CHAPTER- 1
MEANING AND CONCEPT OF ORGANIZATIONAL CLIMATE AND EMPLOYEES’ PERFORMANCE

1. Introduction

Since ages efforts are been made to study organizational climate so as to make efforts to make the climate as congenial as possible in a way that would facilitate achievement of organizational objectives in a better way. Much has been done, yet much more needs to be explored. The study has been undertaken to provide some guidelines to the managers and employees to make the climate better worthy of working. The chapter is devoted to study the meaning and concept of Organizational Climate and Employees’ Performance. Organizational Culture as an Ingredient of Organizational Climate, Employees’ Performance, Productivity, Employees’ Commitment and Values at the Workplace has also been discussed in this chapter.

1.1 Meaning and Concept of Organizational climate

Organizational climate proves hard to be defined. The concept of organizational climate has been assessed by various authors, of which many of them published their own definitions. Climate is often defined as the recurring patterns of behavior, attitudes and feelings that characterize life in the organization. Organizational climate is defined as “A set of measurable properties of the work environment, perceived directly or indirectly by the people who live and work in this environment and assume to influence their motivation and behavior”

Organizational Climate is a ‘set of characteristics that (a) describe the organization and distinguish it from other organizations (b) are relatively
enduring over time and (c) influence the behaviour of people in the organization. 

Organizational Climate is a ‘normative structure of attitudes and behavioural standards which provided a basis for interpreting the situations and act as a source of pressure for directing activities.’

The most appropriate definition states “Organizational Climate as a set of attributes specific to a particular organization that may be induced from the organization, deals with its members and its environment. For the individual member within an organization, climate takes the form of a set of attitude and expectancies which describe the organization in terms of both static characteristics and behaviour outcome and outcome-outcome contingencies.”

Schneider and his associates were the champion of the third approach in the research domain of Organizational Climate. Schneider and Hall (1972) presented Organizational Climate as a set of global perceptions held by individuals about their organizational environment. The sets of perceptions are basically the result of interactions between personal and organizational characteristics. Schneider et al. used systems approach to explain the concept. They considered individual as an information processor and the inputs used were: a) objective events and characteristics of the organization, and b) characteristics of the perceiver. Organizational Climate was imagined as a summary evaluation of events based upon the interactions between actual events and the perceptions of these events. In another paper, Schneider described climate perceptions as the results of a process of concept formation, based on macro-observations of the organization.

Organizational climate is a relative enduring characteristic of an organization which distinguishes it from other organizations: a) and embodies members collective perceptions about their organization with
Organizational climate can be viewed as that which is represented by the employees' perceptions of the objective characteristics of an organization. For example, the number of managers employed by an organization is objective, but employees' feeling about those managers is subjective. Climate differs from the structure of an organization. Structure is the anatomy of the organization, the bare bones or the skeleton. Climate, on the other hand, is the way the employees view the personality of the organization. Muchinsky (1987) debates whether the components of climate are actual attributes of organization or merely the perceptions of the employees working in the organization. As most researchers concur that organizations differ by climate, it implies that climate could be seen as an organizational attribute. Yet such a view contradicts the idea expressed by Landy (1989) above, that climate is a representation of employees' perceptions.

1.1.1 Concept of Collective Climate

Collective Climate formed on the basis of perceptual consensus represents a mid-range concept that may prove to be useful to bridge the strategic organizational and individual levels of analysis. Collective Climate is the perception of particular organizational practices. Organizations influence the perceptions with various factors but principally through structure, technology, and control systems. The “Collective Climate” concept has simultaneously established and unified the Organizational Climate from the organizational viewpoint, and the Psychological Climate is based on respect to such dimensions such as autonomy, trust, cohesiveness, support, recognition, innovation, and fairness; b) is produced by member interaction; c) serves as a basis for interpreting the situation; d) reflects the prevalent norms, values and attitudes of the organizational culture; and e) acts as a source of influence for shaping behavior.
individuals' perception on organizational practices and procedures. The Organizational Climate can therefore be described as the aggregate perceptions of the characteristics of the organizations. Organizational and Psychological Climates have been differentiated substantially in terms of the various dimensions. The concept of strategic context of Collective Climate may best represent Organizational Climate.

Collectivism is a peoples' tendency to think of themselves as parts of different collectives and subordinate their behavior to norms, duties, and obligations imposed by these collectives.\textsuperscript{11}

Organizational climate is important to organizational performance. Several authors claim a significant relationship between organizational climate and performance\textsuperscript{12}

A healthy work organization is characterized by intentional, systematic, and collaborative efforts to maximize employee well-being and productivity by providing well-designed and meaningful jobs, a supportive social-organizational environment, and accessible and equitable opportunities for career and work–life enhancement.\textsuperscript{13} Healthy workplaces thus play a crucial role in people's happiness, providing them with material, social, psychological, and emotional resources that satisfy their primary and secondary needs.

Organizational climate has an impact on stress, morale, quality of worklife, wellbeing, employee involvement, absenteeism/presenteeism, turnover, level of job satisfaction and performance. Thus, organizational climate can be a powerful strategy to the organizations seeking a strategic advantage. It's a process that is very difficult for another organization to duplicate.
1.1.2 The Distinguished Features of Organizational Climate

1. The degree of responsibility, freedom and independence that individuals have.

2. The degree to which employees are encouraged to be aggressive, innovative and risk-seeking.

3. The degree to which the organization creates clear objectives and performance expectations.

4. The degree to which units within the organization are encouraged to operate in a coordinated manner.

5. The degree to which managers provide clear communication, assistance and support to their subordinates.

6. The number of rules and regulations and the amount of direct supervision that is used to oversee and control employee behavior.

7. The degree to which members identify with the organization as a whole rather than with their particular workgroup or field of professional expertise.

8. The degree to which reward allocations are based on employee performance.

9. The degree to which employees are encouraged to face and resolve conflicts and criticisms.

10. The degree to which organizational communications are restricted to the formal hierarchy of authority.
11. Leaders behaviour capable of removing every stressor in the daily life of its employees, and increasing their morale.

1.1.3 Sound Organizational Climate- A Foundation for Organizational Success

It has now been accepted universally that the man is a bundle of emotions and sentiments. If the culture and climate is supportive and congenial the employees are satisfied. This ultimately results in the sense of belonging towards the organizations.

Many times it has been observed that poor employee morale is the cause of many problems leading to frequent absences, increased number of errors, decreased productivity, decreased quality of work, frequent tardiness, apathy, sulking and moping, backstabbing and increased accidents or injuries. Reduced morale is an extremely expensive way to do business because it leads to poor productivity and inefficiency in the organizations. Therefore, if the problem has to be resolved, the reasons for the poor employee morale must be identified.

Organizational climate is the critical foundation which shapes the way the work of the organization gets done (established through goals, plans, measures, rewards) and the infrastructure (systems process and structures) gets utilized. Aligning organizational climate with strategy is a powerful means for gaining competitive advantage and industry or sector leadership.

Organizational Climate surveying enables the impact of HR strategies to be evaluated to create HR Return on Investment (HRROI) calculations. Today HR concepts have transformed HR into a “mission-critical strategic partner” from its perception of “personnel administration”.

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1.1.4 The Conceptual Description of the Terms: Organizational Climate and Organizational Environment

Organizational climate is associated with job performance, job satisfaction and morale of the employees. It has a profound influence on the outlook, well-being, attitudes and total performance of the employees of the organization.

Organizational environment refers to the employees’ perceptions of organizational expectations. For example, “Does the organization encourage and support ethical behaviour by rewarding it or discourage un-ethical behaviour by punishing it?”

1.1.5 Formation of a Good Climate

Forming a good organizational climate is not an easy task, rather it is a complicated process. First of all, there should be clarity of plans i.e. everyone in the organization should know what is expected of them. Then appropriate standards should be set. These standards should be challenging but attainable. Judicious balance between authority and responsibility to enable employees to accomplish tasks is inevitable. No strict rule bound should be framed i.e. No unnecessary rules, policies and procedures should be imposed. Adequate flexibility as well as adequate reward system should be there to ensure that employees are recognized for good performance. Last but not the least, team Commitment should be encouraged i.e. People should feel proud to belong to the organization.14

1.1.6 Dimensions of Organizational Climate

How We Measure Organizational Climate?

The Organizational Climate Survey (OCS) model was developed at Harvard University in 1968 to study organizational climate. This tool has been enhanced and validated through extensive studies by the Hay Group
over the past 35 years. The survey consists of two parts in which the individual indicates the climate as it now exists, and then again as it should be. The actual climate is shown to reliably differentiate high and low performing organizations from one another. The climate gap is used as a diagnostic index to identify problem areas within an organization that can then be explored and addressed for corrective action by the work unit leaders.\textsuperscript{15}

It is also called The Organizational Climate Exercise (OCE). The OCE allows managers to get a picture of the climate they experience in their own management team.

Organizational climate, manifested in a variety of human resource practices, is an important predictor of organizational success. Numerous studies have found positive relationships between positive organizational climates and various measures of organizational success, most notably for metrics such as sales, staff retention, productivity, customer satisfaction, and profitability. The important dimensions are shown below:

- Denison (1990) found that an organizational climate that encourages employee involvement and empowerment in decision-making predicts the financial success of the organization.

- Schneider (1996) found that service and performance climates predict customer satisfaction.

- Patterson, Warr, & West (2004) found that manufacturing organizations that emphasized a positive organizational climate, specifically concern for employee well-being, flexibility, learning, and performance, showed more productivity than those that emphasized these to a lesser degree.

- Potosky and Ramakrishna (2001) found that an emphasis on learning and skill development was significantly related to organizational performance.
Ekvall (1996) found a positive relationship between climates emphasizing creativity and innovation and their profits.

Hansen and Wernerfelt (1989) found that organizational climate factors explain about twice as much variance in profit rates as economic factors.

Thompson (1996) found that companies utilizing progressive human resource practices impacting climate such as customer commitment, communication, empowerment, innovation, rewards and recognition, community involvement/environmental responsibility, and teamwork outperformed organizations with less progressive practices.

The list of dimensions affecting organizational behavior is endless, but on the basis of pilot survey, and to make the study more meaningful the dimensions that have been focused in the present study are job itself, leadership, organizational policies & practices, inter-personal relationships and communication.

Organizational Climate

Thus, Climate is the sum total of job itself, leadership styles, organizational policies, inter-personal relations and communication. Now
each of these elements is further divided into small variables as shown in the diagrams below.

\[ \text{Job Itself} \]

- Salary
- Nature of Work

- Job Enrichment & Job Advancement
- Rights & Responsibilities to an Employee

- Possibility of Advancement

\[ \text{Fig. 1.2} \]

The variables that have been covered to study job in the present study are nature of work, rights and responsibilities of an employee, possibility of advancement, job enrichment & job enlargement and salary.

\[ \text{Leadership Styles} \]

- Risk taking Ability
- Warmth & Friendliness
- Communication Skills
- Influential Capacity
- Initiative & Motivation

\[ \text{Fig. 1.3} \]
Thus, risk taking ability, communication skills, initiative & motivation, influential capacity as well as warmth & friendliness describe the leadership style of a leader.

**Organizational Policies and Practices**

![Organizational Policies Diagram]

**Fig. 1.4**

Regular updation of policies with the adequate provision of equality and justice decide organizational policies of any organization.

**Inter-Personal Relations**

![Inter-Personal Relations Diagram]

**Fig. 1.5**

Communication system in the organization, safety and security to employees and HR practices are highly influential in determining interpersonal relations.
Effective Communication

Fig. 1.6

An effective communication system includes selection of appropriate media of communication, receiving feedback, giving orders & instructions and effective communication skills.

Successful, competent leaders reflect and model the core competencies. They recognize the importance of integrating core competencies in the day to day operations of the company through aggressive training and skill development of employees at all levels throughout the organization. In this regard, leaders have a strong and definitive influence on the depth and breadth of employee competency within the organization. The quality of leadership's knowledge of and relationship with its employees enhances, impedes or reduces employee competence.

Poor leadership-employee relationships negatively impact employee competence, causing declining spirals in morale, customer satisfaction and ultimately the success of the organization. The leader who excels in interpersonal skills and possesses a strong commitment to organizational
stewardship will ensure that employees feel valued and are empowered to strive in their own competency development.\textsuperscript{16}

Japanese business leaders are extremely polite and almost never say no. On the other hand, the fact that they smile a great deal does not mean that they agree with the other person. Business leaders are very good at being vague in order to maintain politeness and to avoid confrontation. Spaniards and Italians use a broad vocabulary and employ their hands, arms, and facial expressions when conveying their message. German business leaders rely on logic, but they also place strong importance on gathering a great deal of information to back up their positions. \textsuperscript{17}

Data driven, results oriented businesses will hobble along for awhile and eventually crumble if the heart of the organization, the employees, are not collectively in sink with the company's vision, mission and goals. There will always be a few employees who will not support any organization for which they work. Aggressively confronting such problems on an individual basis can help to deter the spreading of attitudinal viruses throughout the organization. However, if more than an isolated number of employees feel alienated from the organization, it becomes incumbent on the company to recognize the prevalence of the syndrome, systematically diagnose the root causes and frame organizational polices so as to facilitate long term vision of the organization.\textsuperscript{18}

The Coca-Cola HRM group perceives its mission as one of developing and providing the underlying philosophy around which local businesses can develop their human resource practices. For example, rather than having a standard salary policy for all its subsidiaries, Coca-Cola has a common salary philosophy- the total compensation package should be competitive with the best companies in the local market. Twice a year the corporate HRM group
conducts a two-week HRM orientation session from all 25 operating divisions in which the HR policies are discussed.19

Poor leadership-employee relationships negatively impact employee competence, causing declining spirals in morale, customer satisfaction and ultimately the success of the organization. The leader who excels in interpersonal skills and possesses a strong commitment to organizational stewardship will ensure that employees feel valued and are empowered to strive in their own competency development.20

One of the most important dimensions as a result of poor interpersonal relations is conflict. Inadequate or excessive levels of conflict can hinder the effectiveness of a group or an organization, resulting in reduced satisfaction of group members, increased absence and turnover rates, and, eventually, lower productivity. However, when conflict is at an optimal level, complacency and apathy should be minimized, motivation should be enhanced through the creation of a challenging and questioning environment with a vitality that makes work interesting, and their should be the amount of turnover needed to rid the organization of misfits and poor performers.21

The negative consequences from conflict can be devastating. The list of negatives associated with conflict is awesome. The most obvious are increased turnover, decreased employee satisfaction, inefficiencies between work units, sabotage, and labor grievances and strikes. One study estimated that managing conflict at work costs the average employer nearly 450 days of management time a year. And there are also emotional costs. Conflict also stimulates anger. And there is a clear link between anger and physical aggression. These emotions should be avoided, not cultivate.22

The French like conflict. They frequently gain recognition and develop their reputations by thinking and acting against others. As a result, the
French tend to take a long time in negotiating agreements and they aren't overly concerned about whether their opponents like or dislike them.\(^{23}\)

Conflict is many times considered as a means to bring about radical change. It's an effective device by which management can drastically change the existing power structure, current interaction patterns, and entrenched attitudes. Conflict facilitates group cohesiveness.\(^{24}\)

Organizations cannot exist without communication. If there is no communication, employees cannot know what their co-workers are doing, management cannot receive information inputs, and supervisors and team leaders cannot give instructions. Coordination of work is impossible, and the organization will collapse for lack of it. Cooperation also becomes impossible, because people cannot communicate their needs and feelings to others. Every act of communication influences the organization in some way, just as the flapping of a butterfly's wings in California influences (however slightly) the subsequent wind velocity in Boston. Communication helps accomplish all the basic management functions.

When communication is effective, it tends to encourage better performance and job satisfaction. People understand their jobs better and feel more involved in them. In some instances they even will voluntarily give up some of their long-established privileges because they see that a sacrifice is necessary.\(^{25}\)

Philip M. Condit is a Chairman and Chief Executive Officer for Boeing, the leader in building commercial aircraft in the world. He spearheaded the development of the company's 777 aircraft by making sure all employees understood the project from the beginning all the way till the completion of the project. Face-to-face communication among the teams helped identify potential problems early, when they could be solved much more easily.\(^{26}\)
1.2 Organizational Culture as an Ingredient of Organizational Climate

Organizational Climate (sometimes known as Corporate Climate) is the process of quantifying the “culture” of an organization.

The culture of an organization can be defined as an emergent pattern of beliefs, behaviors, and interactions that uniquely characterize the organization as it operates within an industrial and a societal context.27

The famous book ‘The Human Side of Enterprise’ (1960) opened a new horizon of management science. It introduced many pioneering concepts of organizational and industrial psychology. McGregor in this book elaborated the concept of managerial climate. He argued that the climate is primarily determined by the managerial assumptions and the relationship between the managers and their subordinates.

The term organizational culture refers to a set of organizational characteristics which can be induced from the way an organization deals with its members.28

Organizational culture is a system of shared values and beliefs that interact with an organization’s people, structure and control systems to produce behavioural norms. It is a powerful force which determines individual and group behaviour in an organization. It represents a key element of the work environment in which employees perform their jobs.

Culture is a powerful component of an organization's success, laying the tracks for strategy to roll out on. It is the foundation for profit, productivity and progress. Again with the changing times, new values and attitudes creep in the organizations and is therefore often an important task of human resource manager to bring flexibility and adaptability in the organizations. They have to continuously map and analysis such cultures.
They have to scan the organizations for predominating values that influence the organization in more or less visible ways on continual basis. Thereafter they have to connect the culture to the organizations existing visions and goals.

Organizations now-a-days operate across borders. The differences between said culture and said visions and goals determine what kinds of efforts human resource manager recommend if changes are to be made in the corporate culture. Such a change program usually consists of a series of short and operative efforts combined with a long-term effort aiming to fundamentally changing the existing values.

The measurement of organizational climate is the means to uncover an organization's culture. Climate surveys measure the perceptions and reactions to the culture of the organization as well as reactions to other organizational attributes, and the culture is reflected through its management style. Therefore climate surveys measure employees' perceptions about the way they are being managed.

1.2.1 The Terminological Difference between the Terms: Organizational Climate and Organizational Culture

Organizational Climate is a very popular subject for research in the domain of industrial and organizational psychology. The origin and the use of the specific term are found to be as old as the original concept of management itself. However, over a long period of time there appeared various frameworks, conceptual as well as operational, different sets of dimensions, techniques of measurements, and research findings that are highly diverse and often contradictory. It created considerable ambiguity in the particular area. Up to a certain point of time it had been even confused with another very important concept, 'Organizational Culture'.
Many times organizational climate is mistaken as organizational culture. It is important to make this distinction clear. First, climate and culture are both important aspects of the overall context, environment or situation. But culture tends to be shared by all or most members of some social group; is something that older members usually try to pass on to younger members; shapes behavior and structures perceptions of the world. Cultures are often studied and understood at a national level, such as the Indian culture, American or French culture. Culture includes deeply held values, beliefs and assumptions, symbols, heroes and heroines, and rituals. Culture can be examined at an organizational level as well. The main distinction between organizational and national culture is that people can choose to join a place of work, but are usually born into a national culture.

A distinction needs to be made between organizational climate and organizational culture, organizational culture consists of managerial and employee beliefs and values that define the ways in which the business of an organization is conducted. It correspondence with the anthropological view that a society's prevailing culture dictates what people are to learn and how they are to behave. An organization's culture dictates what people have to know and the ways that things are done. Core values, about how to treat employees, customers, suppliers, and others, are thought to lead to sustained superior financial performance in organizations with strong cultures.

The culture of an organization can be defined as the emergent pattern of beliefs, behaviours, and interactions that uniquely characterize the organization as it operates within an industrial and a societal context. It is therefore the set of important beliefs, values, and understandings that all members of the organization share in common. Since culture defines the way the organization conducts business, it strongly affects management practice. In fact organizations with strong cultures go to great lengths to socialize new members into the prevailing beliefs and values that determine
the way things are done in the organization, and this may be the major
feature in employee orientation and induction practices in such
organizations. Highly successful organizations tend to have strong cultures. The measurement of organizational climate is the means to uncover an
organization's culture.

Organizational cultures are generally deep and stable. Although
culture and climate are related, climate often proves easier to assess and
change. At an individual level of analysis the concept is called individual
psychological climate. These individual perceptions are often aggregated or
collected for analysis and understanding at the team or group level, or the
divisional, functional, or overall organizational level.

Every organization, no matter if it is a profit-making company, a
public administration or a non-profit organization, has a corporate or an
organizational culture. This culture contains values and outlooks and
manifest itself in the way the establishment operate, organize its work and
how it treat its customers and co-workers. The culture is also reflected in the
climate of the workplace. What kind of culture has been set in the
organization is of crucial importance. A healthy culture is necessary for
efficiency and profitability, job satisfaction and level of morale of employees;
and is furthermore crucial when it comes to recruiting and keeping qualified
personnel shaping organizational culture in order to facilitate organizational
climate. An example in this context is Ericsson, a Swedish
telecommunication company. To facilitate co-operation it sends a team of 50-
100 engineers and managers from one unit to another for a year or two. The
philosophy is to establish a network of interpersonal contacts by giving shape
to a common culture in the company and also as to create congenial climate
in the organization.
There is direct relationship between find organizational culture and morale. Technology factor is also important. Organizational culture has significant impact on employee morale.36

1.2.2 Significance of Organizational Culture

Making the use of culture to take competitive benefits in the global market indicates -

- Higher productivity by eliminating 'culture drag' that impedes group performance.
- New capacities for adapting to external changes and emerging as a stronger player.
- Development of hard-to-imitate practices and behaviors that create competitive advantage.
- A safe environment for employees to feel free to talk about what they are experiencing.
- Delivery of brand promise for increased client loyalty
- On-time projects and improved change planning when the way things really get done is better understood and responded to.
- Alignment of organizational culture with strategy as a powerful means for gaining competitive advantage and industry or sector leadership. Organizations that seek leadership and sustainability make the choice for culture by design, not default.
- Turbulent times require new kinds of conversations with groups of leaders and employees to set a path for shaping culture for future needs. Today organizational culture operates and has created
sophisticated yet practical diagnostic tools to uncover how organizational culture plays out in day-to-day work life.

- Unlike most US companies, Colgate does not send foreign-born trainees to their native countries for their initial jobs. Instead, it is more likely that a French national will remain in the US, a US national will be sent to Germany and a British national will go to Spain. All receive the same expatriate compensation. Besides, Colgate has taken a number of other steps to develop its international cadre of managers to make them acquaint with cross-cultural issues. For e.g., the company is developing “Euromanagers”- managers who have experience of working in several European countries- a step to adapt to diverse culture.\(^{37}\)

1.3 Employees’ Performance

A manager who defines performance ensures that individual employees or teams know what is expected of them, and that they stay focused on effective performance. A manager does it by paying careful attention to three key elements: goals, measures, and assessment.\(^{38}\)

Organizational climate is associated with job performance, job satisfaction and morale of the employees.

Goal setting has a proven track record of success in improving performance in a variety of settings and cultures.\(^{39}\) How does it improve performance? Studies show that goals direct attention to the specific performance in question, they mobilize effort to accomplish higher levels of performance, and they foster persistence for higher levels of performance.\(^{40}\) On average, studies show you can expect to improve productivity 10 percent by using goal settings.\(^{41}\)
The mere presence of goals, however, is not sufficient. Managers must also be able to measure the extent to which goals have been accomplished.

The third requirement for defining performance is assessment. Regular assessment of progress toward goals focuses the attention and efforts of an employee or a team.

The important functions of managers with reference to employees' performance is to facilitate performance i.e. Managers who are committed to managing for maximum performance recognize that one of their major responsibilities is to eliminate roadblocks to successful performance. Another is to provide adequate resources to get a job done right and on time, and a third is to pay careful attention to selecting employees.\textsuperscript{42}

To encourage performance, especially repeated good performance, managers must provide a sufficient number of rewards that employees really value, and do so in a timely and fair manner.

Performance management is fundamentally a feedback process. And research indicates that feedback may result in increase in performance varying from 10 to 30\%.\textsuperscript{43}

Performance management requires willingness and a commitment to focus on improving performance at the level of the individual or team every day. Like a compass, an ongoing performance management system provides instantaneous, real-time information that describes the difference between one's current and desired courses.

The list of attributes to measure employees' performance is endless. However, the major ones that have been included in the present study are discussed below:
Employees’ Performance

Fig. 1.7

‘Productivity’, ‘commitment’ and ‘morale’ are the three most important ingredients of employees’ performance in the organization.

Morale

Fig. 1.8

An effort has been made here to study ‘morale’ with the help of variables like ‘job satisfaction’, ‘organizational image’, ‘fulfillment of physical and emotional needs’ and ‘career growth.'
Productivity

Fig.1.9

Productivity is influenced by many variables but the important ones considered in the present study are safety, accidents, wastage, training, quality of work and violence.

Employees' Commitment

Fig.1.10

Employees' commitment can be measured mainly with the help of variables such as 'labor turnover', 'sense of belonging' and 'absenteeism.'
1.3.1 Morale: An Element of Employees’ Performance

Morale is actually a psychological term, which is achieving a considerable importance on part of the management. Morale is a group phenomenon; it is an idea of the extent to which the individual perceives a probability of satisfying his own motives through co-operation with the group.

Employee morale is created by and directly proportional to the degree of employee competence supported by leaders throughout the organization.

A leader needs to accept the fact when he realizes that the overall employees’ morale is low in the organization. It requires the faculty to convert soft material into hard data through focus on three levels of analysis: organization, job (task) and person. Further, it demands an openness to make a global assessment of subjective information and observations without a formal survey of key elements such as employee job satisfaction, confidence in work unit managers, scope of responsibility and satisfaction with employee compensation packages.

Among the most important things that can be done to improve upon a business’s chances for success is to beat poor employee morale in the workplace and motivate team members at their jobs. By failing to prevent or repair poor employee morale, there is a high risk of employee burnout and overall dissatisfaction. This is an extremely expensive way to do business because it leads to poor productivity and possible absent rates.

Poor employee morale is something that should be managed as soon as it starts to show - that is, if it has not been prevented in the first place. The reason for this is that it is extremely contagious. Rarely is poor employee morale limited to a single individual.
It is therefore important that signs of poor employee morale be watched for very carefully among all employees. Such symptoms can include frequent absences, increases in the number of errors, decreased productivity, decreased quality of work, frequent tardiness, apathy, sulking and moping, backstabbing, and increases in accidents or injuries.

Poor employee morale is not the cause of these problems, but it is instead a reaction to another part of the workplace that is not functioning at its best. Therefore, if the problem is to be solved, the reason for the poor employee morale must be identified.

### 1.3.2 Probable Causes for downward Slope of Morale

A negative event within the workplace such as a firing, downsizing or other dramatic and unwanted change. Such other causes can be-

- The promotion of an unpopular employee, or a promotion when there were other candidates for the position who were overlooked;
- Arguments or other forms of tension among staff members or between staff and management;
- Unstable financial health of the company;
- Overwork or a consistently heavy workload;
- Feeling unappreciated or underappreciated for the work done;
- Conditions of the workplace;
- Demanding, rigid supervision that is too involved in the work being done;
- Unsupportive, weak supervision that does not offer enough input or guidance etc.
Once the cause of the poor employee morale has been identified, it is time to take steps to improve it as soon as possible. If the cause cannot be identified alone, it may be necessary to hire a consultant who can root out the problem. Finding this information directly or indirectly from the person experiencing the poor employee morale will ensure that the precise problem is being addressed. Furthermore, it will help to show employees that the management truly does care about the issues that are bothering them, and their input for resolving the situation. From birth, most of us are told what to do. We receive a rather overwhelming number of orders, directions and policies from those who believe we should follow their dictates; parents, teachers, churches, government and finally bosses in the workplace. This is commonly referred to as the top-down command and control management model. Having been literally bombarded with this model, it is unsurprising that the vast majority of managers adopt it as their own. Morale in the workplace is among the end results of the different elements that make up the entire working environment.

Various dimensions of employee's morale are job satisfaction, organizational image, satisfaction with superiors, fulfillment of physical and emotional needs and career growth.

1.3.3 Employee Morale- Ways to Shoot up High.

"The secret of joy in work is contained in one word: excellence. To know how to do something well is to enjoy it."

Successful leaders also recognize that employee morale is the key to long term organizational viability. Most significantly, they recognize that the level of employee morale is created by and directly proportional to the degree of competence supported by leaders and experienced by all employees throughout the organization. Highly competent employees enjoy their work and experience pride in their accomplishments and contributions to the
organization as long as leaders consistently value them and their worth to the organization.\textsuperscript{45}

If you have employees, you have likely faced the challenge of boosting employee morale. Unhappy, disinterested employees can lead to poor productivity and high turnover rates. By following a few steps, you can effectively boost the morale of your employees.

If leaders assessed organizational morale within the context of employee competency, diagnosed some of the more prevalently observed symptoms of incompetence, analyzed their root causes, and proactively intervened in the identified barriers to competency, the outcomes would likely result in increased competence, and morale.

\section*{1.3.4 High Employee Morale Equates to High Productivity}

Today the worth and importance of high employee morale has been accepted by many big organizations. In an effort to increase productivity, many companies are finding it necessary to reform their organizations. They have realized that confusion and uncertainty among the employees will lead to low efficiency and productivity, dragging the entire organization down.

The organizations, now-a-days provide the hands-on activities (such as the popular ropes course adventures) and teach the skills that facilitate employee bonding. When an employee recognizes the special place that he or she has in the scope of the company, it will provide an incredible morale boost, resulting in improved job performance.

\section*{1.3.5 Job Satisfaction- an Inevitable Aspect for High Morale.}

Job satisfaction refers to an individual's general attitude towards his job. A person with high level of job satisfaction holds a positive attitude towards his/her job while a person who is dissatisfied with his or her job,
holds negative attitude about the job. Job satisfaction is associated with increased effectiveness, reduced absenteeism and reduced staff turnover. Thus, the characteristics of job satisfaction can be briefed as under:

1) Job satisfaction is a set of favorable or unfavorable feelings and emotions with which employees view their work.

2) Job satisfaction is the degree to which individuals feel positively and negatively about their jobs.

3) Job satisfaction is an affective attitude, a feeling of relative like or dislike towards something related to the job of an individual.

4) Job satisfaction is an attitude or emotional response to one's tasks as well as to the physical and social conditions of the workplace.

Employee satisfaction and retention have always been important issues for management experts. After all, high levels of absenteeism and staff turnover can affect your bottom line, as recruitment and retraining take their toll. But few practices (in fact, few organizations) have made job satisfaction a top priority, perhaps because they have understood the significant opportunity that lies in front of them. Satisfied employees tend to be more productive, creative and committed to their employers, and recent studies have shown a direct correlation between job satisfaction and employee morale. Managers who can create work environments that attract, motivate and retain hard-working individuals will be better positioned to succeed in a global competition that demands quality and cost-efficiency. Managers may even discover that by creating a positive workplace for their employees they can contribute to increased job satisfaction, ultimately leading to an enhanced morale.46

It has been observed in the case of HICOM (Hi-Tech Communication Limited 1992) which is an Indo-US joint venture that there is necessity to
talk to employees. The leaders should interact with members frequently on a one-to-one basis and understand and appreciate human issues. Organizational practices like MBWA (Management by Wandering Around) would help leaders assess organizational complexities and overcome employees' redressal leading ultimately to job satisfaction.

1.4 Productivity:

The amount of output per unit of input (labor, equipment, and capital) can be termed as 'productivity'. There are many different ways of measuring productivity. For example, in a factory productivity might be measured based on the number of hours it takes to produce a good, while in the service sector productivity might be measured based on the revenue generated by an employee divided by his/her salary.

It is conceivable for the organization to have more employees than the competitors yet the employees may produce less than competitors' employees - even though they are paid more than the competitors' employees. Productivity surveys and case studies indicate that increased worker motivation and satisfaction can increase worker output. Progressive, innovative managers now achieve productivity gains with human resource management techniques that go beyond pay incentives.

1.4.1 Increased Productivity: A Powerful Mandate for Improving Performance

The importance of Productivity can be summed up as follows:

- The data about productivity helps planners in framing economic plans and in evaluating industrial progress in different countries of the world.
• Higher productivity raises the financial strength of the industry on which is based a sound tax policy.

• A study of productivity helps in the formulation of protection policy.

• It helps to assess the effect of technical changes on employment and output.

• Productivity is a barometer of industrial progress of a country.

• Productivity reveals how far the schemes of rationalisation and scientific management have been successful.

• Higher productivity means lower cost of production. It reduces the cost of electricity, fuel, raw materials, labor and so on.

• Management can forecast future trends and can take decisions accordingly.

Technical competency is essential as a basic requirement for hiring and ongoing training of employees at all levels throughout the company. True competency, however, is multidimensional and embodies knowledge and skills beyond the technical aspects of the job requirements. 47

Low productivity leads to low performance requiring cost of hiring and training new employees, unwarranted pay increases increased chances of accidents and so on. The benefits of paying heed to increased productivity, on the other hand, are loyal, efficient workers; higher quality work, and increased likelihood of staying in business.

Many big organizations of the world have achieved increased productivity by making effective use of diverse teams. To quote the few ones:
Xerox plants using diverse work teams are now 30% more productive than conventional plants.

Procter & Gamble achieves 30-40% higher productivity at its 18 diverse team-based plants than at its non-diverse plants.

Motorola beat its competition by producing the world’s most efficient and high-quality cellular phones which are produced almost exclusively by diverse work teams.

- **Safety & Accidents:**

  Despite all necessary precautions and training, the fact that accidents occur in organizations cannot be denied. This has ultimately adverse impact on productivity of the organization.

### Table 1
**Causes of Industrial Accidents:**

<table>
<thead>
<tr>
<th>Unsafe Acts of Persons</th>
<th>Unsafe Mechanical or Physical Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating without clearance, failure to heed warning</td>
<td>Inadequate guarded, guards of improper height, strength, mesh etc.</td>
</tr>
<tr>
<td>Operating or working at an unsafe speed.</td>
<td>Unguarded, absence of required guards.</td>
</tr>
<tr>
<td>Making unsafe equipment, or using equipment unsafely.</td>
<td>Defective, rough, sharp, slippery, decayed, cracked etc.</td>
</tr>
<tr>
<td>Unsafely designed machines, tools, etc.</td>
<td>Un safely designed machines, tools, etc.</td>
</tr>
<tr>
<td>Taking an unsafe position or posture</td>
<td>Un safely arranged, poor housekeeping, congestion, blocked exists etc.</td>
</tr>
<tr>
<td>Working on moving or dangerous equipment.</td>
<td>Inadequately ventilated, impure oil source, etc.</td>
</tr>
<tr>
<td>Distracting, teasing, abusing, startling, etc.</td>
<td>Un safely clothed, no goggles, glares or masks, high heels, etc.</td>
</tr>
<tr>
<td>Failure to use safe attire or personal protective devices.</td>
<td>Unsafe processes, mechanical, chemical, electrical, nuclear, etc.</td>
</tr>
</tbody>
</table>

**Note:** unpreventable, 98% are preventable.48
As shown in the table 1, causes for accidents are many and various. Broadly speaking, these causes may be classified into two categories- human failure and machine failure. Human failure leads to an accident when the employee ignores safety precautions and commits an unsafe act. Majority of accidents occur because of human failure. Machine failure refers to faulty mechanical or physical conditions to accidents.

- **Wastage:**

Surplus that is generated from inefficient use of production machinery, carelessness and poor purchasing are wastage of resources. Items spoiled among the course of manufacture of storage are also spoilage. Wastage may involve loss of machine hours as well as man-hours. Special care should be extended particularly during storage of perish-at-time items, so that wastage is avoided.

A residue or pieces cut of raw materials during the manufacturing process is wastage. Since, not all the materials injected into production processes are converted into finished products, surplus from production process are inevitable and common feature in every concern. The wastage can cause adverse effect on overall productivity of the firm. Proper training, proper production planning, scientific storage etc are some of the ways through which wastage can be reduced, though not possible to eliminate it completely. 49

- **Workplace Violence:**

Workplace violence is a serious matter affecting productivity. In the United States more than 600 employees are murdured on the job each year, and 2 million others experience lesser forms of physical violence. An International Labor Organization study reported that more than 60% of health care staff in Bulgaria, Australia, South Africa, and Portugal
experienced at least one incident of physical or psychological violence in the previous year. These ultimately has serious impact on the productivity of the organization. 

- **Training:**

  The time today, is highly turbulent. The economic policy of Liberalisation, Globalisation and Privatisation has imposed much challenge. Its just- that today the changes appear to be happening more rapidly. To meet this challenge, training, as a means to improve productivity has become evitable today.

  Technical competency is essential as a basic requirement for hiring and ongoing training of employees at all levels throughout the company. True competency, however, is multidimensional and embodies knowledge and skills beyond the technical aspects of the job requirements. The Department of Veterans Affairs, Veterans Health Administration, commissioned a national career track task group in 1996 to develop a high performance model to be used to select new employees and to serve as a basis for promotion decisions.

  Top management is committed to training and development; training is part of the corporate culture. This is especially true of leading companies such as The Walt Disney Company, Marriott, Hewlett-Packard, and Xerox.

  In a recent survey, business executives said about 37% of their workforce lack fundamental math and writing skills. However, only about 15% of the companies provide training in mathematics, and only 10% aid in reading. 
Quality of Work:

Generally speaking, employee benefits do not enhance productivity. Their major impact is on attraction and retention and on improving the quality of life for employees and their dependents. Today there is widespread recognition among employers and employees that benefits are an important component of total compensation. As long as employees perceive that their total compensation is equitable and that their benefit options are priced fairly, benefits programs can achieve the strategic objectives set for them. The challenge for executives is to maintain control over the costs of benefits while providing genuine value to employees in the benefits offered. If they can do this, everybody wins.53

Good employee morale and a fair and reasonable wage and salary are complementary to each other. So develop a sound “Wage and Salary Plan”, keeping a view the “going rate in the market,” the nature of the job, the difficulty or ease in performing it, the capacity to pay and the contribution of the worker. Fair and just compensation gives employees a reasonable standard of living and ensures their loyalty and continued good work. 54

Many companies apply career path, provide empowerment, flexi-time, and job enrichment, in addition to paid holidays and allowances like housing, car allowance, medical allowances etc. Companies also celebrate birthdays of employees and provide dating allowance to young and unmarried ones. Prominent Indian BPOs like Essar Group, WNS and Capgemini are designing in-house curricula to meet such requirements. The companies look after personal aspiration of employees and provide coaching and mentoring, professional development opportunities, and monthly awards.55
1.5 Employees’ Commitment:

Affective commitment may be defined as an attachment characterized by an identification to and involvement with the organization.\textsuperscript{56}

With the organization as the target, commitment has been shown to relate to turnover, absenteeism, and tardiness. Commitment to an organization involves a willingness to exert effort in support of that organization, group, or person. The specific nature of the effort (e.g. in-role vs. extra-role, minimal vs. optimal) depends on both commitment rationales and strength.\textsuperscript{57}

Early researchers of organisational Commitment identified that commitment is primarily a function of individual behavior and willingness of individuals to give their energy to the organisations through actions and choices over time.\textsuperscript{58} Commitment is the tendency to engage in consistent lines of activity, such as intent to stay in the organisation. Furthermore, employees’ commitment to their employers and organizations emerged a great interest to researchers of organisational studies.\textsuperscript{59}

Some authors demonstrated that when the goals of the organisations and the members of the organisation integrated or congruent, attitudinal commitment occurs.\textsuperscript{60} Therefore, attitudinal commitment represents a state in which an individual identifies with a particular organisation and its goals, and maintains membership in order to facilitate these goals.\textsuperscript{61}. Hence organizational commitment has been identified as a useful measure of organisational effectiveness \textsuperscript{62} and explaining the work-related behavior of employees in organisations.\textsuperscript{63}

There is reason to believe that the concept of commitment may be less important to employers and employees than it once was. The unwritten loyalty contract that existed 30 years ago between employees and employers
has been seriously damaged, and the notion of employees staying with a single organization for most of their career has become increasingly obsolete. As such, "measures of employee-firm attachment, such as commitment, are problematic for new employment relations." 64

Leaders are critical in establishing the direction for the company through a well-defined and articulated vision, mission and goals. They are responsible for ensuring that this direction is communicated and implemented throughout the entire organization with efforts focused on soliciting employee commitment to a shared organizational vision.

The following figure focuses on the factors that either inhibit or stimulate organizational commitment among employees:

Table 1.2
Factors Affecting Employees' Commitment

<table>
<thead>
<tr>
<th>Inhibiting Factors</th>
<th>Stimulating Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excessive blaming</td>
<td>Clarity of rules and policies</td>
</tr>
<tr>
<td>Insincere gratitude</td>
<td>Investments in employees (training)</td>
</tr>
<tr>
<td>Failure to follow through</td>
<td>Respect and appreciation for efforts</td>
</tr>
<tr>
<td>Inconsistencies and incongruities</td>
<td>Employee participation and autonomy</td>
</tr>
<tr>
<td>Inflated egos and bullying</td>
<td>Making employees feel valued</td>
</tr>
</tbody>
</table>

1.5.1 Elements of Organizational Commitment

Experts pose three distinct elements of commitment that need to be distinguished. First, the commitment target refers to the foci or object to which one is committed. An individual can be simultaneously committed to a wide variety of different targets but the commitment construct is essentially the same regardless of the target.

Second, commitment strength reflects the intensity or degree to which someone is committed to a target. Commitment is dynamic but can be
relatively stable, not necessarily consciously perceived or intentional, and socially constructed within the individual.\textsuperscript{65} Unlike a multidimensional view, commitment strength is singular: one can be committed to multiple targets but commitment strength has the same singular meaning regardless of the target.

Third, commitment rationales are the multiple possible self-explanations a person can hold for their commitment to a given target, i.e. how one makes sense of or rationalizes their commitment.\textsuperscript{66}

- **Organizational Citizenship Behaviors:**

  Organizational citizenship behavior is discretionary actions are actions above and beyond the call of duty that promote the organization's success. Acts of good organizational citizenship include the use of courtesy in touching bases with others before taking action, sportsmanlike tolerance of inconveniences on the job, unusual conscientiousness, helping behaviors, and a variety of civic behaviors, such as attending meetings even though reluctant to do so.

  Regardless of their motivation, organizational citizenship behaviors are usually appreciated by the organization and co-workers alike. Individual acts of citizenship can be facilitated by an organizational culture that specifically encourages "gong the extra mile," direct rewards for such actions, jobs that provide satisfaction, supportive leadership that demonstrates caring and trust, flexible and family-friendly workplace benefits, and personal examples set by managers at all levels.\textsuperscript{67}

- **Turnover:**

  As might be expected, higher job satisfaction is associated with lower employee turnover, which is the proportion of employees leaving an organization. More satisfied employees are less likely to think about quitting,
to search for a new job, or to announce their intention to quit, and thus they are more likely to stay with their employer longer. Similarly, those employees who have lower satisfaction usually have higher rates of turnover. They may lack self-fulfillment, receive little recognition on the job, or experience continual conflicts with a supervisor or peer, or they may have reached a personal plateau in their career. As a result they are more likely to seek greener pastures elsewhere and leave their employers, while their more satisfied associates remain.68

Employee turnover can have several negative consequences, especially if the turnover rate is high. Often it is difficult to replace the departed employees, and the direct and indirect costs to the organization of replacing workers are expensive.69 The remaining employees may be demoralized from the loss of valued coworkers, and both work and social patterns may be disrupted until replacements are found. Also, the organization's reputation in the community may suffer. However, some benefits may arise from turnover, such as more opportunities for internal promotion and the infusion of expertise from newly hired employees. In other words, turnover may have functional effects.70

Merrill Lynch used a matrix to initiate a program which lowered its broker turnover rate from 8% above the industry average to 11% below the average.71 The firm developed a compensation program focused on retaining the more desirable employees while also recognizing that some turnover is not only acceptable but desirable. By doing this, the firm reduced the number of brokers that otherwise would have become a costly statistic. The message for managers is to look beyond the frequency of turnover and examine instead the functionality of each departure— are the right persons staying?

The attrition rates and the retention have become the major threat and the biggest challenge for the human resource professionals of the BPO
sector in India, which is one of the most rapidly growing sectors. The attrition rate is 15-20%. The reasons for attrition cited are repetitive and monotonous work, long working hours with little personal time, stress and physical strain, lack of professional growth opportunities, lack of conducive environment and interpersonal problems.  

- **Absence and Tardiness:**

  Those employees who have less job satisfaction tend to be absent more often. There are many reasons associated with it. First, some absences are caused by legitimate medical reasons and therefore a satisfied employee may have a valid reason. Second, dissatisfied employees never want to miss the opportunities to remain absent. Such absences usually occur on Mondays or Fridays. Whereas medical related absenteeism can often be reduced through the use of more thorough preemployment physical exams and work-history record check, different approaches are needed for absences caused by poor attitudes.

  Statistically, Drakenfeld Colors Corporation did not have an overall absenteeism problem (0.89%). As a matter of fact, almost half i.e. 44% of their 250 employees had perfect records. However, a small handful of employees missed several days per year, and they perceived to be taking advantage of the company and their working colleagues. Drakenfeld attacked this problem by offering small cash bonuses for those with perfect attendance every 6 months, a sweepstakes opportunities featuring an all-expenses paid trip for 2 to a resort for the perfect-record winner of a drawing, and a progressive disciplinary procedure for abusers of the attendance policy. Absenteeism fell to 0.35%, and the proportion of employees with perfect attendance increased to 62%. This demonstrates that absenteeism can be controlled.
1.5.2 Building Organizational Commitment:

There are almost many ways to build organizational loyalty, but the following list is most prominent in the literature:

Organizational commitment is higher in organizations that fulfill their obligations to employees and abide by humanitarian values, such as fairness, courtesy, forgiveness, and moral integrity.

Employees experience more comfort and predictability when they agree with the values underlying corporate decisions. This comfort increases their motivation to stay with the organization.

Employees identify with and feel obliged to work for an organization only when they trust its leads. By reducing job security, companies reduce the trust their employees have in their employers and the employment relationship.

Employee involvement increases affective commitment by strengthening the employees' social identity with the organization.  

1.5.3 Dimensions of Organizational Commitment:

There are three separate dimensions to organizational commitment:

Affective Commitment- an emotional attachment to the organization and a belief in its values. For example, a Petco employee may be affectively committed to the company because of its involvement with animals.

Continuance Commitment- the perceived economic value of remaining with an organization compared to leaving it. An employee may be committed to an employer because he is paid well and feels it would hurt his family to quit.
Normative Commitment – an obligation to remain with the organization for moral or ethical reasons. For example, an employee who is spearheading a new initiative may remain with an employer because he feels that it would “leave the employer in a lurch” if he left.75

1.6 Values in the Workplace

Values are stable, evaluative beliefs that guide our preferences for outcomes or courses of action in a variety of situations. They are perceptions about what is good or bad, right or wrong. Values tell us what we “ought” to do. They serve as a moral compass that directs our motivation and, potentially, our decisions and actions 76. Values partly define who we are as individuals and as members of groups with similar values.

Values have gained a lot of respect in recent years because they are viewed as anchors that stabilize behavior and keep employees moving collectively in the same direction. They are also considered beacons that keep managers on course under turbulent conditions. Employees with diverse values offer a different perspective, which often leads to better decision making. Conversely, too much congruence can create a “corporate cult” that potentially undermines creativity, organizational flexibility, and business ethics.77

Tom Chappell encourages its employees to pay attention to their values, not just corporate goals. He explains that objectives are the domain of the mind, whereas values are the domain of the heart. “Values bring the whole person to work,” he explains. “We employ the whole person, the mind and the soul. “Values are so important that Chappell contributed to the establishment of the Saltwater Institute, a foundation that helps CEOs and entrepreneurs integrate their personal values with their workplace decisions.78
In nutshell, the chapter gives a brief outline to the meaning and concept of ‘Organizational Climate.’ The distinguished features of organizational climate, its worth, the conceptual description of the terms-‘Organizational Climate’ and ‘Organizational Environment’ have also been clearly elaborated. This glimpse of various dimensions of ‘Organizational Climate’ along with some hints of forming a good climate. A brief sketch of ‘Organizational Culture’ along with the clear distinction between the terms ‘Organizational Climate’ and ‘Organizational Culture’ has had been covered. Employees’ performance and certain cultural aspects covering various variables such as Morale, Productivity and Employees’ Commitment have been highlighted. Values that are being practiced in the organizations have been discussed in brief.
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