CHAPTER 1

ORGANIZATIONAL CLIMATE IN PUBLIC AND PRIVATE SECTOR ENTERPRISES

1.1 INTRODUCTION

Liberalization of the Indian business environment, through modification in the industrial, trade and fiscal policies by the government, has brought in change and competition of a magnitude that was previously unknown to Indian organizations.

In the new liberalized scenario, where multinationals and other global players are competing in the domestic market with the monopoly players, the management of organizations is expected to be more productive and efficient for the survival of these organizations. More than a decade ago, the western countries faced similar conditions.

A cascade of changing business structures, and changing leaderships have forced various departments of the companies to alter their perspectives on their role and function overnight. As companies moved from an exclusively bottom line obsession to a focus on customer, mission and the organization’s role, they were forced to make changes in their organization to give emphasis primarily to productivity.

In order to “survive”, Indian organizations are being forced to undergo massive changes. In this context, it would be important to identify the factors in the organizational environment that have the most positive impact on the performance of the organization. Among various factors, attitudes and feelings of the individuals regarding their jobs and job experiences have been found to be significantly affecting their behaviors. (Herzberg, Mausner,
In order to achieve the organizational goals, as per the researchers and Organizational theoreticians, a sound Organizational climate is extremely important. Organizational Climate is usually expressed as

Organizational Atmosphere, Organizational Surrounding, Environment, Organizational Culture etc.

Organizational climate indicates the quality of the internal environment as experienced by its members. Organizational climate also indicates the characteristics of the organization that distinguish one organization from another.

In the present economic scenario where there is:

i) Intense competition

ii) Continuous up-gradation of technology.

Both public and private sectors have to undergo changes regarding organizational climate due to the changes in Management thought and philosophy.

Specially in countries like India which is a developing country, Public sectors are one of the effective means for Economic development.

Economic development can be achieved only through a effective organizational climate which need to be competitive and effective unlike private sector’s climate.

1.2 CONCEPT OF ORGANIZATIONAL CLIMATE

The concept of organizational climate has been studied by various theoreticians and has been the subject of many studies and research endeavors for the past three decades. The management can ill afford to ignore “organizational climate”.

The concept of organizational climate has emerged as an effective way of studying the inter group dynamics of organization behavior, pattern and structure of organization as a whole and facilitates the concept of Industrial democracy.

A proper organizational climate is the result of a deliberate and planned effort of management towards setting up and acceptance of goals, developing managerial value systems, adoption of such measures which recognize the human side of an enterprise (Upadhayay, 1964).

Organization climate is very important factor to be considered in studying & analyzing organizations because it has a profound influence on the outlook, well being & attitudes of organization members & thus on their total performance. It provides useful platform for understanding such characteristics of organizations as stability, creativity, innovation communication & effectiveness.

Organizational Climate proves to be hard to define. There are two difficulties: How to define climate? And How to measure it effectively on different levels of analysis? There are several approaches to the concept of climate, of which two in particular have received substantial patronage:

i) Cognitive Scheme approach: - It regards the concept of climate as an individual perception and cognitive representation of the work environment. The Climate assessments should be conducted at an individual level.

ii) Shared Perception approach: - It emphasizes the importance of shared perceptions as the notion of climate (Anderson, & West, 1998; Mathisen & Einarsen 2004).

Reichers and Schneider (1990) defines the Organizational Climate as “The shared perception of the way things are around here”.

Organizational climate is developed by the organizations according to Katz and Kahn (1966).

Katz and Khan say it reflects the struggles, both internal and external, the type of people who compose the organization, the work processes, the means of communication and the exercise of authority within the individual organization. Further they recognize that it is easy to detect differences in the climate of organizations, but it is difficult to name the dimensions of these differences.

There are as many climates as there are people in the organization according to the opinion of some theorists. Sound climate is extremely important for the ultimate achievement of organizational goals.

Organizational climate is the process of quantifying the culture of an organization. Sometimes it is known as Corporate Climate. It is about the perceptions of the climate and about absolute measures.

Organizations have been conducting surveys on climate for decades. Survey on organizational Climate enables the impact of Human Resource strategies to be evaluated to create Human Resource Return on Investment (HRROI) calculations. This data has been found to be highly effective in changing the perspective of people-based initiatives as being an investment rather than a cost and transforming Human Resources into a mission-critical strategic partner from its perception of personnel.

There is a very strong link between Organizational Climate and employee reactions such as stress levels, absenteeism and commitment and participation according to Dr Dennis Rose and colleagues.

According to Milton Rokeach’s concepts (New York, 1961), Halpin and Croft chose to name the ends of organizational climate as “open” and “closed”.
Table 1.1 Difference between Open and Closed Climate

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<thead>
<tr>
<th>OPEN CLIMATE</th>
<th>CLOSED CLIMATE</th>
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<td>1) It is characterized by Functional flexibility.</td>
<td>1) It is characterized by Functional rigidity.</td>
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<td>2) Espirit, Thrust and Consideration are high.</td>
<td>2) Espirit, Thrust and Consideration are low.</td>
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<tr>
<td>3) Disengagement, production Emphasis, and Aloofness are low.</td>
<td>3) Disengagement, production Emphasis, and Aloofness are high.</td>
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<td>4) Intimacy is average.</td>
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1.3 FACTORS INFLUENCING ORGANIZATIONAL CLIMATE

Factors influencing Organizational Climate could be (1) External or (2) Internal. While an organization is influenced by external and internal factors, the organization itself is in the process of interaction and influences the environmental factors.

External factors include cultural/social systems, economic systems, political/Governmental and administrative systems and science and technology system.

Organizational Climate has been observed that the external and internal factors have more dominating and deeper influence, and the management of the organization feels that it cannot do much to improve things so far as external factors are concerned (Upadhyay, 1964).
Internal factors influencing the climate (Upadhyay, 1964) of an organization include personnel policy and its practice, availability and utilization of skills, relationship among various groups particularly industrial relations, setting up of performance standards and acceptance of these standards, work culture and work ethics reflecting a sense of responsibility about the tasks assigned to groups and individuals, physical facilities and resources of work and the pattern of compensation, recognition and reward.

In every organization there exist certain elements that exert profound influence on the climate. In some organizations certain factors like structure or process play a major role, whereas in others the level of technology may be a major influential factor of climate.

James and Jones (1974) have tried to identify the factors influencing climate and they grouped these factors under five heads, Organizational Context, Organizational Structure, Process, Physical Environment and System values and norms.

Organizational theorists such as Likert (1987), McGregor (1980), Argyris (1984), March and Simon (1982), have all considered Organizational environment as a potent factor affecting identification and similar process in work situation.

Organizational Climate though abstract in concept, is normally associated with job performance, job satisfaction, and morale of the employees.

The present study aims to analyze the Organizational climate in APCPDCL (Public Sector) and also in NSL Power Limited (NSL PL) (Private sector), for comparison.

While making a study of Organizational Climate the following factors affecting climate in Public and Private sectors are taken into consideration.
1.3.1. Organizational Context: The climate is said to be highly favorable when both human and non-human resources are utilized effectively and also Employee’s goals are matched with that of organizational goals. The goals of the organization should be reasonably clear to those in the system.

1.3.2. Organizational Structure: Organizational Structure can be defined as formal job tasks that are divided, grouped and coordinated, usually based on some key elements like work specialization, departmentation, chain of command, span of control, centralization, decentralization and formalization.

Structure is a framework that establishes formal relationships. Highly decentralized structure results in sound climate and participative decision-making. If the management feels the necessity of maintaining greater degree of consistency in operations regarding decision-making it opts for a centralized structure.

1.3.3. Process: The Management carries out its objectives through some of the very important processes like Decision Making, training, communication, motivation and Organizational Change.

1.3.3.a Decision - making is the process used in selecting a solution to a problem, deciding how to allocate funds or resources and how to reorganize work.

1.3.3.b Training is the planned & systematic modification of behaviour through leaving events programmes & instruction which enable individuals achieve the levels of knowledge skill & competence needed to carry out their work effectively.

1.3.3.c Communication addresses how information flows in an organization. There should be relatively little distortion of
communication vertically or horizontally and information should travel reasonably well.

**1.3.3.d Motivation** is driving force a psychological drive that compels or reinforces an action towards a desired goal. Motivation is a psychological feature that arouses an organism to act towards a desired goal & elicits controls & sustains certain goal directed behaviors.

Motivation is an inner drive to behave or act in a certain manner.

**1.3.3.e Organizational Change**

Change refers to new reporting relationships, responsibilities, procedures, policies, equipment, tools, and or software used on the job. Think about how an organization or work unit responds to change as a whole, rather than how individuals respond.

Personal commitment to flexibility, open-mind-ness, and curiosity are an essential precondition for effective change. (According to Miller)

**1.3.4. Physical Environment:** Physical Environment like infrastructure provided to the employees for their work atmosphere, number of branch offices and situation of head office, size and location of the building in which employee works, size of the city, environment will have an effect on the organizational climate. Clean, quiet and safe environment will have a favorable perception about the organizational climate.

**1.3.5. System Values and Norms:** Both formal and informal groups exert influence on climate. The formal value system is communicated to its employees through the rules, regulations and policies of the organization. In every organization informal system also exists which is very difficult to ascertain. But both formal and informal groups exert influence on climate.
1.4. OTHER FACTORS AFFECTING ORGANIZATIONAL CLIMATE

1.4.1 Organizational Culture

Organizational culture pertains to the shared beliefs perceptions and expectations of individuals in organizations. It is defined as "a set of cognitions shared by members of a social unit" (O'Reilly, Chatman, & Caldwell, 1991, p.491), or "a system of shared values and beliefs that produces norms of behavior and establish an organizational way of life" (Koberg & Chusmir, 1987, p.397).

Culture describes how things are done in an organization.

1.4.2 Service

Service is defined as meeting the needs and expectations of the persons (children, youth and families) for whom employees are performing their work. This does not refer to the management, but refers to the persons who benefit from the work.

1.4.3 Compensation

Monetary compensation is an employee’s gross payroll rate and benefits programs funded by an organization or agency. Flexitime and benefits like agency-based childcare are closely related to compensation.

1.4.4 Individual Competencies

Competencies refer to work related skills and knowledge which employees posses and sometimes acquire by experience in the organizations.
1.4.5 Morale

Morale is how an employee feels about him or herself. How good or bad do they feel about their self-image in relationship to what they do where they work and how they are doing at their place of employment.

Individuals should get satisfaction from their work, and a sense of general well-being should prevail.

1.4.6 Performance Evaluation

Performance evaluations are formal, written appraisals of an employee’s work as well as informal verbal feedback given to employees about work by supervisors or by team members in self-directed work teams.

1.4.7 Quality

Quality refers to doing things right at the first time. Quality service means meeting the needs, standards, and expectations of clients and providing the products or services according to the preferences of the customers /clients.

1.4.8 Supervision

It relates to the employee’s relationship with the person to whom they report (usually their immediate boss) in an organization.

1.4.9 Training and Development

Training and development refers to work related educational experiences offered by the organization to its employees inorder to increase their skills and knowledge and to motivate them.

1.4.10 Mission

Any organization’s mission would be to provide services to its clients or customers and also to provide job satisfaction to its employees.
Harihan (1972) listed the factors which taken together may constitute a favorable climate namely, job satisfaction, job security, recognition by superiors, fair promotion system, salary and increments, status and designation, delegation of authority support from superiors, opportunity for growth and participation etc., According to Payne and Pugh(1976) an individual needs satisfaction and goals influence his perception of organizational climate, while climate in turn affects these same satisfactions ,goals and behaviours.

1.5 PROBLEM BACKGROUND

A sound climate is extremely important for the ultimate achievement of organizational goals. Organizational climate is very important factor to be considered in studying and analyzing organizations because it has a profound influence on the outlook, well-being and attitudes of organizational members and on their total performance. The present study is conducted in APCPDC Ltd., (Public sector) and NSL POWER Ltd., (Private sector).

1.6 PROBLEM DEFINITION

This study examines the existing organizational climate in APCPDCCL and NSL POWER Ltd., comparison of climate in both the organizations and provides suggestions if any to the Public sector APCPDCCL to maintain a sound climate which is important for the achievement of its goals.

1.7 OBJECTIVES OF THE STUDY

2. To compare the employee perceptions on the organizational climate in APCPACL & NSL PL.

3. To identify the factors which contribute to organizational climate in public sector so as to compete successfully with private sector in the market without going for privatization or further reforms.

4. To identify the measures for effective organizational climate in APCPACL.

1.8 RESEARCH METHODOLOGY

Primary and secondary data sources have been used to collect the required and relevant data for the study.

(i) Primary data was collected by interview method using a structured questionnaire in both the organizations in the context of Executives/Gazzeted and Non-Executives /Non-Gazzeted.

(ii) A five point Likert scale is used for the survey given by T.V.RAO and UDAY PAREK, with appropriate modification.

(iii) The total Population of Gazetted employees in APCPACL working in Greater Hyderabad are 803 and Executives in NSLPL are 294.

(iv) The total Population of Non-Gazzeted in APCPACL working in Greater Hyderabad are 3986 and Non-Executives in NSL PL are 464.

(v) 10 Percent of the population working in Greater Hyderabad in both the organizations were selected using simple random sampling (SRS) for primary data collection.

(vi) Z test is conducted for testing the difference between two population proportions of APPDCL & NSLPL. The formula used is:
\[ |Z| = \frac{p_1 - p_2}{\sqrt{\frac{p_1 q_1}{n_1} + \frac{p_2 q_2}{n_2}}} \]

\( p_1 = \text{Agreement Level in APCPDCL,} \)
\( p_2 = \text{Agreement Level in NSL PL.} \)
\( q_1 = \text{Disagreement Level in APCPDCL (1- } p_1) \)
\( q_2 = \text{Disagreement Level in NSL PL (1- } p_2) \)
\( n_1 = \text{Sample size in APCPDCL.} \)
\( n_2 = \text{Sample size in NSL PL.} \)

(viii) If the z value is greater than 1.96 the difference is said to be significant and if it is less than 1.96 there is no significant difference between the two proportions.

1.9 RESEARCH DESIGN

Tools used for this study are:

(i) Personal interviews: - For this purpose random sampling technique is used. All the levels (top, middle and lower) of people in the organization are considered for the study.

(ii) Questionnaire: - For this purpose also random sampling technique is used and all the levels of people are considered for the study.

Mostly middle level employees are considered for the study and to some extent lower level employees are also considered in both the organizations.
1.10. Composition of Employees

1.10.1- Composition of employees in APCPDCL

(i) Top level: - 20 members (which includes 1 Chairman & Managing Director, 6 Directors and 13 Chief general managers).

(ii) Middle level: - There are around 1550 employees (which includes 25 Superintending Engineer’s, 115 Divisional Engineer’s, 348 Assistant Divisional Engineer’s, 1094 Assistant Engineer’s in the technical staff & 4 General Managers, 16 Senior accounts officers, 24 Accounts officers, 85 Assistant Accounts Officers & 150 junior Accounts Officers in the Accounts staff and 1 Joint Secretary, 1 General Manager, 5 Assistant Secretaries, 25 Personnel officers.)

(iii) Lower Level: - There are around 10,000 employees in this level with different cadres like Sub-Engineers, Formen’s, Line Inspectors, Junior lineman, Assistant Lineman, computer operators, office subordinates in the technical staff & upper divisional clerks, Lower divisional Clerks, computer operators, office subordinates in the Accounts staff & Junior personnel officers, assistants, computer operators, office subordinates in the HRD wing.

1.10.2. COMPOSITION OF EMPLOYEES IN NSL PL

The total employees working in NSL Limited are around 5000 in all the sectors (Power sector, cotton sector, textiles sector, infrastructure sector) in all the branches through out India.

There are around 800 employees working in NSL Power Limited.

(i) Top level Management consists of a group of people including Chairman & Managing Director, Executive Directors,
Directors, Chief Executive officers and Chief Finance officers, who commonly look after the total organization including all the sectors.

(ii) Middle level Management: For each sector different people look after at this level (it is not a common group unlike top level management). It includes Senior vice presidents, Vice-presidents, General Managers, Deputy General Managers, Assistant General Managers, Senior Managers, Managers and Deputy Managers.

(iii) Lower level Management: For each sector different people look after at this level also. It includes Assistant Managers, Senior Accounts officers, Junior Accounts officers and Accountants.

1.11. SCOPE FOR THE FUTURE STUDIES

The study can be extended to other organizations as well by increasing the sample size in both the organizations.

1.12. LIMITATIONS OF THE STUDY

This study has the following limitations:-

(i) The study is purely based on the responses given by the employees of both the organizations.

(ii) The research has been conducted with a limited sample in both the organizations.

(iii) The research has been conducted in APCPDCL and NSL PL in Hyderabad branches only.