Research Paper

COMMERCE

Theoretical Review of Organisational Climate and Employee Performance

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ABSTRACT

One sure way to understand human resource development (HRD) is to look at the analogy of natural resources. The resources like water, air, etc. are found on the surface of the earth. Several other natural resources like gold, silver, iron ore, oil, etc. are found in the bowels of the earth. In a similar fashion, human resource (HR) is located at two levels viz., tangible and intangible. It is believed that even a high-performing successful individual uses only about 10 per cent of her/his potential. What remains unused, untapped, and buried constitutes an overwhelming treasure. These treasures could become resources only if they are located, identified, surfaced, and refined through development. Taking into account all the above factors, this paper conceptually reviews the major works on organisational climate (OC) and employee performance.

KEYWORDS : HRD, Employee Performance, Job Satisfaction, Organisational Climate

Organisational Climate:

The conventional connotation with which the term 'climate' has been used in literature is 'Organisational Climate'. The concept of climate with specific reference to HRD context, i.e. HRD climate, has been recently introduced by Rao and Abraham (1986). Perhaps it could be due to this reason that there is hardly any research work available in published literature in the Indian context. Although, in India, too, there has been a growing interest in studies of OC and some of the recent studies on this subject have been reviewed by Sinha (1980).

Organisational Climate and Employee Performance:

Managerial approaches to work motivation have evolved along with the development of organisations at different times which could broadly be classified into four phases.

Managerial Approaches to Work Motivation:

Propounding scientific management approach to work motivation, Taylor (1911) believed human beings can be motivated towards peak performance through material rewards and economic incentives. Applying this to workplace, he advocated a piece-rate system of payment wherein rewards were closely linked with output to ensure maximum output from employees.

Mayo (1933), in his Hawthorne Experiment, emphasised the impact of informal groups on organisational objectives and proposed that, instead of ignoring the natural instinct of people for forming groups, the management should encourage it.

Maslow (1943) developed Needs Hierarchy theory of motivation based on five sets of human needs (physiological, safety, social, self-esteem, and self-actualisation) arranged in a hierarchy from the lower to higher needs. He worked out a scale of human motivation based on the premise that the next higher-order need appears as soon as the lower-order need is satisfied.

Herzberg et al. (1959) proposed the two-factor (hygiene and motivating) theory of work motivation. According to this theory, the hygiene factors, if neglected, would cause motivation to deteriorate very rapidly, but no improvement in motivation could be observed when these were improved upon. On the other hand, the motivating factors have an uplifting effect on job satisfaction, often resulting in an increase in output.

McGregor (1960) divided managers into two broad groups based on the style of leadership, in turn, resulting from their assumptions about human nature and motivation. Theory X leaders believe that human beings are inherently lazy and dislike their work; hence, they must be coerced, controlled, and directed to work. Theory Y leaders, on the other hand, believe that most people naturally aspire for independent responsibility and are capable of self-direction and self-control.

Argyris (1964) maintained that the restriction imposed on individuals by organisation for the sake of order and efficiency seemed to create resistances which eventually hamstring the organisation. He found three mechanisms through which the organisation could frustrate the mature employee and encourage the immature to stay that way: (a) the formal organisational structure; (b) directive leadership; and (c) managerial controls.

Likert (1967) conceptualised four different systems of management, according to the level of confidence and trust the management has in the subordinates. Likert concluded that one could expect high productivity when the management had complete confidence and trust in the subordinates.

Research Studies in Organisational Climate:

A review of the studies on OC indicates that some have conceptualised climate as a dependent variable, where the focus has been on an understanding of the OC perceptions (Dieterly and Schneider, 1974; Litwin and Stringer, 1968). While others (Frederiksen et a1. 1972; Pritchard and Karasick, 1973) have viewed climate as an independent variable, a cause of work-related attitudes or behaviour. Still others (Hall and Schneider, 1973; Likert, 1967) have taken OC to be a mediating variable, i.e., a variable whose existence is thought to serve as a cognition mediating organisational behaviour and individual behaviour. Let us examine some of the outcomes of the climate.

Climate and Job Satisfaction (JS):

Many research studies report a positive relationship between OC and JS. For instance, Hellriegal and Slocum, Jr. (1974) have listed a number of studies which have examined their relationship. Following the argument of Friedlander and Margulies (l969), an attempt has been made in their investigation to study the impact of different types of climate on different types of satisfaction in an educational institution. The study reports the relationship between the perception of the various dimensions of OC of higher technological institution, the perception of different styles of leadership of the heads of departments, and the expressed satisfaction of different need areas.

Lyon and Ivancevich (1974), in their study of a hospital, have found that different climate dimensions influence facets of individual JS for nurses and administrators. Cawsey (1973) has observed that JS increases as the individual perceives the climate as having more 'opportunities for advancement' and that such persons also rate themselves as high performers. Studies by Insel and Moss (1974) have shown that more precise predictions can be made about the person-environment interaction when the areas of concern are rather specific and delimited. Prediction of variables like satisfaction will improve by looking at the concept of environment in terms of various dimensions.

Using the data bank of the Institute of Social Research, (Ann Arbor), Kaczka and Kirk (1968) were able to demonstrate that an employee-centred climate yielded a higher sociological and psychological satisfaction than a task-centred climate. According to Payne and Pugh

(1976), an individual's needs, satisfaction, and goals influence her/his perception of OC, while climate, in turn, effects the same satisfaction, goals, and behaviour. Forehand and Gilmer (1964) outline the perception of OC as being influenced by personality factors and their relationship with the satisfaction of one's needs.

Some researchers have studied the role of certain moderating conditions in the relationship between climate and employee satisfaction. Badin (1974) examined the effect of group size, tenure, position, power, and task structure on the said relationship and found that the relationship held under some conditions but not under others.

Organisational Climate and Other Variables:
Besides JS and performance, some other variables too have been correlated with OC.

Litwin and Stringer (l968) through their experimental studies, found that a given leadership style produced a characteristics climate which, in turn, aroused a particular motive. This shows how one could create or alter climate in a group and how climate can arouse motives for appropriate demands. Davis (1968) reports that OC reflects a variety of executive rule-following propensities.

Dewhirst (1971) studied 320 managers and non-managers from two non-profit organisations and found that when managers placed a great value on managing the professionals under them, also placed a great value on becoming managers. Schneider (1972) studied 1,125 life insurance agents and found that the expectations of new agents were correlated with the climate of the life insurance agency.

Costley et al. (1973) found that an employee's perception of OC accounted for the role preferences s/he had practised before training. Those who perceived their climate as 'achievement' and 'reward-oriented' took on roles which led to achievements and rewards.

Becker (1975) viewed climate surveys were undertaken to meet the need for a systematic collection of information on human motivation essential for effective management. Scores on particular facets of the survey could be used in formulating a strategy for improving OC.

Ginsberg (1978) outlined how changes in climate can be planned in a systematic fashion. The approach is based on an objective method for assessing and evaluating performance in human resource management (HRM). The strategy consists of clearly defined objectives, programmes identified to meet them, and specific action plans for the various steps, costs, impacts, and control of these programmes. The climate should then be observed regularly to monitor progress against the plan and to assess the effectiveness of the chosen alternative.

Conclusion:
This paper adds to the existing body of literature in two ways: (1) It presents the research carried out on organisational climate and employee performance during the past century; and (2) It provides a comprehensive framework and a behavioural perspective to understanding organisational climate and why and how it will change as an organisation evolves through changing environment conditions, internal and external. Future research can examine each source of behaviour of OC in detail and also the dynamics involved therein in both the global, international, and Indian context.

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