CHAPTER – I

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1.1 Introduction

Organizational climate is the summary perception which people have about an organization. It is a global expression of what the organization is. Organization climate is the manifestation of the attitudes of organizational members toward the organization itself. An organization tends to attract and keep a person who fit its climate so, that is patterns are perpetuated at least to some extent. Forehand and Gilmer have defined organizational climate as “a set of characteristics that describe an organization and that: (a) distinguish one organization from another, (b) are relatively enduring over a period of time, and (c) influence the behavior of people in the organization. It is often felt that any individual may influence the organizational climate to some degree, but the tracing of the effects of individual behavior on the climate would be quite complex. However, it may be possible to have “as many climates as there are people in the organization”. When considered collectively, the actions of the individuals become more meaningful for viewing the total impact upon the climate and determining the stability of the work environment. It should be noted that the climate is to be viewed from a total system perspective. While there may be differences in climates within subsystems (departments), these will be Integrated to a certain extent to denote overall organizational climate.
1.2 FEATURES OF ORGANIZATIONAL CLIMATE

The nature of Organizational climate will be clear from its following features:

1.2.1 General Perception:

Organization climate is a general express of what the organization is. It represents the summary perception which people have about an organization.

1.2.2 Quantitative Concept:

It is an abstract and intangible concept. It is difficult to explain the components of organization climate in quantifiable units.

1.2.3 Distinct Identity:

It reflects how an organizational is different from other organizations. It gives a distinct identity to the organization.

1.2.4 Enduring Quality:

It is built up over a period of time. It represents relatively enduring quality of the internal environment that is experienced by the organizational members.

1.2.5 Multi-dimensional concept:

There are several dimensions of the concept of Organizational climate such as individual autonomy, authority structure, leadership style, pattern of communication, degree of conflicts and cooperation, etc.
1.3 COMPONENTS OF ORGANIZATIONAL CLIMATE

The important components that collectively represent the climate of an organization are as discussed below:

1.3.1 Members’ Concern

The dominant orientation of an organization is the main concern of its members, and this is an important determinant of climate. If the dominant orientation or concern is to adhere to established rules and regulations, the climate will be characterized by control; on the other hand, if the orientation is to produce excellence, the climates will be characterized by achievement.

1.3.2 Interpersonal relationships

An organization’s interpersonal-relations are reflected in the ways informal groups are formed, and operate to satisfy the social needs of members. If informal relations supplement the formal procedures, the organization will be benefited. But if some powerful groups develop who acquire power in the organization, they may displace the goals of the organization. Conflicts in the organization might also be common.

1.3.3 Degree of Control

The control systems may be either rigid or flexible. If the control is rigidly followed, there will be impersonal or bureaucratic atmosphere in the organization. The scope for self-regulation will be the minimum.
1.3.4 Individual Freedom

If the individuals are given sufficient freedom or autonomy to work and exercise authority, there will be efficiency in operations. Self-control will lighten the burden of the higher level executives.

1.3.5 Type of Structure

It clarifies who is to direct whom and who is responsible to whom. It serves as the basis of inter-personal relations between superiors and subordinates. If the authority is centralized at the top level, the scope for participation in decision-making by the subordinates will be low. Where authority is delegated to the subordinates, there will be an atmosphere of participative decision-making.

1.3.6 Management Orientation (Style)

The dominant style of managers and supervisors may be task-oriented or relations-oriented. If the task-orientation is predominant, the leadership style will be autocratic. The employees will have to increase their productivity or face punishment. Their morale will be low in the long-run.

1.3.7 Reward System

The system of rewards and punishments is an important component of organizational climate. When the rewards are based on merit and productivity, there will be an atmosphere of competition among employees for higher performance. They will put more and more hard work to develop themselves and earn higher rewards such as increments and promotions.
1.3.8 Risk-taking

How members respond to risks and whose help is sought in situations involving risk are important in any organization. If individuals feel free to try out new ideas without any fear, they will not hesitate in taking risks. Such an atmosphere will be conducive to innovative ideas.

1.3.9 Conflict Management

Differences among people and groups in organizations are not uncommon. If they are managed effectively, there will be an atmosphere of cooperation in the organization. If they are suppressed or not handled properly, people will be unhappy and there will be an atmosphere of distrust and non-cooperation.

1.3.10 Degree of Trust

The degree of trust or lack of trust among various members and groups in the organization affects the climate. If there is Mutual trust between different individuals, groups and also between management and workers, there will be peace in the organization. The members will cooperate with one another for the attainment of organization objectives. The above dimensions often overlaps with each other; they are not mutually exclusive. The way in which these dimensions operate in an organization also indicates the underlying philosophy of its management.

1.4 SIGNIFICANCE OF ORGANIZATIONAL CLIMATE

The study of the climate of an organization is necessary for an insight into important dimensions such as communication, cooperation, creativity, employee satisfaction, morale, etc. All these factors determine the effectiveness
of the organization. Organization is likely to be more effective if there is two-way communication and employees are cooperative and have better perception of the organization. Such employees have higher job satisfaction and feel committed to the organization. Their productivity will also be higher. Thus, good organizational climate is instrumented to higher employee satisfaction, better human relations and higher productivity. The role of climate in employee’s satisfaction and organizational effectiveness can be shown with a hypothetical model that specifies the relationship between the major sets of variables. Along with structure, technology, external environment and managerial policies and practices exert important influences on climate. The emerging climate represents the arena which is influenced by managerial policies, organization structure and technology and external environment. When climate is conducive to the needs of individuals, we would expect goal directed behavior to be high. The ultimate behavior or outcomes are determined by the interaction of individuals needs and perceived organizational environment. The feedback regarding resulting level of performance contributes not only to the climate of the particular work environment, but also to possible changes in managerial policies and practices. Thus, climate has an important influence on performance and satisfaction of the employees. If the climate is favorable, there would be greater organizational effectiveness.

1.5 FACTORS INFLUENCING ORGANIZATIONAL CLIMATE

Organizational climate is a manifestation of the attitudes of organizational members towards the organization. These attitudes are based upon such things
as management policies, supervisory techniques, the ‘fairness’ of management, labor’s reactions to management, and literally anything that affects the work environment. Lawrence James and Allan Jones have classified the factors that influence organizational climate into five major components:

1.5.1. Organizational Context
The management philosophy of an organization will be evident from the goals, policies and functions of the organization and the manner in which the goals are put into operation. For instance, the reputation of a particular company regarding the treatment of employees would provide some indication of the managerial philosophy regarding the utilization of human resources. This philosophy of management is expressed by policies, rules, regulations and, of course, by the actions of managers. The reaction of the employees and the degree to which they agree within management’s philosophy is critical to the development of a favorable climate. If management is able to match employee’s goals to organizational goals, it is most likely to put a positive influence on climate. The management’s attitude towards employees is indeed a major determinant to the overall organization climate.

1.5.2. Organization Structure
An organization structure is the framework of authority-responsibility relationships in an organization. It clarifies who is to supervise whom and who is responsible to whom. It serves as the basis of inter-personal relationships between the superiors and the subordinates and the peers (people of same rank in the organization). The organization structure followed by management is
critical organizational climate. If the top management feels the need of giving
greater importance to the subordinates, it will follow a decentralized structure.
There will be fewer layers in the organizational hierarchy and participative
decision-making will be encouraged. The organizational climate will be
inductive to the development of the employees. But if the top management
likes to maintain a greater degree of consistency in decision-making, it would
follow a centralized structure. This would enable greater control over
decisions; and organizational climate will encourage centralized information
management and decision-making.

1.5.3. Relationship between Superior and Subordinates

Every employee has to interact with his superior or boss for necessary
instructions and guidance. It is the immediate superior who allows (or
disallows) the subordinate to participate in decision-making, gives assignments,
does performance appraisals, conducts performance reviews, interprets
policies, determines pay increments, and decides who has the potential to be
promoted. These functions are inherent in managing and every manger is
concerned with these functions. The relationship between superior and
subordinate is not only of an interpersonal nature, but it also represents the
primary interface between the organization and the employee. All mangers
must therefore be aware of the possible influence on climate when deciding the
type of leadership (autocratic or participative to be provided to the
subordinates. The effectiveness of a leadership style is determined mainly by
the particular situation. In other words, the leadership style must suit the
situation faced by the manager. If it is not so, the motivation level of the workers will be low, they will feel frustrated and dissatisfied and productivity may also go down. If the workers are not satisfied with the type of leadership provided, effective communication will be hindered and their morale will also be low. Therefore, every manager must consider the likely impact of this style of functioning on the organizational climate.

1.5.4. Physical Environment

It has been observed that office decor, office size and the physical space allotted to a person at work (private office or general office) etc. have an important influence to the development of a favorable attitude towards the job. Noise has also been considered instrumental in influencing the climate of organization. High level of noise may bring a bad feeling and lead to frustration, nervousness and aggression and thus have a negative effect up to organizational climate. Some degree of immunity to noise may be possible when it is a steady part of the external environment. Therefore, noise to a tolerable extent may not adversely affect the organizational climate.

1.5.5. Values and Norms

Over a period of time every organization develops a culture of its own. Culture is the social or normality glue that holds an organization together. It expenses the values or social ideals and beliefs that organization members come to share. In the words of BroUtal, “Organization culture is a system of shared values (what is important) and the beliefs (how things work) that interact with a company’s people, organization structures, and control systems to produce
behavioral norms (the way we do things). The above quotation suggests that organizations have different cultures, goals and values, managerial styles, and norms - for carrying out activities. We have already discussed as to how organizational goals and managerial styles influence the organizational climate. Now we shall study the impact of values and norms.

**1.6 How Managers and Employees Influence Climate?**

Management plays an important role in shaping the climate of the organization. It does so by determining organizational goals, laying down organizational structure and pattern of communication and decision-making processes and also shaping of organizational norms and values. Besides, management also has direct control over the physical environment under which the employees work. In fact, management’s control over these comments means that management has the ability to affect changes in climate through adjustments in any of the components. Given the nature of the make-up of an organization’s climate, the real effect of any action by management can never be accurately predicted. Nonetheless, management must take the initiative in improving the subordinate-manager relationship and the organizational climate. The role of managers in establishing a favorable climate is primarily action-oriented while the employees’ role is one of reaction. The employees also exert their influence on organizational environment. They do so by trying to control their environment and bring about changes that will make their lot more endurable.
1.7 TECHNIQUES FOR IMPROVING ORGANIZATIONAL CLIMATE

The following techniques may be helpful in improving the organizational climate:

1.7.1 Open Communication:

There should be two-way communication in the organization so that the employees know what is going on and react to it. The management can modify its decisions on the basis of employees’ reactions.

1.7.2 Concern for People:

The management should show concern for the workers. It should work for their welfare and improvement of working conditions. It should also be interested in human resource development.

1.7.3 Participative Decision-making:

The employees should be involved in goal setting and taking decisions influencing their lot. They will feel committed to the organization and show cooperative attitude.

1.7.4 Change in Policies:

The management can influence organization climate by changing policies, procedures and rules. This may take time, but the change is long lasting if the workers see the change in policies procedures and rules as favorable to them.

1.7.5 Technological Changes:

It is often said that workers resist changes. But where technological changes will improve the working conditions of the employees, the change is easily
accepted. There will be a better climate if the management adopts improved methods of work in consultation with the employees.

1.8 RESEARCH QUESTION

The success of an organization depends upon the quality of organizational climate. Since the quality of an organizational climate cannot be measured, it will be perceived by the employees in different dimensions it may difficult to understand the present position of organizational climate. Employees’ perception about the climate influences the employees’ involvement and commitment to the organization. So the perception of the employees about the organizational climate helps the organization to achieve the goals of the organization. Therefore, the research question addressed in this study is:

How organizational climate influences the perception of employees and their involvement in an organization?

1.9 STATEMENT OF THE PROBLEM

Beginning with Lewin, Lippitts, and White’s (2010) discussion of ‘social climates,’ employee climate perceptions have received considerable attention in the organizational literature and have been used to predict a variety of important individual and organizational outcome variables.

At the individual-level of analysis, researchers have reported relationships between employees’ perceptions of their work environment and outcomes such as job satisfaction (Schneider & Snyder, 2011), burnout (McIntosh, 1995), job involvement (Brown & Leigh, 2010), organizational
citizenship behavior (Moorman, 2008), job performance (Pritchard & Karasick, 2008), leader behavior (Rousseau, 1988; Rentsch, 1990), turnover intentions (Rousseau, 1988; Rentsch, 1990), customer satisfaction (Johnson, 1996) and organizational performance (Lawler et al., 1974; Patterson et al., 2004).

When aggregated to the group or organization level, employee climate perceptions have been used to predict group-level outcomes such as accident rates (Zohar, 2000), customer satisfaction and financial performance (Schneider & Bowen, 1985; Schneider, White, & Paul, 1998). Based on the assumption that employee perceptions have important effects on both individual and organizational outcomes, the use of climate surveys as a diagnostic tool for organizational improvement and change is widely accepted in applied settings (Burke & Litwin, 1992; Church & Waclawski, 1998; Kraut, 1996; Ricci, Kirn, & Quinn, 1998).

Most of the studies show that there is a relation between organizational climate and employees’ performance. So there is a need for the organization to provide conducive climate to the employees. Organizations find it difficult to understand what type of climate that the employees preferred because employees perceptions differ from time to time and from situation to situation.

For this purpose every organization has to monitor and evaluate employees’ perceptions, opinion and preferences towards organizational climate by way of conducting continuous surveys and studies. The academicians also have to contribute literature to the organization to bail out
them from this problem. Though some researchers have already attempted to study about organizational climate perceptions, still there is a gap in the academic phenomenon in the field of employees’ perception towards organizational climate. To bridge the gap, the researcher has made an attempt in the study to provide information about the climate variables and employees’ perceptions towards such variables taking into account one of the multinational organizations namely Standard Chartered Bank.

1.10 SCOPE OF THE STUDY

The present day organizations, particularly multinational organizations operate in multiple cultural and institutional environments. Standard Chartered Bank is one such multinational organization having employees from different nations, cultural and working environment.

They use complex organizational arrangements such as virtual and cross-cultural teams, and they deal with a wide variety of managerial practices, routines, and individual mindsets.

So the study concentrates on employees’ perceptions on organizational climate of Standard Chartered Bank. The study is conducted in its branches in Chennai city. The purpose of this research is to look into the prevalent organizational climate in Standard Chartered Bank and to identify variations in employees' perceptions based on demographic factors.

Though there are many dimensions of organizational climate for the study purpose, on perusal of literature it is found that organizational climate variables such as: motivation, organizational commitment, work environment,
job satisfaction, training, career development, communication, and leadership are most commonly used by various authors in their study. Monia L. Castro and Nico Martins (2010) is one of the authors who used the above variables in his study on organizational climate. So these variables are taken to measure the employees’ perception towards organizational climate of STANDARD CHARTERED BANK (SCB) in this study.

1.11 OBJECTIVES OF THE STUDY

The present study mainly focuses on the employees’ perception towards organizational climate. It further concentrates on each of the variables of organizational climate selected for the study. The objectives of the present study are:

- To examine the opinion of employees about motivation and work environment.
- To identify the attitude of employees towards job satisfaction and training.
- To determine the employees’ perceptions on career development and organizational commitment.
- To establish the employees’ outlook towards leadership style and communication.
- To explore the association between the various organizational climate variables.
- To study the association between demographic variables of employees and their perception on organizational climate variables.
- To put forth certain conclusions and suggestions based on the findings that have been arrived.
Hypothesis:
The study is conducted by applying the following hypothesis:

Null hypothesis: There is no significant association between employees’ demographic factors and their perception towards organizational climate variables.

1.12 RESEARCH METHODOLOGY

Sources of data
The study is carried out through primary and secondary data.

Sampling Design
The primary data are collected through survey method. Survey is conducted using well formulated questionnaire. Simple random sampling is applied for generating data. Samples for the purpose of the study are selected systematically. Totally 616 questionnaires are distributed among the total employees of SCB in Chennai who are around 8,000. Out of the distributed questionnaires, 116 are not usable. Only 500 of them are found suitable for primary data analysis. Hence the exact sample size is 500.

Sample Size Justifications
The following statistical procedure justifies the sample size of the study.

Since the study is conducted on the basis of 5% level of statistical significance, the following formula is used to justify the sample size:

\[ n = \left( Z^2 \times p \times q \right) \div B^2 \]

Where Z denotes the normal variety at 5% level, p and q are probability of success and failure. B is bound to determine the suitability of sample size.

In this study it is found that \( Z = 1.96 \) (at 5% level); \( p = .975, q = .025 \).
**Standard Error**

The standard error obtained for the number of items in the research instrument revealed the value .013, which is minimum standard error that would minimize the sample size. Therefore,

\[ \text{The lower limit for the sample size} = (1.96 \times 0.975 \times 0.025) \div 0.013^2 = 283. \]

It is sharply estimated that the minimum required sample size is 283. But the present study has the sample size of 500, which is more than the sample adequacy value.

**Sample Selection**

The simple random sampling method is applied to collect the primary data. This sampling method is justified as follows:

The number of departments of SCB in Chennai is considered in the first population domain. Selecting considerable size of the departments out of the total number of departments is represented by the first stage of random sampling. The second stage is preceded with selecting the employees working in these departments at random. After these two stages, the random sampling method is applied to obtain the responses from the employees. There are sixty departments in SCB at Chennai. Out of them thirty departments are selected at random. From these thirty departments six hundred and sixteen (616) employees are identified by following simple random method for the purpose of questionnaire circulation and data collection. However, only 500 samples are used for study purpose, as 116 are not usable.
Questionnaire Design

The primary data are collected through questionnaire survey. The respondents are asked to give their opinion relating to organizational climate. The first part of the questionnaire comprises personal and organizational details with optional questions. The second part includes statements relating to the eight elements (variables) namely motivation, work environment, job satisfaction, training, career development, organizational commitment, communication and leadership style with Likert’s 5 point scale.

Scaling Technique in the Questionnaire

The questionnaire comprises of both optional type and Statements in Likert’s 5 point scale. The responses of these sections are obtained from the employees of SCB organization in the 5 point scale, which ranges as follows:

Strongly agree 5
Agree 4
Neutral 3
Disagree 2
Strongly Disagree 1

Secondary Data

The Secondary data are collected from Journals, Magazines, Publications, Reports, Books, Dailies, Periodicals, Articles, Research Papers, Websites, Company Publications, Manuals and Booklets.

Pilot Study and Pre-Testing

A pilot study is conducted to validate the questionnaire and to confirm the feasibility of the study. The filled up questionnaires are collected from seventy five respondents and Cronbach’s Alpha Criterion was applied to test
the reliability. The value determined is 0.915 proving the reliability of the instrument. The quality of the questionnaire is ascertained and the test showed high reliability. The variables consider for the analysis satisfy the normal probability distribution. Based on the pilot study, the questionnaire is modified suitably to elicit response from the sample group.

**Data Analysis**

The primary data collected are analyzed by using Statistical Package for Social Sciences (SPSS) version 15 of computer packages.

The Statistical tools used for obtaining results are as follows:

1. Factor Analysis by Principal Component Method is used to identify and classify the factors of organizational climate.

2. Paired T-test is applied to ascertain the perception of employees with reference to the perceptual difference among the employees.

3. One way Analysis of Variance (ANOVA) is applied to ascertain the influence of the personal variables of the employees such as gender, age, education, marital status, children, nature of work, total experience in banking sector, tenure of experience and income over their perception on organizational climate.

4. Karl Pearson’s Co-efficient of Correlation is brought into the context to ascertain the interdependencies of the variables of organizational climate and to exactly estimate the variability and strength of relationship.

5. Cluster Analysis followed by discriminate analysis is subsequently exploited to test significant association among individual employees’ perception and organizational climate.
1.13 LIMITATION OF THE STUDY

This study is limited to branches of SCB in Chennai city covering nearly 8,000 employees. The sample size is restricted to 500 employees. The data are collected from middle level and lower level employees only. The variables and factors involved in the study are made compact to give more elegance to the research. So, any generalization of the results obtained in the study may not hold well other than the study area.

1.14 CHAPTERISATION

Chapter I deals with the brief introduction about organizational climate, dimensions of organizational climate, need and importance of the study, objectives of the study, methodology, sampling, statistical tools used, limitation of the study and chapter arrangement.

Chapter II reviews the previous literature in the area of study.

Chapter III comprises of profile of Standard Chartered Bank and organizational climate variables.

Chapter IV identifies the employees’ perception of motivation, work environment, job satisfaction, training, career development, organizational commitment, communication and leadership style through factor analysis and cluster analysis.

Chapter V deals with association between organizational climate variables through Chi-Square Test and explores the relationship among organizational climate variables through Karl Pearson’s Co-efficient of Correlation.

Chapter VI applies one-way Analysis of Variance (ANOVA) to examine the association between demographic variables of employees and organizational climate variables.

Chapter VII summaries the results obtained in the study and highlights key findings along with conclusion and suggestion.
REFERENCE


Schneider & Bowen, (1985); the study about the leadership style and the organizational climate at the Swedish Civil Aviation Administration in Malmo-Sturup. Master’s dissertation, Institute for psychology, Lund University, Sweden.


