The impact of organizational climate on organizational effectiveness

Krishna Kumar Chanchal
Research Scholar, Department of Commerce and Business Administration, L. N. Mithila University, Darbhanga, Bihar, India

Abstract
The topic of organizational effectiveness has attracted considerable attention of organizational analysis. This increased attention may be seen in two phenomena. First, interest in this topic has heightened by a growing appreciation of the vital role played by organizational in the life of people in the contemporary society. People have become dependent on organizations of various types for the satisfaction of their needs, and their need satisfaction directly depends on the degree of effectiveness of organizations. Higher the degree of effectiveness, more satisfaction people derive from organizations. As such, understanding of organizational effectiveness is of vital importance for the society at large. Second, current interest in organizational effectiveness can be traced partly to the central nature of this topic to the field of organization theory. Discussion pertaining to the field of organizational effectiveness, particularly its definitional, conceptual, and methodological issues have generated great amount of diversity among various theorists. The present paper attempts to discuss the impact of organizational climate on organizational effectiveness.

Keywords: measurement of effectiveness, motivation and job satisfaction, organizational climate, organizational effectiveness, productivity of individuals

Introduction

Organizational effectiveness, also called as organizational success or growth, is defined and conceptualized in different ways, and no unanimity is found in different approaches. Though a large volume of literature is available on the concept and working of organizational effectiveness, there is often contradiction in the various approaches. The various approaches are judgemental and open to question. Thus, various terms are often used interchangeably, such as efficiency, productivity, profitability, organizational growth to denote organizational effectiveness. The inconsistency in the various terms is obvious. This inconsistency mainly arises because of discrepant conception of organizational effectiveness.

Campbell, who has done considerably research on organizational effectiveness has reviewed various studies and conceptual framework on organizational effectiveness and found that thirty criteria have been used to measure organizational effectiveness. Based on these reviews, he arrived at the conclusion that since an organization can be effective or ineffective on a number of different facets that may be relatively independent of one another, organizational effectiveness has no operational definition.

In spite of these problems in defining organizational effectiveness and identifying criteria against which the degree of organizational effectiveness may be measured, organizations are classified as effective or ineffective on the basis of some criteria under references.

Barnard has viewed organizational effectiveness as the degree to which operative goals have been attained while the concept of efficiency represents the cost/benefit rate incurred in the pursuit of these goals. Thus, effectiveness is related to goals and is externally focussed. Efficiency is used in engineering way and it refers to the relationship between input and output. This denotes how much inputs have been used to produce certain amount of outputs. It is not necessary that both og together always. For example, Barnard opines that when unsought consequences are trivial, or insignificant, effective action is efficient; when unsought consequences are not trivial, effective action may be inefficient. There may be types of situations:
1. An organization may be efficient but may not be effective.
2. An organization may be effective but may not be efficient.
3. An organization may be both efficient and effective.

In the first situation, the organization may be efficient but it may not be effective because efficiency refers to internal conversion processes whereas effectiveness reflects external phenomenon. For example, the organization may be low-cost producing (efficient) but it may fail to realize matching price for its products. The result is that the organization is incurring loss (ineffective) in spite of it being efficient. This happens when the product is in the declining stage of its life cycle. In the second situation, an organization may be effective at a point of time without being efficient. It may not be efficient but because of the external environment (particularly market situations), it may earn profit and show effectiveness. For example, in Indian business scenario, many inefficient

organizations in some industries like mini steel, mini cement, soya extraction industries made huge profit but late on, when the situation changed, these organizations became extinct.

In the third situation, an organization may be efficient and effective both at the same time. Many types of organizations may fall under this category, and this is the situation which is required for the long-term survival of organizations. It is in this situation that people tend to use efficiency and effectiveness interchangeably.

Approaches to Measure Effectiveness

We have seen that organizational effectiveness is defined in different ways and that each way provides a particular criterion or a set of criteria which may be even contradictory. However, it does not mean that organizational effectiveness should not be measured; it has to be measured. It must be measured because of two reasons. First, those who are responsible for the management of an organization should know whether their organization is doing thing rightly. If not, what additional efforts are required. Second, an organization is a means for satisfying the needs of people in the society and the satisfaction of such needs is directly linked to organizational effectiveness, as we have seen earlier. Because of these reasons, certain approaches have been developed for measuring effectiveness. A particular approach measures effectiveness in some context and, therefore, it lacks universality. This phenomenon is true for any principle of management. Therefore, while adopting a particular approach in measuring effectiveness, its inherent limitations should be taken into account. There are four types of approaches which are commonly used for effectiveness measurement:

1. Goal approach,
2. Behavioural approach,
3. System resource approach, and
4. Strategic constituencies approach.

Organizational Climate and Organizational Effectiveness

There is a close relationship between organizational climate and organizational effectiveness as organizational climate serves as the guidelines for dealing with people and has a major influence on motivation and productivity of individuals as well as total work group. Climate in natural sense, is referred to as the average course or condition of the weather at a place over a period of year as exhibited by temperature, wind velocity, and precipitation. However, it is quite difficult to define organizational climate incorporating the characteristics of natural climate. This is so because the most frustrating feature of an attempt to deal with situational variables in a model of management performance is the enormous complexity of the environment itself. It makes the definition and measurement of situational variables very difficult. One way to conceptualize the organizational climate is to consider its potential properties. Thus, organizational climate is a set of properties of the work environment, perceived directly or indirectly by employees, that is assumed to a major force in influencing employee behaviour.

When organizational climate is defined in this way, many kinds of organizational factors are relevant contributors to it. The crucial elements are the individual's perceptions of the relevant stimuli, constraints, and reinforcement contingencies that govern human behaviour. Thus, the perception of people regarding the functioning of these factors is important. From this point of view, the discussion of relevant factors is important. However, before going through these factors, let us compare organizational culture and organizational climate.

Organizational Culture versus Organizational Climate

Before we proceed to discuss various aspects of organizational culture, it is desirable to understand the difference between organizational culture and organizational climate as both these concepts are used interchangeably, if not in literature, at least in practice. Organizational climate is a set of attributes specific to an organization that may be induced from the way the organization deals with its members. Thus, climate usually refers to current situations in an organization and the linkages among individuals, work groups, and work performance. Factors that are included in climate are individual autonomy, degree of structure imposed upon the people, reward orientation, and warmth and support. Thus, both culture and climate have similarity in the sense that both deal with social context in organizations and both aim at affecting behaviour or organizational members. Beyond this similarity, culture and climate differ in several significant ways which are as follows:

▪   The study of culture is based on anthropology and sociology whereas study of climate is based on psychology. This, the contents of culture are anthropological and sociological while those of climate are psychological.
▪   Culture and climate differ in terms of emphasis. Culture is a means through which members learn and communicate what is acceptable or unacceptable in an organization in the light of its values and norms. Climate does not deal with values and norms; it is concerned with the current atmosphere in the organization.
▪   Culture develops through evolution process and, therefore, it is more lasting. Climate develops through managerial prescriptions. Thus, culture is more difficult to change is short period of time whereas climate is subject to manipulation by managerial actions even in short-term.

Factors in Organizational Climate

Researchers in organizational climate have used data relating to individual perception of organizational properties in identifying organizational climate. Even in this context, there is a great amount of diversity. For example, Litwin and Stringer have included six factors which affect organizational climate. These are

1. Organization structure-perception of the extent of organizational constraints, rules, regulations, red-tape;
2. Individual responsibility-feelings of autonomy of being one's own boss;
3. Rewards-feelings related to being confident of adequate and appropriate rewards;
4. Risk and risk-taking-perceptions of the degree of challenge and risk in the work situation;
5. Warmth and support-feelings of general good fellowship and helpfulness prevailing in the work setting; and
6. Tolerance and conflict-degree of confidence that the climate can tolerate differing opinions.

A broader and somewhat more systematic stud of climate dimensions described by Schneider and Bartlett includes six items that should be included in determining organizational climate. These are managerial support, managerial structure, concern for new employees, inter-agency conflict, agent dependence, and general satisfaction. Taguiri has identified five factors in organizational climate on the basis of information provided by managers. These are

1. Practices relating to providing a sense of direction or purpose to their jobs- setting of objectives, planning, and feedback;
2. Opportunities for exercising individual initiative;
3. Working with a superior who is highly competitive and competent;
4. Working with cooperative and pleasant people; and
5. Being with a profit-minded and sales-oriented company.

The result of these studies show that it is very difficult to generalize the basic contents of organizational climate based on these studies. Other studies in this respect do not elicit different result and present the vastly different orientations or sets. However, some broad generalizations can be drawn and it can be concluded that four basic factors are somewhat common to the findings of most studies. There are individual autonomy, the degree of structure imposed upon the people, reward orientation, and consideration, warmth and support.

Impact of Organizational Climate on Organizational Effectiveness

Organizational climate provides a type of work environment in which individual feels satisfied or dissatisfied. Since satisfaction of individual goes a long way in determining his efficiency, organizational climate can be said to be directly related with his performance in the organizational. There are four mechanisms by which organizational climate affects performance, satisfaction, and attitudes of people in the organization.

1. Organizational variables can operate as constraint systems in both a positive and negative sense by providing knowledge of what kinds of behaviour are rewarded, punished, or ignored. The organization can influence behaviour by attaching direct rewards and punishments to varying behaviours. This assignment of different values to behavioural outcomes would then influence the behaviour of those people most interested in those specific values.
2. Organizational variables may affect behaviour through evaluation of the self and others, and such evaluation will, in turn, influence behaviour. There are both physiological and psychological variables associated with this evaluation process.
3. Organizational factors work as stimuli. As stimuli, they influence an individual's arousal level, which is a motivational variable directing behaviour. The level of arousal will directly affect the level of activation and hence performance.
4. Organizational variables influence behaviour in that they influence the individual to form a perception of the organization. This perception then influences behaviour.

Developing a Sound Organizational Climate

The organizational climate is contingent on the assumptions of the nature of people in general. In dealing with people, the total man concept should be taken which is essentially a combination of three different concepts about the nature of human being- economic, social, and self-fulfilling. Such a classification is different from a earlier classification of man in the context of decision-making process. The basis of classification of man into three categories derives from the fact that each class of men has different set of thinking, motivation, and hence requires different organizational climate.

The economic man is basically motivated by money and long-range economic security, and hence the reliance on economic factors to attract, keep, and motivate them. For social man, positive social relations and interactions are a must; within his work environment, man seeks an affinity with fellow employees. The creation of a climate where happy family atmosphere prevails is appropriate for him. The self-fulfilling man seeks achievement, accomplishment, and meaning in what he does. The organizational climate with premium on certain degree of freedom is appropriate for him. Thus, each type of man requires a particular climate.

In order to build up a sound organizational climate, managers must understand their people in the organization. The importance must be given to what motivates job performance in general and building an overall climate conducive to motivation, a keen insight into the individual in particular, and tailoring a personal approach to

leadership and job design to which the man will respond with commitment. The individual differences suggest that there cannot be any all-purpose organizational climate. There are variations in practices. The following prescriptions can be taken as features of a sound organizational climate:

- Absence of political manoeuvring for organizational positions and other personal gains.
- Linking rewards with performance rather than linking with other considerations, such as blood relationship, friendship, and social background.
- High standards of excellence in every area of operation and evaluation.
- Encouragement for participation and group decision and its implementation.
- Encouragement for innovation and freedom to act upon ideas.
- High value assigned to interpersonal amity and tolerance of individual differences.
- High standards of moral integrity in dealing with both internal and external matters.

These prescriptions can be achieved on a long-term basis and more by practice and not by prescriptions alone.

Effectiveness through Adaptive-Coping Cycle
An effective organization attempts to adapt itself to environment. It implies that the organization must develop a system through which it can cope with the environmental requirements. Schein has suggested that an organization can do this through the adaptive-coping cycle which consists of various activities that enable the organization to cope with the dynamics of environment. Thus, for effectiveness, it is not sufficient that an organization is efficient which is mainly an internal condition, it should also interact properly with the environment.
Adaptive -coping cycle, as its name suggests, is a continuous process. However, its various stages can be identified to appreciate the points where the organization may fail to cope with adequately and, therefore, require the specific change action. There are six stages in this adaptive-coping cycle *viz.*

1. **Sensing of Change:** The first basic stage in the cycle is the sensing of change in some part of the internal environment. As will be discussed later, there may be many reasons for change in internal and external environment. Failure to perceive changes in the environment or incorrectly perceiving the changes is the major factor for the failure of the organization to cope with environment. Most of the organizations try to have adaptive subsystem, such as marketing research, research and development, and other similar devices for effective coping with the environment.
2. **Importing the Relevant Information:** The second stage in the cycle is the importation of relevant information about the change into those parts of the organization that can act upon it. As discussed in chapter 2, the systems approach views organization as input-output system and organization takes material, energy, and information from the environment. However, the decision of what inputs will be taken from the environment is not a simple one because organizations often fail to perceive the relevant inputs particularly the information.
3. **Changing Conversion Process:** The organization takes inputs for further processing, normally known as conversion process. The conversion process should be modified according to environmental requirements as indicated by the information.
4. **Stabilizing Internal Changes:** The fourth stage of the cycle is to stabilize the internal changes while reducing or managing undesired by products, that is, taking care of undesired changes in related subsystems which have resulted form the desired changes. This is necessary because each subsystem of the organization is dependent upon others and change in one may affect others also but this effect may be positive or negative.
5. **Exporting New Outputs:** When the internal change is stabilized, the organization comes in a position that it can export new outputs which are in accordance with the environmental requirements. It means some different attempts may be required for exporting the new outputs. If the organization fails to adopt the new methods, it may become ineffective.
6. **Obtaining Feedback:** The last stage in the cycle is the obtaining of feedback on the outcome of the changes for further sensing of the state of the external environment and the degree of integration of the internal environment. This stage is very much related with the first stage because the process of sensing may be same.

Failure at any of these stages may result adversely into effectiveness. A successful coping suggests that all the stages must be successfully negotiated. However, not all organizations may be able to do so but only those can be able to do so which meet certain criteria for successful coping. Following are the major organizational conditions for successful coping.

- For successful coping, the organization requires communication system through which reliable and valid information may be passed.
- There should be enough internal flexibility so that changes can be brough and absorbed by the organization.
- Successful coping requires integration and commitment to the organizational goals which provides willingness for change.
- There should be supportive internal climate which can support good communication, reduction in inflexibility, and stimulation of self- protection.

Maintaining organizational effectiveness requires additional efforts, specially when the major organizational changes take place to make adaptive-coping cycle effective. These changes may be more effective when they are brought in a planned way.

Conclusion

A sound organizational climate is a long-term proposition. The climate of each organization is set through an organizational behaviour system. However, what should be an organizational behaviour model for a given organization is not a universal phenomenon. Organizational behaviour philosophy derives from both fact and value premises. Fact premises represent how human beings behave, while value premises represent the view of the desirability of certain goals. Thus, organizational climate should represent the philosophy and goals of those who join together to create the organization. Thus, organizational climate exists in a contingency relationship with the organizational, meaning that the type of climate that an organization seeks is contingent upon the type of people it has, the type of technology, and level of education and expectation of people in it.

Organizational climate has a major influence on organizational effectiveness through its impact on individual motivation and job satisfaction. It does this by creating certain kinds of expectancies about what consequences will follow from different actions. Individuals in the organization have certain expectations and fulfilment of these expectations depends upon their perception as to how the organizational climate suits to the satisfaction of their needs.

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