THE IMPACT OF ORGANIZATIONAL CLIMATE ON BUSINESS PERFOMANCE IN LAGOS METROPOLIS

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Abstract:
The objective of the paper is to have a critical look at the impact of organizational climate on business performance in Lagos metropolis. The business performance is a function of the of the people within an organization and their environment i.e. B.P=F (PxE). Relevant literatures were reviewed. The paper adopted empirical study by using some organizations through administration of 150 structured questionnaires while 120 were returned. The findings of the paper is that good organizational climate is necessary to achieve goals of the organization and that there is a significant relationship between organizational climate and business performance.

Introduction:

Organizational climate is like chemicals in the science laboratory to performance in the business world. It serves as a catalyst in motivating the employees of an organization in order to achieve the business performance objective.

Organization is an entity or group of people with a special purpose while climate talks of opinions of a group of people, this means basically that organizational climate talks about the behaviour of people in achieving the performance goal of the business which is a function of the people within an organization and their environment, that is, achieving the business goals in terms of performance depends on people and environment i.e B.P = F (P x E). In the terms used here, this simple means business performance (Organizational goals, Organizational Structure, nature of work, working conditions, management philosophies, compensation or groups) is a function of people's motivational concerns and the environment in which they are working

Therefore, organization climate is an important factor to be considered and understand by manager to achieve a greater performance in any business. It is through the establishment of an effective organizational climate that the manager can "manage the employees to achieve performance objective of the organization". Business performance can be improved upon via the employees' motivation by creating an organizational climate that satisfies the needs of the members while channeling their motivated behaviour or attitude towards organization performance.

Research Question and Hypothesis

To address the study empirically, the following research question and hypothesis will be addressed.

Do organizational climate affect business performance, thus the hypothesis address is organizational climate do not affect business performance significantly.

1.0 Review of literature:

Organizational Climate is a management concept that is normally associated with job performance and job satisfaction and morale of the employees. This phenomenon i.e organizational climate.

Various definitions have been advanced for organizational climate and almost all have a degree of commonality. Some of the various definitions of organizational climate is:

(1)   Renate Tagiur (1968) defined organizational climate as a relatively enduring quality of the internal environment that is experienced by its members,

influences their behaviour, and can be described in terms of the values of a particular set of characteristic of the organization.

(2)   Forehand and Culmer (1964) said of 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 behaviour of the people in the organization.

U.S.P. Rao and P.S. Narayana (1998) opined that "organizational climate is, thus, the manifestation of the attitudes of organizational members towards the organization itself. An organization tends to attract and keep who fit its climate, so that its patterns are perpetuated at least to some extent. It means that the characteristics of the employees of the organization is greatly influenced by the climate that exists within the organization which are at times determined by the environment.

The overview of the organizational climate should be from the perspective of total system point of view which means that within an organization there are so many climates as there are people in organizations. There may be the occurrence of different climates within different departments or subsystems in the organization, and these sub-climates will be integrated in the similar fashion of integrating attitudes of employees, so as to form the organizational climates so that attainment of performance of the business could be achieved. Organizations might be different in climate that is work units, as we commonly observed. It is because the climate in different obtainable in one particular unit may not be suitable for another unit.

Moreover, Hellreigel and Slocom (1974) was of the view that an effective climate in a simple and static environment may prove to be dysfunctional in a dynamic and complex environment.

In the same vain, it should be equally noted that the climates of different organizational Subsystems are seldom radically different. Therefore, instead of taking a fragmented view of climate in a particular subsystem, the total system may be more meaningful to study and analyze.

A clear cut distinction between climate and culture could not be attained and more so the link between the two has become a source of debate. Rousseau (1990) in putting

forward his argument in favour of retaining a distinction between climate and culture says: climate reflects individuals perceptions of the organization and the focuses on a class of cognitions or descriptive beliefs individuals hold regarding organizational properties (managerial trust, supportiveness, participativeness in decision making, and so on). Climate as a product of individual psychological process (and the individual's potentially idiosyncratic experience of the organization) and culture as a unit-level phenomenon that is derived from social interaction are distinct constructs. The bottom-line here is the issue of workers-management participation and their general belief of that organization. It is when there is cordial relationship between the workers and management of any organization that the performance of any business entity can be guaranteed.

Furthermore, Schneider et al (1996) contended that the practices that senior managers introduce and the values they communicate determine both climate and culture. So according to the first view, climate is derived from individual psychological process, while culture is found at the unit level and derives from social interaction. This is an indication that organizational climate is a function of social interaction between the transactions of business, that is, the buyer who are the consumers, seller who are the employees and the management who are the policy maker of the organization.

Again, the view of Micheal L. Harrison and Arie Shirom (1999) about organizational climate is that climate refers to members perceptions of organizational features such as decision making, leadership, and norms about work. Denison (1996) who belongs to the same school of thought with Rousseau maintained that despite the growing overlap between cultural and climate studies and possibilities for cross-fertilization between them, there are important differences between culture and climate.

1.1 Factors affecting organizational climate:

There are many elements that exert influence on the climate that is on ground in every organization. In some organizations such factors like structure, or purpose plays a prominent role whereas in other organizations it is the level of technology or interpersonal relationships the influential factor in the climate that is obtainable in that organization. Lawrence James and Allan Jones made effort to identify the factors that is influencing climate and classified these factors into five major headings:

(1) Organizational Context

(2) Organizational Structure

(3) Process

(4) Physical Environment

(5) Systems values and norms

Organizational Context: - This is the most influential factor that affects the climate of the organization and this is the philosophy of the management. If the company's policy effectively utilizes its resources both human as well as non-human, then the conclusion is that the climate is good. The manpower philosophy is generally expressed by the rules, regulations and policies guarding the manpower requirement that will make the employees to function well. The most important factor here is that the reaction of the employees and the degrees to which they welcome and accept the managerial philosophy is very pertinent to the development of sound and favourable organization climate. The favourable climate here means when the existing management techniques are such that the employee's goals and aspiration are perfectly matched to the ideas of organization.

Structure: - This is another variable that is having a serious effect on the organizations climate. It is obvious that structure is a framework that establishes formal relationships and delineates authority and functional responsibility. The organizational chart in relation to hierarchy is also looked into because it affects climate. Highly decentralized structure results in sound climate when the management feels the necessity of high degree of employee input in the total output. In other words, a management that encourages participative decision-making will promote decentralization. In a different point of view, if the management feels the necessity of maintaining greater of consistency in operations regarding decision-making, it will be linked to centralized structure. This structure also affects the climate of organizations.

Process: - Processes are very vital in organization so that it will run well. Communication, decision-making, motivation and leadership are some of the very

important process through which the management carries out its objectives. In most cases of processes, the relationship that exists between the superior and subordinate is visible and therefore the supervisor cannot afford to ignore the visible interface, for instance , if we look at leader-follower relationship in leadership process, it is the leader's prerogative whether to allow subordinates in decision-making give assignment, does performance appraisals. So a leader should take cognizance of possible influence of his actions on the climate when deciding about the most appropriate supervisory technique to engage for a given situation. It should be well noted that any attempt not give consideration to the effect on climate would be a monumental error that could be reflected adversely on both the performance of the employees and the business because when employees are affected negatively; it will in turn affects the business performance.

Physical Environment: - the external conditions of environment, the size and location of the building in which an employee works, the size of the city, weather or the place all affect the organizational climate. An employee performing his duty or job in a conducive environment will undoubtedly have a right and favourable perception of the organizational climate. Every noisy nature has been considered instrumental in being an influential factor in the climate of organizations. High levels of noise bring a negative and bad feeling leading to frustration, nervousness and aggression and will have a negative effect upon organizational climate. Loud, intermittent noise converts an organization into a market place.

System Values and Norms:- In every organization exists certain norms and values which are formal systems where certain kinds of behaviours are recognized, rewarded and encouraged while certain kinds of behaviour forces an individual to formal sanctions or making them to be a fugitive in such an organizational environment. These set of formal value system is communicated to employees through rules, regulations and policies. Though, in every organization, there is the existence of informal organization, the value system of informal organization is very difficult to ascertain. But in line with the view of organizational climate, both formal and informal groups are very powerful in exerting influence on climate. For example, the organization that treats employees with respect and understanding will have certainly a different climate than one which is very cold and impersonal.

Mullins L. J. (1996) described climate as it applied to organization as something related to the prevailing atmosphere surrounding the organization, to the level of morale, and to the strength of feelings or belonging, care and goodwill among members. It is obvious that climate influences the attitudes which members of the organization bring to bear on their work performance and personal relationships. The extent to which employees accept the culture of the organization will definitely have a significant effect on climate.

To some extent organizational climate is an indication of the employees' feelings and beliefs of what the organization is all about. Climate is based most often on the perceptions of members towards the organization.

Mullins opined that organizational climate is a relatively enduring quality of the internal environment of an organization that(a) is experienced by its members, (b) influenced their behaviour, and (c) can be described in terms of the values of a particular set of characteristic (or attributes) of the organization.

Features of organizational climate:

There are some characteristics that are peculiar to the climate of organizations, therefore by the nature of the people – organization relationship and the superior-subordinate relationship. The determinants of this relationship are through interactions among goals and objectives, formal structure, the management process, leadership styles and the behaviour of people.

Although, organizations that are similar shared certain common features and norms, each organization will still have some distinctive features that makes it different from others. To be more precise a healthy organizational climate might be expected to exhibit some of such characteristic features that are highlighted below:

- The integration of organizational goals and personal goals.
- The most appropriate organization structure based on the demands of the socio-technical system.
- Democratization of the organization with full participation opportunities.

- Equitable treatment of personnel and employee relations policies and practices.
- Avoidance of confrontation when there is conflict and room is given for open discussion.
- Leadership styles cum managerial behaviour appropriate to the work situation.
- Acceptance of the psychological contract between the individual and the organization.
- Recognition of people's needs and expectations at work, and individual differences and attributes.
- Compensation and reward systems equitable based on positive recognition.
- Showing concern for the quality of working life and job design.
- Opportunities for personal development, career progression and advancement within the organization.
- Sense of belonging to the organization and a feeling of being a valued respected and important member.

For the organizational climate to improve there is the need to pay attention to the above features. Infact, a healthy climate will not on its own guarantee improved organizational effectiveness. The attainment of optimum operational performance is possible when the climate evokes a spirit of support and co-operation throughout the organization, and is conducive to motivating members to work willingly and effectively.

Measurement of organizational climate

The measurement of organizational climate is an attempt to capture or describe perceptions about the climate and which according to Armstrong (2003) that perceptions about climate can be measured by questionnaires such as that developed by Litwin and Stringer (1968) and which covers eight categories as follows:

(1) Structure- feelings about constraints and freedom to act and the degree of formality or informality in the working atmosphere.
(2) Responsibility- the feeling of being trusted to carry out important work or task.

(3) Risk- the sense of riskiness and challenge in the job and in the organization, the relative emphasis or taking calculated risks in playing safe.

(4) Warmth- the existence of friendly and informal social groups.

(5) Support- the perceived helpfulness of managers and co-workers, the emphasis (or lack of emphasis) on mutual support.

(6) Standards- the perceived importance of implicit and explicit goals and performance standards, the emphasis on doing a good job, the challenge represented in personal and team goals.

(7) Conflict- the feeling that managers and other workers want to hear different opinions, the emphasis on getting problems out into the open rather than smoothing them over or ignoring them.

(8) Identity- the feeling that you belong to a company, that you are a valuable member of a working team.

2.0   Methodology of research:

The study was conducted using survey method. A total number of 150 questionnaires were administered to people working in different organizations within the Lagos metropolis.

Instrumentation:

The major research instrument adopted for the study was a structured questionnaire. The instrument was divided into two sections. Section A requested for personal data of the respondents. Section B contained 20 item statements. These statements contained options ranging from strongly agree to strongly disagree.

3.0   Data analysis and discussion:

Out of the total number of 150 questionnaires administered only 120 were completed and duly returned by the respondents representing a response rate of 80%. These duly completed questionnaires were used for the analysis. The analysis of data is presented in the tables below.

The analysis of personal data presented above revealed that majority of participating respondents were male representing 60% of the respondents with age ranging from 26 – 47 and were all in the administration department.

Organization Climate and Performance

Some Organizations were used within the Lagos metropolis. The personal data were analyzed using simple percentage while rank correlation was adopted to analyze the 20 items in section B.

Table 1

Classification of Respondents Personal data N=120

S/N	CLASSIFICATION	FREQUENCY	PERCENTAGE
1	SEX:		
	MALE	72	60
	FEMALE	48	40
2	AGE:		
	18 – 25	-	-
	26 – 32	24	20
	33 – 40	84	70
	41 – 47	12	10
	Above 47	-	-
3	DEPARTMENT:		
	Account	-	-
	Administration	120	100
	Finance	-	-
	Marketing	-	-
	Corporate Affairs	-	-

Source: self – administered questionnaire.

Table II

Using rank correlation and T– value for impact of organizational climate on business performance

N=120

Response	Bus. Performance X	Organization Climate Y	rx	ry	Rx - Ry d	d
SA	168	384	3	1	2	4
A	132	228	4	3	1	1

UD	36	132	5	4	1	1
DA	276	120	2	5	-3	9
SDA	588	324	1	2	-1	1

Source: self administered questionnaire

$$R_s \quad 1 - \sqrt{\left(\frac{6 \sum d^2}{n(n^2 - 1)} \right)}$$

Rs = 0.2

To text for reliability by using 't' value

$$'t' = \pm \sqrt{s} \sqrt{\left(\frac{N - 2}{1 - (rs)^2} \right)}$$

Where N = sample size

Rs = correlation coefficient

T= 2.22

From table II, the correlation coefficient is 0.2 while the T-value is 2.22, since the critical value of 't' with 3 degree of freedom at 0.05 significant level is 2.35 and the empirical value is less than tabulated value, the H_o at 0.05 significant level is accepted.

4.0   Summary and Conclusions:

It is noted widely that organizational climate plays a major role in attaining a good business performance. The survey of organizational climate and business performance in organizations revealed.

(1) that good organizational climate is a necessity to achieve goals of the organization
(2) that there is a significant relationship between organizational climate and business performance.

The study through it findings revealed that conformity to the policies of achieving performance is a characteristic of organizations, responsibilities are given within the organizations, there is participative decision making process in the structure of the organization and that the formal value is well communicated to the employees that enhances their performance thereby leading to the performance of the business.

Finally, the present study only focused on organizational climate effect on business performance. The effect of culture, leadership style and the relationship between work attitudes and organizational performance can be considered for future research.

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