Organizational Climate as a Predictor of Organizational Effectiveness

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Abstract

The last few decades have witnessed an immense focus on contemporary issues and challenges in Human Resource Management, which has made the study of organizational climate a very popular one. Managing organizational climate determinants has become very important for the development of organization. The theme of this study is to establish relationship of organizational climate towards employee performance and organizational effectiveness. The study on organizational climate helps to identify the areas of employee satisfaction and dissatisfaction to facilitate management in the creation of greater workplace harmony and, therefore increased productivity.

Key words: Organizational climate, Organizational effectiveness, Employee performance

Introduction

Organizations are collection of individuals whom come together for the accomplishment of certain goals and objectives. Our society is an organizational society. The progress and welfare of a society depends on organizations. So it may be said that organizations play a dominant role in our lives. Human beings are involved in organizations as employees, students, clients, patients and citizens. Every aspect of an organization is determined by the competence, motivation and effectiveness of its employees. The ability of the organization to survive and respond to competitive challenges can be sustained and mobilized only if the organization has competent, efficient and motivated manpower. Therefore, it can be assumed that the effectiveness of the organization depends on the nature of human resources it possesses. Organizational effectiveness reflects how effectively the organization can discharge its obligations with respect to all its constituencies in its internal and external environments.

Research problem

Organizational climate or environment of work place is one of the factors that explicitly or implicitly influence the level of performance of employees and overall effectiveness of the organization. Employers have the responsibility to provide a safe and healthful workplace for their employees. It is highly relevant to analyze whether the organizational climate is a determinant factor of organizational effectiveness or it predicts the performance of employees.

As many of today's businesses continue to struggle to survive or remain profitable; it becomes important, to better understand the factors that influence

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employees and important employee-oriented work out comes. The growing significance placed on understanding employees and their behaviour within the organisation has produced a great deal of interest in investigating employee perceptions of climate within the organisation. In the present competition scenario, it is important to understand how the organisational climate influences organisational effectiveness.

The study of organizational climate is necessary to understand organizational effectiveness. In simple terms better the climate of an organization more effective would be the organization and *vice versa.* You must be aware that some organizations perform better and grow more rapidly than other. On the extreme side some organizations perform badly and within a short period of time go out of business. How can we measure effectiveness? In order to measure the effectiveness let us analyze following components of organizational effectiveness.

The different components of organizational effectiveness can be found from the answer to the following questions.

· Are the employees satisfied with the organization?

· Are the customers satisfied with the organization?

· Is the organization profitable?

· Is the organization growing in terms of profit, revenue, number of products, expansion into new locations, line of products etc.?

· Is the organization productive i.e., creating goods and services of high value at minimum cost? And

· Is the organization innovative or stale?

Objectives of the study

To assess whether the organizational climate is a predictor of organizational effectiveness

Methodology and Database

This study is purely based on secondary data. The data are collected from magazines, dailies, journals, published and unpublished articles, websites, etc.

Organizational Effectiveness- The concept

Since organization and management science emerged in the early 1900s in conjunction with the industrial revolution, an evolution has occurred in concepts about the nature and function of organizations and the criteria for organizational effectiveness. These concepts have grown and evolved in dynamic interaction with the organizations and institutions that have become the companies, governmental agencies, and not-for-profit organizations of today's increasingly global society. From almost nothing at the turn of the twentieth century, organization and management science has become pervasive at the turn of the twenty-first, represented prominently in colleges and universities, libraries and bookstores, and in the training classes of public and private sector organization.

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Organizational effectiveness denotes that meeting organizational objectives and prevailing societal expectations in the near future, adapting and developing in the intermediate future, and surviving in the distant future. It considers how well organization performs business. In short organizational effectiveness is a function of productivity resulting from employee's satisfaction or it is a function of clear authority and discipline within an organization.

Relevance of organizational effectiveness

Organizational effectiveness is important, because:

a) It enhances the potential for job stress, promotional opportunities, and longevity with the employer.
b) It provides a structure for organizing one's work.
c) It increases, understanding of the way big organizations operate.
d) Organizational effectiveness measures both the effectiveness of an organization in doing its business and to the effectiveness of each employee within the organization.
e) It measures a company's ability to compete successfully against newcomers in the industry and an ability to attract talented employees.

Determinants of Organizational effectiveness

1) Organizational climate and culture
2) Organizational mission, vision, programs and services
3) Organizational structure
4) The internal and external environment
5) Existing organizational resources
6) Employee satisfaction
7) Inter and intra organizational relationship
8) Profitability
9) Open communication
10) Flexibility to environmental changes and internal changes

Approaches to Measuring Org. Effectiveness

1) **Goal Approach:** Effectiveness is the ability to excel at one or more output goals.

2) **Internal Process Approach:** Effectiveness is the ability to excel at internal efficiency, coordination, motivation, and employee satisfaction.

3) **System Resource Approach:** Effectiveness is the ability to acquire scarce and valued resources from the environment.

4) **Constituency Approach:** Effectiveness is the ability to satisfy multiple strategic constituencies both within and outside the organization.

5) **Domain Approach:** Effectiveness is the ability to excel in one or more among several domains as selected by senior managers.

Organizational Climate - The concept

The idea of organizational climate integrates 3 types of concepts viz,

Environmental concepts, such as size and arrangement of the firm, which are peripheral to the person.

Individual concepts, such as attitudes the worker brings with him to the firm, and

Outcome concepts, such as satisfaction, performance, and commitment to the firm Organizational climate are a multidimensional construct that encompasses a wide range of individual evaluations of the work environment. Organizational climate refers to a set of characteristics that describe an organization, it distinguish from other organization, endure over a long period of time and influence the behavior of the people in it.

Relevance of organizational climate

A successful organization has clear cut objectives. Its members pursue goals and objectives that can be achieved efficiently and effectively by the concerted efforts. So organizations are essential to the way our society operates. Climate is interchangeable with the term psychological environment and is concerned with the structure, autonomy, reward structure, tolerance and conflict, need for innovation, warmth, support, consideration, job stress, job satisfaction, leadership style etc.

Organizational climate is the term frequently employed to describe the psychological structure of organization and their sub units. Every organization has a personality uniqueness or climate of its own. This climate affects the behaviour of the individual living and working in the environment which in turns influences their performance. Thus the environment of an organization is an important factor, which influences the behaviour and activities of the role participants. It is the behaviour of group members, which decides the climate in their organizations, and thus much of the organizational output depends upon the natural interaction among various components of organization. Organizational climate is very important factor to be considered in studying and analyzing organizations because it has a profound influence on the outlook, wellbeing and attitudes of organizational members and thus on their total performance. It provides a useful platform for understanding each characteristics of organization such as stability, creativity and innovation, communication and effectiveness etc.

Predicting Factors of Organizational Climate

1) Organizational structure
2) Perceived organizational support
3) Organizational principles, practices and norms
4) Job satisfaction
5) Leadership style
6) Employee morale, motivation and productivity
7) Organizational commitment
8) Interpersonal relationship
9) Reward structure
10) Workers participation in management

Organizations are interacting entities in which the desires of the individual, the group and the organization are in a continual state of adaptation. So there is not one goal but multiple goals.

The conception of organizational effectiveness assumes the following general criteria:
a) Organizational productivity
b) Organizational flexibility
c) Absence of intra-organizational strain or tension

These three criteria are greatly depends upon the climate of an organization.

We can determine the organizational effectiveness by way of analyzing the organizational climate factors such as employee job satisfaction and motivation, overall performance, productivity and flexibility etc. Every organization makes efforts to increase the effectiveness. In this process, the organization must analyze the present climate is ethical one or not and we must diagnose the source, the nature and causes of low effectiveness. The main reasons for the failure to achieve organizational effectiveness are (a) failure of administrators to act when they need to (b)taking the wrong action (c) lack of sufficient effort(d) excessive effort in relation to need etc. After diagnosing the causes of low effectiveness, the organization can take necessary and corrective action over the controlled factors. Every organization must provide an ethical organizational climate to their employees for improved productivity and organizational effectiveness.

How organizational climate variables predicts Organizational Effectiveness

1)Organizational Structure-

Organizational structure may be defined as the established pattern of relationships among the components of the organization. Organization structure in this sense refers to the network of relationships among individuals and positions in an organization. Jennifer and Gareth have defined organization structure as the formal system of task and reporting relationships that controls, coordinates and motivates employees so that they cooperate and work together to achieve an organization's goals. In fact organization structure describes the organization framework.

The organization structure contributes to the efficient functioning of organization in the following ways:-

Clear-cut Authority Relationships: Organization structure allocates authority and responsibility. It specifies who is to direct whom and who is accountable for what results. The structure helps an organization member to know what is his role and how does it relate to other roles.

Pattern of Communication: Organization structure provides the patterns of communication and coordination. By grouping activities and people, structure facilitates communication between people centered on their job activities. People who have joint problems to solve often need to share information.

Location of Decision Centers: Organization structure determines the location of centers of decision making in the organization. A departmental store, for instance may

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follow a structure that leaves pricing, sales promotion and other matters largely up to individual departments to ensure that various departmental conditions are considered.

Proper Balancing: Organization structure creates the proper balance and emphasizes on coordination of group activities. Those more critical aspects for the success of the enterprise may be given higher priority in the organization.

Stimulating Creativity: Sound organization structure stimulates creative thinking and initiative among organizational members by providing well defined patterns of authority. Everybody knows the area where he specializes and where his efforts will be appreciated.

Encouraging Growth: An organization structure provides the framework within which an enterprise functions. If it is flexible, it will help in meeting challenges and creating opportunities for growth. A sound organization structure facilitates growth of the enterprise by increasing its capacity to handle increased level of activity.

Making use of Technological Improvements: A sound organization structure which is adaptable to change can make the best possible use of latest technology. It will modify the existing pattern of authority responsibility relationships in the wake of technological improvements.

In short, existence of good organization structure is essential for better management. Properly designed organization can help in improving team work and productivity by providing a framework within which the people can work together most effectively. Therefore, an organization structure should be developed according to the needs of the people in the organization.

2) Perceived organizational support- It refers to employee's perception towards the co-operation and support from their employers. It means employee's global belief concerning the extent to which the organizational values, his contributions and cares about his wellbeing. Perceived organizational support has been used to investigate how employees view their organizational commitment back to them through the provision of support mechanisms such as fair organizational climate, increasing monetary and non-monetary benefits, increasing decision making power, organizational rewards&favourable job conditions etc. for achieving organizational effectiveness.

3) Trust- It involves degree of confidence, reliability, competence, benevolence and integrity or honesty. Organizations with high levels of cultural trust tend to produce high quality products and services at less cost because they can recruit and retain highly motivated employees. These employees are more likely to enjoy their work, take the time to do their jobs correctly; make their own decisions; take risks; innovate; embrace the organization's vision, mission, and values. The keystone that supports courage and assessment is an understanding of trust and the role it plays in productive organizational relationships.

4) Organizational principles, practices & norms- It involves the rules and regulations or terms and conditions, policies of the organization etc. To create organizational effectiveness and ensure sustainability, business leaders need to focus

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their attention on keeping organizational norms, principles and values while engaging their employees with their jobs and with the organization. The systems, symbols, and behaviors that leaders and other employees are exposed to within an organization must align to the desired culture to achieve the business strategy. Effective implementation of organizational principles and terms is a key driver of organizational effectiveness.

5) Job satisfaction –It refers to a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences. The most important factors relating to job satisfaction are-

Personal factors such as individual employee's personality, age, sex number of dependence, education, intelligence, time, on the job etc.
Factors inherent in the job such as the type of work to be performed, skill registered for work performance, occupational status involved in the job, differences in work situations etc.
Factors under the control of the management such as social and economic security, wages and salaries, fringe benefits, opportunities for advancement, working conditions, type and quality of supervision etc
 If the employer provides favorable working conditions to their employees it will enhance employee satisfaction and then increase organizational effectiveness.

6) Organizational commitment- It refers to the magnitude of employee's identification and involvement with the firm and its objectives. It involves job performance, job satisfaction etc. It can be measured by way of measuring absenteeism and employee turnover. If absenteeism and employee turnover are high, there is no organizational commitment by the employees and hence decreasing organizational effectiveness.

 7) Leader's behavior- It represents the managerial style of the organizations senior executives. Generally there are three basic leadership styles-

    Autocratic style-Under this style the leader assumes that full responsibility for deciding on the group's projects by assigning tasks to members and permitting no participation in decision making.

    Democratic (participative) style- Leader consults the subordinates before arriving at decisions.

    Free rein (laissez-faire) style- Here subordinate may be asked to set their own goals and develop plans for achieving them. There is very little control or influence of leader.

    It is better to adopt democratic or participative leadership styles in the organizations which are more influencing the performance of employees and organizational effectiveness.

 8) Employee motivation-. Motivational factors includes- fair remuneration, job satisfaction, job security, fair promotion, congenial working environment, honest and competent leadership, efficient system of grievance redressal, freedom of mobility, expression etc. are directly associated to organizational achievement. Empowerment

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as an approach to leadership that empowers subordinate as a main constituent of managerial and organizational effectiveness Empowering is giving authority and liberating potential of employees. The motivated employees' works best in the interest of the organizations which leads them towards growth, prosperity and productivity. Thus the employee motivation and organizational effectiveness are directly related. So the organizations should work out and make such policies and organizational structures that support employee recognition and empowerment.

9) **Reward structure**- The degree to which rewards such as salary increases and promotions are allocated according to employee performance rather than seniority, favoritism, or other non-performing factors. Reward involves both monetary and non-monetary benefits. In order to achieve organizational effectiveness through employee satisfaction it is important to provide fair and reasonable remuneration to the employees, because reward structure is closely related to employee performance.

10) **Worker's participation in management**- It emphasizes that participation of employees in setting goals. It is a systematic and organized approach that allows management to attain maximum results from available resources by focusing on achievable goals. The emphasis on joint goal setting and self-control not only promotes individual development but also improves organizational effectiveness in the long run.

11) **Employee stress-** It is a dynamic condition in which an individual is confronted with an opportunity, constraint or demand related to what he desires and for which the outcome is perceived to be both uncertain and important. It involves environmental factors such as economic uncertainty; technological uncertainty .Organizational factors such as organizational structure, leadership, satisfaction etc. Individual factors such as family problems, economic problems, personality etc. will leads to behavioral symptoms such as productivity, absenteeism and turn over etc. Psychological symptoms such as anxiety, depression, decrease in job satisfaction etc. The complexities of those problems will adversely affecting the organizational effectiveness.

12) **Ecology**-It involves physical and material factors in the organization such as size, age, design, facilities and conditions of the building. It also includes the technology used by people in the organization, machines and equipments or everything used to carry out organizational activities. Only when the ecological factors are comfortable to the employees; they are ready to work properly .Favourable ecology will leads to organizational effectiveness.

Conclusion

Many studies have established that an employee's job performance and organizational effectiveness is highly influenced by the organizational climate. The organizational climate is a major factor influencing the effective work performance of the employee. The very climate is influenced by of variables like authority pattern, reward system, leadership and communication system. In the management of organizational excellence, the organizational climate has emerged as one of the important variables of human behaviour. Managing and developing human resources is an increasingly important determinant of organizational effectiveness. Organizational climate holds the key to increased commitment, productivity, and profitability.

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An organizational climate which could effectively balance the multifaceted interests of the organization has to be generated. The various dimensions which make up the organizational climate represent often clashing interests. On one side is, the performance standard to keep the organization in a favorable position in the market and on the other side is, the support system to look after the interest of the employee working in the organization. The present study provides conclusive evidence that organizational climate and organizational effectiveness are related to each other.

Suggestions

1) Every organization must provide an ethical working climate to the employees for enhancing productivity
2) Standard working norms, scientific performance appraisal, genuine promotion system etc. are need to be established in the organization
3) Ensure participative management together with delegation and decentralization
4) Ensure efficiency of communication(upward, downward, horizontal)
5) Retain healthy and cordial relationship with all levels of employees

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