and the direction in which OC research is
moving.

After the presentation of relevant literature on OC,
a brief report at the end of the chapter is given to
specify the manner in which the present work relates with
the theoretical framework provided by the current research
and the specific hints taken therefrom regarding the
direction and thrusts for this work.

As it is, OC is being presently studied by different
researchers in terms of select factors which are deemed to
create OC but not in terms the processes that lead to its
creation. It is hypothesised that it is useful to study
OC also in terms of the role of perceptions of participants
of select factors and forces in the process of climate

generation. It is also found useful to take climate in the multiple senses and relate it with some construct of efficiency.

Probably everyone has been associated, in varying degrees, with several organisations, over some period of time. Whatever organisations one associates with, they differ from one another in numerous ways. Organisations, like fingerprints, are always unique. Each has its own culture, traditions, and methods of action which, in their totality, constitute its climate. Some organisations are bustling and efficient; others are easygoing. Some are quite human; others are hard and cold. An organisation tends to attract and keep people who fit its climate, so that its patterns are, to some extent, perpetuated. Climate can influence motivation, performance and job satisfaction. It does this by creating certain kinds of expectancies about what consequences follow from different actions. Employees expect certain rewards, satisfactions, and frustations on the basis of their perception of the OC. These expectations tend to lead to motivation as explained by the expectancy model of motivation. A sound climate is a long-run proposition. Managers need to take an 'assets approach' to climate meaning that they take the long-run view of climate as an organisational asset. Unwise discipline and putting pressure on people may temporarily get better performance, but at the cost of asset, called

climate. Such an organisation eventually will suffer from depleted assets. Climate has been viewed as:[1]

(1) a relatively enduring quality of the internal environment,

(2) experienced by its members,

(3) influencing their behaviour,

(4) describable in terms of a set of characteristics or attributes, and

(5) distinguishing one organisation from others.

Although 'climate' denotes the internal characteristics of an organisation, the climate is partially a product of the environment. As an open system, the organisation is invariably influenced by numerous cultural, economic, political and technological factors. Furthermore, these factors are different for each organisation. According to one proposal, five aspects of an organisation play a particularly important role in determining an organisation's climate: size and shape, leadership patterns, communication patterns, the organisation's goals and decision-making procedures.[2]

## OC : Experienced by its Members:

It is argued that OC exists in the perceptions of individuals of their organisational environment. Climate

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[1] Tagiuri, Renato, "The Concept of Organisational Climate" in Renato Tagiuri and George H. Litwin, (eds.), Organisational Climate (Boston: Division of Research, Graduate School of Business Administration, Harvard University, 1968), pp.25-26.

[2] Ibid., p. 29.

is a function of how one perceives it; it is not an
objective reality. Each individual perceives things
differently. Personal characteristics such as needs, values,
and attitudes, products of each person's individual and
unique developmental history influence one's perception of
various aspects of the work environment. In forming climate
perception, the individual acts as an information processor.
The individual's needs, incentives and expectancies are
satisfied or frustrated by his or her perception of the
work environment. Such experienced motivation tends to
lead to behaviour outcomes - absenteeism, accidents,
quality of work, quantity of work,and turnover. The whole
process just described may be depicted as follows:

| Work climate | — | Personal perception of climate | — | Motivation | — | Behavioural outcomes |
|---|---|---|---|---|---|---|

OC, thus, reflects the interaction of personal and
organisational characteristics. It is not the reality of
the OC but how the individual/perceives the climate that is
important. The manager cannot assume that he is instru-
mental in creating a "healthy" or "satisfying" climate; the
managers must try to ascertain how the employees view the
climate. Global perceptions of the organisation emerge as
a result of numerous activities, interactions, reactions,
and other daily experiences, the person has with and within
the organisation. Since climate (as perceived by members)

is conceptualised as being caused by discrete experiences and as causing latter behavioural outcomes, it is, in reality, an intervening variable in the area of variables for organisational behaviour research (Likert, 1961). It is not an output in the sense that performance and turnover are. More important, perhaps and contrary to the way it has been used in most researches, climate is not an independent variable that can be directly manipulated such as working conditions or formal structure. Climate is a perception that results from the numerous events occuring to people and may affect day-to-day job experiences. Climate is an outcome only in the sense that it is a global summary of perceptions rather than the perception of a discrete event.[3]

## Dimensions of OC:

One of the most difficult aspects of defining the OC is the determination of what variables to use in defining the climate. Most measures of climate focus upon particular aspects of the work environment, but the aspects singled out tend to vary from one study to another. An agreement upon the dimensions of OC and their definition remains one of the most pressing concerns for organisational researchers. An intensive examination of the literature has revealed

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[3]Schineder, Benjamin and Hall, D.T., "Toward Specifying the Concept of Work Climate", Journal of Applied Psychology, Vol. 56, No. 6, December, 1972.

neither mutually dependent nor mutually exclusive; it is probable that both kinds of analyses will need to be undertaken.[5] Forehand and Gilmer, selected five variables - size, organisation structure, systems complexity, leadership pattern, and goal directions - from a list of about 30 properties mentioned in studies, and have discussed their influence on behaviour and performance.[6]

<u>Size:</u>

Thomas and Fink (1963) point out that size may be considered "phenotypic and really but a correlate of the social and psychological condition capable of producing changes in member and group behaviour," and suggest, as intervening variables, resource input (e.g., skill), demand input (e.g. social interaction), and potential relational complexity.

As one moves from small groups to large organisations, size takes on a different significance. As the number of possible person-to-person interactions increase, the capacity of individuals to form relationships gets exhausted. A result is the development of small face-to-face sub-groups within the large organisation, and of pressure toward cohesiveness and adoption of subgroup norms, sometimes at the expense of larger organisational goals

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[5]Forehand, Garlic A. and Gilmer, B. Von. Haller, "Environemntal Variation in Studies of Organisational Behaviour", Psychological Bulletin, Vol. 62, No. 6 (December, 1964), pp.261-82.

[6]Ibid.

(Blau and Scott, 1962; Golembiewski, 1962b; Thomas and Fink, 1963).

The effects of group size upon an individual depends in a large measure on the individual's position within organisation. Studies suggest that satisfaction of work-group members decreases as size of work-group increases. In the large organisation, the existence of sub-groups has the effect of removing the individual from goals of the organisation.

For the managers, increasing size may require different sets of skills (Ghiselli, 1963; Haire, 1956). The face-to-face techniques of management must give way to dealing with sub-groups and coordinating their outputs.

Structure:

Organisations have been found differing widely in the degree of hierarchical organisations of skills, rewards, and authority.

"Flat" (decentralised) organisations have been found superior to "tall" (centralised) organisations with respect to satisfaction of employees' needs (Worthy, 1950).

Experimental studies, especially those involving communication networks, indicate that satisfaction with job and results are greater in structures with a wider spread of participation. In more centralised structures,

satisfaction is highest in the more central position.
There is also evidence that centralised structures are more
effective than non-centralised structures for coordinating
results, the responsibility for which falls mainly to
persons in central positions.

## Systems Complexity:

The systems concept has generated a wide variety of
research interest. Such research has potential for the
precise description of organisational units. The systems
concept provides several ways of describing environmental
variation. Organisations may vary in the complexity of
the systems that they employ. Complexity is definable in
terms of the number of components and the number and nature
of the interactions among them. This makes for variation
in both stimulus availability and behavioural constraint.
The social aspects or system also makes for the variations
in climate.

## Leadership Style:

Significant organisational properties are controlled
by persons in leadership positions. Thus, a tentative
measure of aspects of climate may be obtained by simply
taking personality measurements of leaders. Follower
behaviour has been studied as a function of leaders'
degree of authoritarianism. Participative management

practices are also an important dimension of OC. The typical leadership practices have a potential for a reliable description of organisations.

## Goal Directions:

Variations in organisational goals is obvious to observers of organisations. Such variation has provided one basis for classifying organisations, for example, business or government organisations. Even among business organisations there is variation with regard to the relative weight placed an subsidiary goals (e.g. market leadership). Such variation is expected to influence behaviour of members as organisational goals define the aspects of behaviour that would be rewarded or punished.

Organisational goals may also interact with personal characteristics, particularly the motives of individual organisational members. Such interaction may be manifested in several ways: (a) the extent to which the individual perceives and understands the organisation's goals may depend upon his own skills and attitudes. (b) The individual who responds to his own goals, ignoring those of his organisation, can succeed to the extent that his goals coincide with those of organisation. (c) The individual who responds both to his own and to his organisation's goals faces the possibility of conflict.

## Measurement of OC:

The measurement problem of OC is similar in some respects to that of studying individual behaviour. The problem may be conceived as one of constructing tests for organisations, and thus involves the systematic observation of the behaviour of organisations. There are a variety of possible ways for making the required systematic observations. Approaches include field observation, assessments of perceptions of organisations by organisational members, observation of objective organisational properties, and experimental variation of organisational properties and processes.[7]

## Field Studies:

Intensive observations of the actual, ongoing activities of organisations may provide a researcher with a sensitive feel of the organisation's climate, and, depending upon the skill of observer, a communicable model of the organisation's functioning. Two approaches to the observation of OC variation have been (a) examining behaviour in contracting organisations (comparative studies), and (b) studying the effects of changing conditions in a single organisation (longitudinal studies). The richness of information available from field studies carries with it some serious disadvantages, notably the practical expenses,

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[7] Ibid.

demands upon the skill and sensitivity of the observer,
the impracticality of obtaining a sample size of more than
two or three organisations and perhaps the most serious dis-
advantage, the inherent subjectivity of the classifications.

Perceptions of Participants:

Theoretical conceptions of the relationship of organisa-
tional properties to individual behaviour often emphasise the
role of perception of organisational properties as intervening
variable. For example, Likert's interaction - influence
model assigns central importance to organisational
characteristics as they are perceived by the individual.
This point of view suggests the measurement of climate
indirectly via perception of the individuals whose
behaviour is being studied. Another argument for assessing
OC by means of perceptions is that such perceptions are based
upon experience that is both more extensive and more
involved than that of an outsider.

Objective Indices:

Several attempts have been made to examine objective
properties of organisations, properties easily and
reliably available from records. This method affords
the possibility of studying a wide variety of organisations,
with consequent advantages for studying the generality of
the conclusions. The major difficulty is that the variables

that may be examined are too numerous and too specific to be really interpreted.

## Experimental Manipulation of Climate:

Some investigators have envisaged the eventual possibility of selecting climate for maximum benefit. As a research device, the idea of identifying relevant dimensions of climate and varying them systematically has appeal. This would permit a clear-cut test of interaction hypotheses.

## Research on OC:

On the basis of the investigations and writings on organisational climate, the following conclusions appear justified:-

1. Organisations of any size or complexity may have multiple climates, and each relatively homogenous subunit should be examined separately and remedial measures tailored to that unit, if called for.

One study found two substantially different perceptions of climate in a small, rapidly growing, single-office consulting firm that was five years old.[8] The organisation had grown from 12 to 180 employees preceding the study and was involved mainly in social science studies. Two groups of professional employees were selected for study and comparison. The first group consisted of the nineteen

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[8] Johnson, Russell H., op.cit.

employees who had been with the organisation for over
three years; this group was designated as first generation.
A second group, labeled second generation, consisted of
twenty employees chosen randomly from sixty employees who
had been with the organisation for six months to two years.
There were no statistically significant differences in the
groups on marital status, sex, or educational level. Data
on the quality of the individual-organisation relationship
were gathered by conducting a relatively non-directive
interview with each employee and resulted in 204 statements.
These statements were then grouped into twenty-five comment
categories and a scoring format subsequently developed that
summated the difference between the positive and negative
comments by each individual. The analysis of data showed
that first-hand generation employees expressed significantly
more positive perceptions than did second-generation
employees on eleven of the twenty-five categories. In other
words, early joiners of the organisation indicated that
they had established and maintained a different, more
positive relationship within the firm than did newer
employees. The only exception was commitment to organisa-
tion in which second-generation employees were most positive
in their perceptions. Perhaps the most obvious implication
of the data is that each generation group perceived a
different climate within the organisation. That experienced
by first-generation members was flexible, strongly oriented

toward individuality and interpersonal relationships, non-authoritarian, and generally concerned with integration of individual and orignisational goals. Second-generation members perceived a climate that was more rigid and procedural, had a more hierarchically based influence and authority system, was more impersonal, and placed greater emphasis on organisational goals.

2. The organisational climate is perceived differently by top, middle and lower levels of management. This is another way of partitioning an organisation into different homogeneous groups.

A study demonstrated how the perception on organisation climate is peculiar to the individual and his or her perception or role in the organisation by examining the psychological perception of climate of 1,039 managerial level personnel from four organisations that had been separated into three groups - top, middle, and lower.[9] These three levels of management were compared on their perception of the following climate factors:-

(1) Clarity and efficiency of structure

(2) Hindrance

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[9]Gavin, James F. and John G. Howe, "Psychological Climate: Some Theoretical and Empirical Considerations", Behavioural Science 20 (1975): 228-240.

(3) Rewards

(4) Esprit

(5) Management trust and consideration

(6) Challenge and risk.

An analysis of the three levels of management disclosed that there were significant differences for four of the six climate factors. The climate factors of structure and challenge/risk were not significantly different between the management levels, but climate varied significantly on the hindrance, rewards, esprit, and trust/consideration dimensions. The obvious conclusion was that climate is perceived differently by top, middle and lower levels of management.

3. The laboratory and field studies of organisations indicate that climate variables influence the predictability of performance, motivation, satisfaction and performance. The OC interacts with personal individual characteristics such as abilities, needs and values and subsequently influences behaviour.

Two studies conducted in laboratories simulating industrial firms that used climate dimensions as independent variables; that is, climate was varied, and its subsequent impact on behaviour, the dependent variable, was studied.

One study had 260 managers work through an in-basket test.[10] Two climate dimensions were varied: one pertained to rules and the other to supervision. The effects of rules were studied in two climate settings, innovative (few rules) and highly structured (rules oriented). The effect of supervision was also examined in two climate settings - close supervision and loose supervision. Consequently, different combinations could be structured to create different climates. Several conclusions of this study were very impressive. (1) Predictability of performance was higher under innovative climate. (2) Performance was more predictable for those managers who worked in a consistent climate (innovation and loose supervision of rules and close supervision) than for those who performed in an inconsistent climate (innovation and close supervision or rules and loose supervision). (3) Managers employed different work methods under different climate conditions. For example, under the climate conditions permitting more freedom, administrators dealt more directly with peers, whereas, in the restrictive climates, they tended to work through more formal channels.

Litwin and Stringer designed a laboratory simulation to study the influence of leadership style and OC on the

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[10]Fredericksen, N., "Some Effects of Organisational Climates and Administration Performance", Research Memorandum RM-66-21 (Educational Testing Service, 1966).

motivation and behaviour of organisations.[11]   Three
simulated business organisations were created, each with
fifteen members plus a president who was a member of the
research staff.   The presidents were instructed regarding
the leadership style that they were to maintain throughout
the experiment.   Each business had three major tasks and
three corresponding functional departments: production,
product development, and accounting.   The businesses were
responsible to a simulated government agency, which
released specifications for the products and product
changes.   The experiment was conducted over a two-week
period, comprising eight actual days of organisational life;
the work day averaged about six hours.   A close examination
of data revealed that three distinct leadership styles
were created, and each produced a different OC.   The
climates were designated as power and authoritarian for
organisation A, affiliation and democratic for organisation B,
and achieving and goal directed for organisation C.   Each
climate was effective in arousing its own unique need, or
motive.   Organisation C, outperformed its two competitors
in introducing new products, cutting material cost
substantially, and generating the highest profits.
Organisation A enjoyed the best quality reputation, but it
was not able to innovate.   Organisation B had the poorest

[11]Litwin, George, M., "Climate and Motivation:   An
Experimental Study", in Tagiuri and Litwin, op.cit.,
pp.169-189.

profit but enjoyed a good "quality" image and was able to
innovate. Two important conclusions were drawn: (1) Distinct
OCs can be created by varying leadership styles. (2) Once
created, these climates seem to have significant, often
dramatic, effects on motivation and correspondingly on
performance and job satisfaction. Each of the three
experimentally induced climates aroused a different motiva-
tion pattern.

These two studies were conducted in a laboratory
setting, which is ideal for controlling and measuring
experimental variables. However, when one moves out into
the real world, experimental controls become extremely
difficult. Several studies have been conducted in the
field, that is, in real organisations to study the impact
of OC on behaviour as performance.

The multifaceted study of Pritchard and Karasick
examined the relationship of climate measures to satisfaction
and performance.[12] This study showed climate to be strongly
related to individual satisfaction but much less related
to individual performance.

Another study found that the relationships among the
climate factors, job satisfaction and job performance are

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[12]Pritchard, Robert D. and Bernard W. Karasick, "The
Effects of Organisational Climate on Managerial Job
Performance and Job Satisfaction", Organisational
Behaviour and Human Performance, 9 (1973): 126-146.

very significant.[13]

R. Prakasam et.al., studied OC in four banks and concluded as follows: [14]

(1) The four banks studied seem to have a
    different pattern of climate profiles as
    observed through the sample branches;

(2) OC has a significant bearing upon employee
    satisfaction. Among the climate dimensions
    promotion, supervisory people orientation and
    non-financial rewards have greater impact
    upon employee satisfaction. On the other
    hand, conformity (rule orientation) and
    supervisory bureaucratic orientation have a
    negative impact upon employee satisfaction;

(3) Supervisory style of branch managers has a
    significant impact upon the prevailing climate
    of the branches. While people-oriented
    supervision is able to create a favourable
    climate, a bureaucratic-oriented supervision
    creates unfavourable climate in their branches.

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[13]Hellriegel, Don and John W. Slocum, Jr., "Organisational Climate: Measures, Research and Contingencies", Academy of Management Journal, 17 (June, 1974): 263.

[14]Prakasam, R., Deshpande, M.V. and Kshirsagar, S.S., "Organisational Climate in Four Banks: Report on a Survey", Prajnan, Vol. III, No.3, (July-Sept., 1979), pp.275-294.

In another study author concludes,

"Indian employers, in both private and public
sectors, are still by and large traditional
in so far as their man-management system is
concerned. Although employee's needs for
security and monetary benefits are being
looked after quite well, this has hardly
brought about any visible improvement in
employer-employee relations in India. The
wide spread alienation of employees at all
levels suggests a different approach to
tackle this problem. This study highlights
the need to cater to various social and
psychological needs of the employees which
are at present largely neglected, the most
important of these being participation in
management, training facilities, and
grievance-handling procedures."[15]

Shah and Vaghul in their research note on the OC
found that individual growth, clarity of organisational
goals, job clarity and trust in organisation strengthened
the OC while personnel policies, decision-making process,
upward communication, innovation, central office efficiency
were the weaknesses.[16]

Zahir and Nayan in their study of 50 workers and 12
management representatives in a large sugar factory in
U.P., using questionnaires and interviews, found that the

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[15]Sharma, B.R., "Organisational Climate and Employer-Employee Relations in India", Abhigyan, (Spring,1983), p.53.

[16]Shah H. and Vaghul, N., "Research Note: Survey of Organisational Climate," Prajnan, Vol. IV, No. 4 (1975), pp. 587-96.

social climate of the firm if not very conducive to efficiency will make any formal motivational programme only partially successful.[17]

4. There is sufficient evidence to conclude that organisations do have climates that differ from one another.

Pritchard and Karasick tested the validity of their climate measure by comparing the climates of two firms having a clear-cut difference in value orientations, as such organisations would be expected to have markedly different organisational climates. They found that these two organisations with different value orientations produced different climates.

Having presented the relevant literature on OC it was thought necessary to broadly state how the present study obtains its bearing from the same, while retaining its special thrusts. The Table 2.1 offers a quick glance summary of the researches and also provides the basis and background of the research hints obtained from the same for the present study. The fourth column in the table entitled 'Research Remarks' point up the hints thrown by the researches.

[17]Zahir, M.A. and Nayan, K., "Social Climate of the Organisation: A Case Study," Indian Journal of Industrial Relations, 13 (3), 1978, pp. 371-79.

Table 2.1: Summary of the Important Researches in Organisational Climate.

| Name of the Researcher | Research Theme | Research Findings | Remarks |
|---|---|---|---|
| John Russell H | Organisations of any size or complexity have multiple climates. Sub-climates may be different. | Different sets of employees perceived the OC differently | Multiple climates could be studied using perceptual method and involving different sets of employees. |
| Gavin, James F and John G. Howe | Perception of OC by different levels of personnel on select climate factors. | Different levels of organisation perceived OC significantly differently. | Perceptual method. Significant differences in OC perception among levels of personnel. Climate factors to be selected. |
| Frederickson N | Relationship between OC dimensions as variables and their impact on behaviour. | Different climate conditions make for different levels of performance predictability. Different work methods used by managers under different climate conditions. | Performance and climate have a relationship. Different climate conditions indicate different work methods. |
| Litwin and Stringer | Influence of leadership style and OC on motivation. | Different leadership styles create distinct OCs and climates once created have significant effects on motivation, job performance and job satisfaction. | Leadership style a crucial factor in OC creation and OC in this sense influences job performance. |
| Pritchard, Robert D and Bernard, W. Karasick | Relationship of climate measure to job satisfaction and performance. | OC has strong relationship with job satisfaction but less with job performance. | OC and job performance are relatable. |
| Hellriegel, Don and Johns Slocum Jr. | Relationship among climate factors, job satisfaction and job performance. | These relationships are very significant. | Climate, factors and job performance have significant relationships. |
| Prakasnam, Deshpande and Kshirsagar | Different bank branches studied for OC. OC and employee satisfaction relationship. Supervisory style and its impact on climate. | Different banks have different climate, profiles. OC and employee satisfaction are significantly related. People oriented supervision (consideration style) creates favourable climate. Bureaucratic supervision create unfavourable climate conditions. | Supervisory style has significant impact on climate. Different organisations have different climates. |

**Table 2.1 (contd.)**

| Name of the Researcher | Research Theme | Research Findings | Remarks |
|---|---|---|---|
| Zahir and Nayan | Social climate and efficiency. | Non conducive climate makes fromal motivational programmes partially successful. | Climate and efficiency have a notable relation. |
| Pritchard and Karasick | Different climates and value orientations of the organisation. | Different value orienta-tions produced different climates. | Value orientations have an impact on OC. |
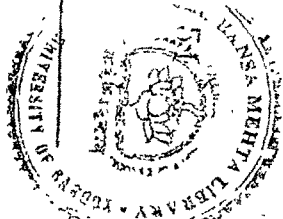
The underlined phrases in all the three columns
point out the specific hints that were taken while
designing the present study. Column fourth entitled
'Remarks' more especially displays the specific relational
hints that proved to be extremely useful in designing
the study and especially the hypotheses. The present work,
while relating with the general research works done in the
area in terms of direction and contents has its own
unique thrust, methodology and the areas of research
in OC.

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