

The Moderating Effect of Strength of Organisational Climate on the Organisational Outcomes

Promila Agarwal

Indian Institute of Management, Ahmedabad

Organizational climate is a set of properties of the work environment, perceived directly or indirectly by the employees. Organization climate not only influences employee behavior, but is an important predictor of organizational success. This study argues that organizational climate cannot be studied in isolation. This article conceptually proposes organizational climate model linking the antecedents and consequences of organization climate to organizational climate strength. The cognitive schema approach and the shared perception approach have received substantial patronage in studying organization climate. It contributes to the theory by identifying gaps in the literature and by providing further research direction. It attempts to examine the moderating effect due to strength of organization climate between organization climate and its outcomes. It emphasizes the assessment and measurement issues of the organization climate. This article concludes with theoretical and practical implications of organization climate for practitioners. Further, it provides suggestion to make organizational climate instrumental in organization success.

Keywords: Organizational Climate, Climate Strength, Organizational Culture.

The roots of research on organizational climate can be traced back to 1930. The research on organization climate got fueled by human relations movement. It is during this time when psychological environment of organization came in limelight. This was the beginning of the concept organization climate. Kurt Lewin is credited as the first researcher to study the organizational climate related aspects. Lewin's seminal work on group dynamics and leadership style gave way to organizational climate. However, he did not conceptualize the term organizational climate. Followed by this, various researchers studied this concept and various definitions started coming in the arena. Litwin defined organizational climate as a group of assessable characteristics that members could perceive directly or indirectly in the work environment. Lewin, Lippitt and White (1939) focused on the experimentally created social climates on a number of groups of teenage boys. The article highlighted the relationship between leadership styles and social climate. Argyris (1958) used the term "personality" for organizational climate, in an attempt to diagnose the group dynamics in a bank. This article also fueled the debate over climate and

culture differentiation. Organization climate is an interaction of components like culture, structure, system, leadership, and employee related variables. It is interesting to notice that researchers started using different operational definitions and environmental dimensions to measure organization climate. The most popular of that time was model given by Aguirre (1968). He gave four dimensions of organization climate: - (a) ecology (b) background (c) social system and (d) culture.

The coming up sections would define organizational climate with its antecedents and outcomes. The rationale behind this paper is to develop a comprehensive model of organization Climate.

Organizational Climate

Organizational climate refers to perceptions of organizational practices and procedures that are shared among members (Schneider, 1975), and which provide an indication of the institutionalized normative systems that guides behavior (Schneider, 1983). Climate may exist at two distinct levels: the psychological climate of the individual referring to perceptions of the work environment; and organizational climate

constituting shared perceptions of employees about the organizational environment (Ostroff, 1993). Various definitions were given by various researchers. Gregopoulos (1963) defined organizational climate as a normative structure of attitudes and behavioral standards, which provide a basis for interpreting the situations and act as a source of pressure for directing activities. Forehand and Gilmer (1964) defined organizational climate as 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 behavior of people in the organization. Litwin and Stringer (1968) proposed six dimensions of organizational climate that include a) structure, b) responsibility, c) reward, d) risk, e) warmth, and f) support. Campbell, Dunnette, Lawler, and Weick (1970) stated that organizational climate is 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 behavior outcome and outcome contingencies.

Climate Strength

Climate strength refers to high commitment for shared perception. In an organization with strong climate variability among employees' perceptions of the meaning of the situation will be small and will reflect a common desired content. A strong situation in review is characterized as established, having behavioral controls, stable and strong resistance from external influences. In such situations, expectations are high and well defined. There is high clarity among employees over norms, attitudes, and important behavior (Schneider, Salvaggio, & Subirats, 2002).

Climate Dimensions

To distinguish culture from climate and to have clarity over measurement of organization climate, the following dimensions were adopted from models given by Golembiewski (1979), Koys and Decotis (1991):- Support/sincerity, Pressure, Cohesion, Intrinsic recognition, Impartiality, Trust, and Openness.

Organization Climate and Organization Culture

Organizational culture is a pattern of basic assumptions (Schein, 1984). Organization culture provides us information regarding norms, attitudes, experiences, beliefs and values of an organization. There is often confusion over organization culture and climate. Despite a connection between culture and climate, there is a very clear difference between culture and climate. "Organizational cultures create climate" (Reichers & Schneider, 1990, p. 22), and they endure longer than their climatic counterparts (Denison, 1996). Further, Reichers and Schneider (1990) suggest climate denotes the "way things are around here." Organization climate is explicit, contrary to this culture is implicitly held in mind at a subconscious level (Reichers and Schneider, 1990; Sparrow and Gaston, 1996). Sparrow and Gaston (1996, p. 681) suggested that organization climate is perception relating to "psychological fields" at the individual and organizational levels, whereas culture is concerned with a collectivist emphasis understandings at the group level.

Proposed Model

The review has identified various antecedents and outcomes to organization climate. Considering the complexity, this current model limits its antecedents to age, gender, and personality. Similarly, the outcomes of the organizational climate under study are limited to innovation, conflicts, organization commitment, employee's performance, and organization effectiveness. The proposed model of the research is presented in figure 1.

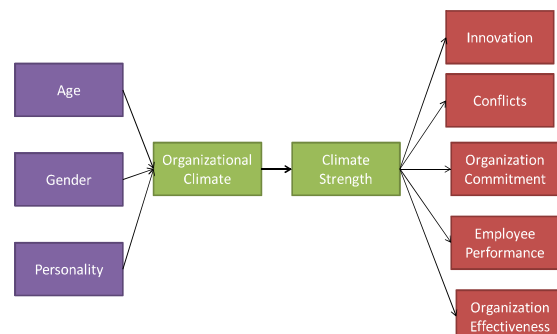


Figure 1: Proposed Model of Organizational Climate

Antecedents of Organization Climate

Age

Research is limited with regards to age and organization climate. Age influences the perception of employees and also produces variation in the expectations. Some studies did not report any significant relationship between age and organization climate (Suliman & Abdulla, 2005). However, Suliman and Abdulla, (2005) in a research found out that employees with longer organizational tenure have a tendency to perceive their work environment more positively. Similarly, employees with longer job tenure show more positive perception of work climate compared to those with a less job tenure. In both cases (longer organizational and job tenure) employees are in a better position to gain more and more rewards. Also, they are in a position to benefit most out of organizational environment. Age largely shapes an individual's perception and the world view. It is one of the critical factors. In most of the work, age has been just used as a control variable. Considering this gap, this study proposes that:

Proposition 1: Age will influence the perception of organization climate.

Proposition 1.1: Older employees will have favorable perception of organization climate.

Gender

Females and males have different expectations from the organization; these variations are likely to influence the perception of organization climate. In most of the studies age and gender has been considered as a control variable; hence the questions how and why in relation to perceived organizational climate differs between females and males, which is not dealt with. Fogarty (1996) examined gender differences regarding the perception of work environment within large international accounting firms. Further, it was found out that the correlations related to male subjects (0.56 to 0.96) were significantly higher than female's correlations (0.49 to 0.69). Contrary to this, some study did not report any significant relationship between organization climates and gender (Suliman & Abdulla, 2005). The different socialization process of men and

women influences their perception as well as expectations from the environment due to different mind make up. This study proposes that:

Proposition 2: Gender will influence the perception of organization climate.

Proposition 2.1: Men employees will have favorable perception of organization climate.

Personality

Personality is the complex of all the attributes like behavioral, temperamental, emotional, and mental that characterizes a unique individual. Personality variable has been found to strongly influence possibly all the variables of organization behavior. Despite limited research on organizational climate and personality, this study assumes that organization climate being a perceptual construct would be largely influenced by predisposed individual pattern, temperament, and cognitive mechanism. The role of personality in organizational climate begins from perception, personality influences, the way one perceives and interprets the world around them and research has found empirical support for this linkage. Personality is the predictor of work reactions (Griffin, 2001). Research indicates that work affects and job satisfaction are all significantly predicted by neuroticism and extraversion. Personality traits influence perceptual work outcomes. For example, agreeableness has been associated with good team performance, trust, altruism, co-operation, compliance, more tolerance, high job satisfaction, and high job performance (Raja, Johns, & Ntalianis, 2004). Similarly, employees high on openness seek challenging and interesting work and would expect the organization to satisfy this need. People who are open have a high need for autonomy and tend to be creative, adaptive and accepting of change (Costa & McCrae, 1992). They prefer an integrating conflict management style and participative leadership. Extroverts are gregarious, assertive and activity- and excitement-seeking (Costa & McCrae, 1992). Raja et al. (2004) found extroversion was directly related to desire to develop a long term relationship with the organization. Therefore, this study proposes that:

Proposition 3: Personality (Big Five Personality) will influence the perception of organization climate.

Outcomes

Innovation

Review clearly indicates that organization climate determines context for innovation. However, there is a need to identify the dimensions, which primarily are connected to innovation variable. Organization support and rewards systems are positively related to innovation (Chandler, Keller, & Lyon, 2000). The relationship between organization climate and innovation is moderated by factors like leadership and resistance to change. An organization needs to accurately reward entrepreneurial factors such as risk taking, willingness to change, and long-term focus. Besides, the mentioned factors, it is largely the result of the strength of the organization climate. Therefore, this study proposes:

Proposition 4: Climate strength will moderate the relationship between organization climate and innovation.

Conflicts

Organization climate is related with various types of conflicts. There is a link between work climate and role conflict. Organizational environment is partly responsible for conflicts experienced by employee. Climate explains significant variance in the role conflict (Suliman & Abdulla, 2005). Chung and Schneider (2002) found link between role conflict and work climate in service sector employees. Work climate influence employee's role as well as goal conflict (Suliman & Abdulla, 2005). Similarly, Bedeian, Armenakis, and Curran (1981) indicated that both role ambiguity and role conflict are significantly and negatively correlated each is a measure of organizational climate. The strength of the organization climate would have both functional and dysfunctional effect on the conflicts experienced by the employees of the organization. The effect would be governed by the strength of the climate. The stronger is the perception of climate, stronger would be its influence. Hence, the research proposes:

Proposition 5: Climate strength would moderate the relationship between organization climate and conflicts.

Organization commitment

Review indicates a strong relationship between organization climate and commitment. Organization commitment is the most critical outcome variable of organization climate (e.g. Meyer, Stanley, Herscovitch, & Topolnytsky, 2002). Carr, Schmidt, Ford, and DeShon (2003) found significant relationships between climate taxonomy and commitment. The highest correlation was between climate and affective commitment. Further, the relationship between organization climate and organization commitment is moderated by climate strength and climate quality (Sanders, Dorenbosch & Reuver, 2008). It is argued that the relationship between organization climate and organization commitment is not as simple and direct as the review suggests. This relationship would be influenced by the strength of the climate. Considering this logic, the paper proposes:

Proposition 6: Climate strength will moderate the relationship between organization climate and commitment.

Employee performance

Performance of the employee is influenced by various factors; one of the factors is organizational climate. The characteristics of the environment must be employee friendly for him to produce desired outcomes for the organization. Schneider (1975) studied employees' performance in the workplace. He stated that organization climate is a very critical determinant of employee performance, and that "performance equals ability and climate, which stress the display of individual differences" (p. 457). The importance of organizational climate is perceived as external and the internal environment has become volatile. Managing teams have become a challenge for the managers. Hence, there is strong need for creating an environment where employees are self-driven and create innovative services and products for the customers (Kim & Mauborgne, 2003). Barnard (1997) concluded that employee work related decisions, such as participating, producing and quitting, are rooted

in the organizational climate. Organizational climate play a significant role in increasing managerial effectiveness (Bamel, Rangnekar, Stokes, and Rastogi, 2013). A supportive organizational climate is directly related to employees' motivation and performance. It has been argued by researchers' that when the environment is positive, people are motivated and excited about what they are doing. When it is negative, people are relatively depressed and angry. The stronger is the perception of organization climate, the stronger its effect would be on performance. The paper proposes:

Proposition 7: Climate strength will moderate the relationship between organization climate and employee performance.

Organization effectiveness

Review indicated that organization climate is strongly related to organization effectiveness. The important question here is whether this relationship is direct or effect of the other interrelated outcomes of organization climate. An organization's climate is a valuable resource for organizational effectiveness as it influences employees' commitment to the organization (e.g. Carr, Schmidt, Ford, & DeShon, 2003). The influence of organization climate is the influence of collective climate perceptions (Parker, Baltes, Young, Huff, Altmann, Lacost, & Roberts, 2003). In their meta-analytic review on the relationship between individual climate perceptions and work outcomes such as employee attitudes, psychological well being, motivation and performance, Parker et al. (2003) emphasized the need for more research on collective climates. Further, a body of research suggests those employee attitudes, psychological well being, motivation, and performance leads to organization effectiveness. Organizational climate have significant effects on organization effectiveness, and group performance, collective identity and group commitment (Zhang & Liu, 2010). The present study assumes that the relationship between organization climate and organization effectiveness is influenced by the strength of the organization Climate. Therefore, the present paper proposes that:

Proposition 8: Climate strength will moderate the relationship between organization climate and organization effectiveness.

The conceptual model and the research literature supporting the model provide and extend the comprehensive understanding of the dynamics of antecedents and outcomes of organizational climate. The paper also brings forth new research propositions in the form of hypothesized relationship between unexplored variables. The research adds to the literature by highlighting that how association between organizational climate and organizational outcomes is moderated by organizational climate strength. This has important implications for practitioners. Practitioners need to focus not only on favorable organizational climate but also on the strength of favorable organizational climate. The author recommends empirical examination of proposed statements.

References

- Argyris, C. (1958). Some problems in conceptualizing organizational climate: A case study of a bank. *Administrative Science Quarterly*, 2, 501-520
- Barnard, J. (1997). The workplace environment: what do technical workers want? *Industrial Management*, 39, 14-16.
- Bedeian, A., Armenakis, A., & Curran, S. (1981). The relationship between role stress and job-related, interpersonal, and organization climate factors. *Journal of Social Psychology*, 113, 247-261.
- Campbell, J. R., Dunnette, M. D., Lawler, E. E. III, & Weick, K. E. Jr. (1970). *Managerial behaviour, performance and effectiveness*. New York: McGraw-Hill.
- Carr, J. Z., Schmidt, A.M., Ford, J. K., & DeShon, R.P. (2003). Climate perceptions matter: a meta analytic path analysis relating molar climate, cognitive and affective states, and individual level work outcomes. *Journal of Applied Psychology*, 88, 605-619.
- Chandler, N., Keller, C., & Lyon, W. (2000). Unraveling the determinants and consequences of an innovation-supportive organizational culture. *Entrepreneurship Theory and Practice*, Fall, 59-76.
- Chung, B., & Schneider, B. (2002). Serving multiple masters: role conflict experienced by service employees. *Journal of Services Marketing*, 16, 70-87.
- Costa, P. T., & McCrae, R. R. (1992). *Revised NEO Personality Inventory and NEO Five-Factor Inventory professional manual*. Odessa, FL: Psychological Assessment Resources.
- Bamel, U. K., Rangnekar, S., Stokes, P., & Rastogi, R. (2013). Organizational climate and managerial effectiveness: an Indian perspective. *International*

- Journal of Organizational Analysis*, 21, 198-218
- Denison, D. R. (1996). What is the difference between organizational culture and organizational climate? A native's point of view on a decade of paradigm wars. *Academy of Management Review*, 21, 619-654.
- Fogarty, T. (1996). Gender differences in the perception of the work environment within large international accounting firms. *Managerial Auditing Journal*, 11, 10-19.
- Forehand, G. A., & Gilmer, B. V. H. (1964). Environmental variation in studies of organizational behavior. *Psychological Bulletin*, 62, 361-382.
- Golembiewski, R. T. (1979). *Approaches to planned change, part one: Orienting perspectives and micro-level interventions*. New York: Marcel Dekker.
- Gregopoulos, B. (1965). Normative structure variables and organizational behavior. *Human Relations*, 18, 115-170.
- Griffin, M.A. (2001). Dispositions and work reactions: A multilevel approach. *Journal of Applied Psychology*, 86, 1142-1151.
- Kim, W., & Mauborgne, R. (2003). Fair process: management in the knowledge economy. *Harvard Business Review*, 81, 127-136.
- Koys, D.J., & Decotis, T.A. (1991). Inductive measures of psychological climate. *Human Relations*, 44, 33-46.
- Lewin, K., Lippit, R., & White, R.K. (1939). Patterns of aggressive behavior in experimentally created social climates. *Journal of Social Psychology*, 10, 271-299.
- Litwin, G. H., & Stringer, R. A. (1968). *Motivation and organizational climate*. Cambridge, MA: Harvard Business School, Division of Research.
- Meyer, J.P., Stanley, D.J., Herscovitch, L., & Topolnytsky, L. (2002). Affective, continuance, and normative commitment to the organization: a meta-analysis of antecedents, correlates, and consequences. *Journal of Vocational Behavior*, 61, 20-52.
- Ostroff, C. (1993). The effects of climate and personnel influences on individual behavior and attitudes in organizations. *Organizational Behavior and Human Decision Processes*, 56, 56-90.
- Parker, C.P., Baltes, B.B., Young, S.A., Huff, J.W., Altmann, R.A., Lacost, H.A., & Roberts, J. E. (2003). Relationships between psychological climate perceptions & work outcomes: a meta-analytic review. *Journal of Organizational Behaviour*, 24, 389-416.
- Raja, U., Johns, G., & Ntalianis, F. (2004). The impact of personality on psychological Contracts. *Academy of Management Journal*, 47, 350-367.
- Reichers, A. E., & Schneider, B. (1990). Climate and culture: An evolution of constructs, In Schneider, B. (Ed), *Organizational Climate and Culture* (pp. 5-39). San Fransico, CA: Jossey-Bass.
- Sanders, K., Dorenbosch, L., & Reuver, R. D., (2008). The impact of individual and shared employee perceptions of HRM on affective commitment considering climate strength. *Personnel Review*, 37, 412-425.
- Schein, E. H. (1984). Coming to a new awareness of organizational culture. *Sloan Management Review*, 3-16.
- Schneider, B. (1973). The perception of organization climate: the customer's view. *Journal of Applied Psychology*, 57, 248-256.
- Schneider, B. (1975). Organisational climate. *Personnel Psychology*, 28, 447-479.
- Schneider, B., & Reichers A. E. (1983). On the Etiology of Climates. *Personnel Psychology*. 36, 19-39.
- Schneider, B., & Bowen, D. E. (1995). *Winning the Service Game*. Cambridge: Harvard Business School Press.
- Schneider, B., Salvaggio, A.N., & Subirats, M. (2002). Climate strength: a new direction for climate research. *Journal of Applied Psychology*, 87, 220-229.
- Schneider, B., (1983). Work Climates: An Interactionist Perspective, In N. W. Feimer and E. S. Geller (eds.), *Environmental Psychology: Qualitys and Perspectives* (pp. 106-128). New York: Praeger.
- Schneider, B. (1987). The People Make the Place. *Personnel Psychology*, 40, 437-453.
- Suliman A. M., & Abdulla M. H. (2005). Towards a high-performance workplace: managing corporate climate and conflict. *Management Decision*, 43, 720-733.
- Tang, J., & Chen, W.Q. (2001). From organizational climate to organizational culture-the logic of concept development. *Journal of Development in Psychology*, 9, 62-65.
- Zhang, J., & Liu, Y. (2010). Organizational Climate and its Effects on Organizational Variables: An Empirical Study. *International Journal of Psychological Studies*, 2, 189-201.

Received: December 14, 2012

Revised: October 25, 2014

Accepted: December 05, 2014

Promila Agarwal, PhD, Assistant Professor, Indian Institute of Management, Ahmedabad, Gujarat – 380 015.