

## **FACTORS CONTRIBUTING TO ORGANISATIONAL CLIMATE: EVIDENCES FROM SMALL MEDIUM ENTERPRISES IN CHINA**

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### **ABSTRACT**

Good organizational climate can be instrumental in influencing the behaviors of employees towards positive development. This study attempts to look into the factors that could contribute towards the inculcation of organizational climate which would then create better job performance among SMEs enterprises in China. The objectives of the study are to explore the extent of knowledge on organizational climate among organizational members and to study the relationships of selected variables with organizational climate as well as to identify the best predictors of organizational climate. The study utilizes a survey research using questionnaires which are self-administered on 400 employees from eight SMEs in Shandong, China. The findings of the study found significant theoretical contributions of the four selected variables (i.e., leadership, communication, organization environment and job satisfaction) towards organizational climate. The study found the best predictor of organizational climate in China is organization environment.

### **Keywords:**

*organizational climate, leadership, communication, organization environment, job satisfaction*

### **INTRODUCTION**

Organizational climate (OC) is a set of perceptions shared by employees working in one organization. Organizational climate is a fundamental construct at workplace as it relates to work environment, job satisfaction, organizational communication and settings. It also provides an appropriate context for studying a corporation's organizational behavior, allowing the exploration of individual and group behaviors and reactions (Asif, 2011). Organizational climate is a key element for an organizational contention and in recent years it has also received considerable care from the organizational psychologists and sociologists.

Currently, China's corporate organizational climate research has not been dealt with greatly, and thus, causing China to fall far behind the Western countries for many years (Gash, 2013). China is based on a state-owned enterprise, which has always been on a traditional personnel management mode. Thus, corporate employees pay more attention to this mode and neglect the development of staff. They rarely focus on the psychological state of employees at the workplace (Putter, 2010). This indicates that the organizational climate research in China is not much dwelled upon and limited in number (Schneider, 2012). But now, many Chinese scholars and human resources in large corporations have gradually realized the importance of organizational climate. They have started to improve on the status of organizational climate in the corporations. Gash (2013) contends that the human resources research in China started relatively late, and therefore, the study of organizational climate in China is still at an infancy stage.

## **BACKGROUND OF STUDY**

Organizational climate is an important element that is focused by organizations in order to survive. Organizational climate is a key element for one organizational contention and in recent years it has also received considerable care from the organizational psychologists and sociologists (Asif, 2011). The organizational climate brings forth the idea that every business manager cannot do without the joint efforts of every member of the organization within the corporate organization. With regard to China, the Chinese market is continuously growing, and the old traditional model has already changed. The Chinese market is expanding globally and this requires fresh formation of Chinese organizations which need to put priority on organizational climate for the success and survival of the organizations. At this moment, there should be innovation in the organizations if they want success in China's market. Therefore, it is timely that the China's corporate managers and employees are aware of the organizational climate's significance for the survival of corporate organizations.

The employee is an independent variable, and also every individual in an organization is an integral cornerstone of every corporate establishment. Good organizational climate will keep them together and make them strong. On the other hand, organizational climate is also explained as the perceptions that staffs share their thoughts regarding what is important in an organization obtained through their experiences in the workplace. Their perceptions can also show why they respond to the different behaviors in an organization. Organizational climate describes how the organizational members experience organizations and attach shared meanings to their perceptions of the work environment (Schneider et al., 2011). Therefore, the "climate of the organization" guide each member in the organization, for example, when the organizational climate is on a downturn, all members of the organization will be demoralized; the overall enthusiasm of employees also is down, then the degree of dedication will be affected. Hence, it is obligatory that the department need to establish a "correct" climate of the organization.

## **PROBLEM STATEMENT**

The importance of organizational climate for the survival of organizations is undeniable. Organizational climate can be studied as an independent variable (Cloete, 2011) or as a dependent variable (Al-Saudi, 2012). Leader's authorization influences the employee's performance under the fair organizational climate, especially of leadership which includes creating vision and inspiration which has an important effect on employees' creativity. According to Weihrich and Kootz (2010) the leader motivates employees, and then they will create the new organizational climate with them. In an organization without communication, each member cannot get the main meaning from another, they cannot use guesswork to get information in the workplace. In an organization, the employees use communication to exchange the information and mood, and this can affect the organizational climate. The dynamics of service organizational climate have gotten direct effect from employee performance; and their attitudes, emotion mostly come from job satisfaction (Mayfield and Taber, 2010). Workplace (organization environment) is impacting on the employee's behavior, attitudes and performance, which in turn is predicted to influence organizational climate (Adenike, 2011).

Organizational climate as the set of characteristics that describes and distinguishes an organization from other organizations and influences the behavior of employees in an organization (Farooqui, 2012). The growing significance placed on employees and understanding their behavior within the organization have produced a great deal of interest in investigating employee perceptions of climate within the organization (Riggle, 2007: 1).

In contemporary China organizations, the division of labor, and cooperation on the behavior are in the long-chain, due to the authority of imbalances and, the bad climate to transfer and amplify.

According to Yu (2012) evidences indicate that in a corporate environment, organizational climate can easily be overlooked. When the corporation emphasizes organizational climate, they have to encounter strange and many unknown challenges. Although some corporations know the importance of the organizational climate for the work of the team, they do not know how to better apply the organizational climate in the real working world. Organizational climate is an intangible factor and, it is not like a clear stipulation that requires staff to follow. So this makes it easy to overlook its significance. To regulate organizational climate is also difficult.

Today, most of China's organizations are still a relatively narrow interest group. On the other hand, China's traditional ethics should also constantly be improved. Patriarchal hierarchy and the rank of the ethical principles in the family as a unit is the core of the ancient Chinese cultural tradition of the exploiting classes. Hence, there is a need for organizations to develop through the understanding of organizational climate (Yu, 2012). Most organizations in China are affected by traditional culture, which had lead people to blindly worship power. Therefore, within the organization, it is easy to cause the abuse of private rights by the leader, and hence increasing bad organizational climate (Yu, 2012). According to Kantain and Erie (2013), creating a healthy and positive organizational climate, which cares about the welfare of employees, is thought to be very important. Because, it is thought that a positive organization environment which appreciates employees is expected to positively affect their performance levels. Among all these, limited numbers of studies (Zhang & Liu, 2010) are available in referring to organizational climate as dependent variable. It is important to see what factors are dominant in influencing organizational climate. It is believed that this study will contribute to and fill the gap in the literature.

## **RESEARCH QUESTION AND OBJECTIVE**

Based on the background of study, literature review and problem statement, the following research Question and Research Objective were formulated:

### ***Research Question***

Do the four independent variables affect organizational climate and, if so, which has the greatest impact on the dependent variable?

### ***Research Objective***

To identify the effects of four independent variables on organizational climate.

## **LITERATURE REVIEW**

### ***Leadership***

Leadership is defined in terms of behavior, traits, role relationship, influence, interaction patterns, and administrative positions. Leadership with the single most important determinant of organizational climate is the day-to-day leadership style with the leader. The leader has a powerful influence on the expectations and behaviors of the employee in the corporate' organization. According to Jean-Sebastien Boudrias (2010) leader's authorization influences employees' performance under a fair organizational climate, as it inspires employees to maximize their creativity guided by a fused vision. Hence, when the leader motivates his or her employees, both the leader and his or her employees will be able to then create a new organizational climate (Wehrich

et al. 2010). At the same time, the leaders will also help employees to grow career-wise and this will eventually empower the employees (Bass and Riggio, 2006).

### ***Communication***

Communication can be defined as the process of transmitting information and common understanding from one person to another person (Keyton, 2011). The variables of the communication process are; the sender, transmits the message through a medium, after encoding the message to the receiver who upon receiving the message, decodes the message, and responds through verbal or nonverbal feedback (Lunenburg, 2010).

The Communication Process, the common variables in every communication exchange are the senders and the receivers. The sender starts of the communication, and the receiver is the individual to whom the message is sent. The message is the outcome of the encoding, which takes the form of verbal, nonverbal or written language. A message is sent through a channel or medium, which is the carrier of the communication. The medium element can be in the form of e-mail, face-to-face conversation, telephone call conversation, or written report and so on. The receiver decodes the received message into meaningful chunks of information. The noise element can be any component that might distort the message. Finally, feedback is the circulated ending that occurs when the receiver responds to the sender's message and returns the message to the sender. Feedback allows the sender to determine whether the message has been received and understood. It is worth mentioning that variables in the communication process determine the quality of communication, and if a problem occurs in any one of these elements, then there would be a reduction in the quality of communication effectiveness (Keyton, 2011).

### ***Job Satisfaction***

Past findings that affect job satisfaction on organizational climate was also explored by Castro and Martins (2010). Their study attempted to determine whether employees' perceptions of the organization environment is able to influence the organizational climate. They found that employees working within a comfortable environment may improve organizational climate.

Job satisfaction is the response of employees to their work, and organizational commitment is the response of employees to the organization they work for. Learning oriented organizational culture is more about the impact of the level of awareness of employees, and then the response to their actions in the job of change, which occurs on the organization of all the views (Lin, 2014).

Employees who are satisfied with their work can create higher productivity. Satisfied employees have a sense of belonging, a sense of responsibility, a sense of ownership, and a greater enthusiasm for their work so that they can create higher work efficiency under the same conditions. Low level of employee satisfaction can lead to low or excessive employee stress, which is not conducive to the improvement of personal work efficiency and will directly affect the combat effectiveness of the corporate team (Bai Du Zhi Dao, 2017).

### ***Organizational Environment***

Work environment is characterized by two opposing trends today; staff are given leeway in the way they own clothes and dress. On the other hand, the management's tendency to micromanage has increased. The explanation for the increased tendency to micromanage is simply because, of the fact that the young workers certainly do not view formal wear as serious, and do not view commitment to be parallel to the way they wear clothes or dress, and talk. In such scenarios, the leader must take a serious role or note, in not only defining the physical environment of the organization and making it beneficial for employees, but also to improve on the leadership style to suit the needs of his or her

staff. This refers to changing for betterment in many aspects like communication, ethics, performance, behaviors, interpersonal, and commitment.

The working environment is a variety of conditions that affects work performance, relationships with other individuals and the placement or use of objects around the workplace space. These various conditions can be caused by both human and physical factors. The objects mentioned above refer to the available office facilities, company benefits, etc. The factors include plant maintenance, lighting, noise, heating, ventilation, air conditioning, electrical equipment control, and safety risks related to plant maintenance. The individuals on the other hand refer to fellow colleagues, bosses, and partners. (Zeng Yongxiang, 2017).

### ***Organizational Climate***

Organizational climate is defined as a set of characteristics that describes an organization and distinguishes the organization from another (Farooqui, 2012: 296). Organizational climate is defined as recurring patterns of behavior, performances, and attitudes that characterize life in the organization, more related to climate (Aiswarya & Ramasundaram, 2012: 353). It is a meaningful construct with significant implications for understanding an organization's employee behavior. Research in this area began with an analysis at the individual level, concentrating on what is termed a psychological organization job climate (Hashemi, 2016).

Organizational climate can be instrumental, in influencing the behaviors of both leaders and employees in a variety of ways. There are a lot of variables that can affect an organizational climate; with both positive and negative outcomes. Organizational climate is also defined as shared perceptions of and meaning attached to employee's experiences and performances which they observe and follow dutifully for getting rewarded; these are behaviors that are supported and expected out of them (Schneider et al. 2011, Ostroff et al. 2003). As for new job applicants, a positive perception of the organizational climate might influence their decisions to commit and join the corporate organization. A negative perception of the organizational climate may affect a decline in the performance of future employees as they might have a negative view of the corporate organization.

## **METHODOLOGY**

### ***RESEARCH DESIGN***

The design of this study is the survey method. The survey method is a research design that is used to measure the relationship between two or more variables (Marguerite et al., 2006). In this study, the correlation design and multiple regression are used to investigate the relationships among the factors affecting organizational climate and to determine which is the dominant predictor of an organizational climate. This study also investigates whether these four variables: organization environment, communication, job satisfaction, and leadership play a significant role in predicting the organizational climate of selected organizations in China.

### ***POPULATION AND SAMPLING***

The sampling procedure used was convenient sampling and the total sample size was taken from Krejcie and Morgan's suggestions (1970). According to these scholars, for a population of more than 50,000 the sample size should be 381. For this research, the sample identified was 400.

However, the return and usable questionnaires were 332 which is 83.10% which is still considered as an acceptable return rate.

The non-managerial staff were chosen because they are the biggest intake of employees for the corporations and their behavior and work performance represent the climate within the organizations that they work in. Several management staff were also included in the samples since they directly affected the fluctuations in the mood within the organizations.

### ***INSTRUMENT DESIGN***

In this study, the questionnaires consisted of six sections with a total of 64 question items, all compulsory to be answered in order to meet the goals and objectives of the research. Overall, Section A of the questionnaire was devoted to collecting demographic information of respondents. Section B was related to the first objective; it measured the criteria of the credibility of the leadership. Section C consisted of questions on the status of communication in organizations. Section D was related to job satisfaction while Section E tested the last of the independent variables, which was on the organization environment. Section F, the last section determined the dependent variable; the organizational climate.

Ordinal scales were used for all sections except Section A, to know the perceptions of the respondents regarding the given statements, which described the variables. Section A consisted of nine questions which included- job, age, gender, marital status, educational level, work experience, work status and reasons for work. Section B, C, D, E, and F have set of eleven questions each. Section B had a series of questions on how employees feel about their leadership, Section C had at a series of questions that were related to communication skills and awareness. Section D on the other hand focused on the levels of job satisfaction in the organization. Section E included questions related to the organization environment. The objective of the questions in Section E was to identify the importance of the organization environment in the development of organizational climate and to gauge the levels of benefits based on the interactive features offered by the organizations. This section, which tested the dependent variable; organizational climate checked to determine an important element; how a comfortable level of work environment can and may influence an employee's work motivation. Section E of the questionnaires is about the dependent variable organizational climate.

### ***MEASUREMENT SCALES OF THE INSTRUMENT***

Many scholars have used the five-point Likert Scale for data collection, and likewise, this research also used a five-point Likert Scale. The scale used in the instrument is that of continuous scales; strongly disagree to strongly agree (Creswell, 2009), which is divided according to a five-point Likert scale, with scores ranging from 1 to 5.

### ***RELIABILITY FOR TOTAL RESPONDENTS***

A total of 400 questionnaires were administered on employees from eight selected SME organizations in China. Out of the 400, only 332 were retrieved. The 332 were used while 68 were excluded from the analysis due to incomplete data collection. Incomplete data collection occurs when respondents intentionally or unintentionally do not provide answers to certain questionnaire questions. A total of 332, which represents 83.0% the 400 administered questionnaires were therefore used for analysis. The response rate is above the threshold of the 30% minimum suggested by Sekaran (2003).

For the sample of 332, a post-test Cronbach Alpha Coefficient was constructed. There were five variables in the analysis. Job satisfaction received the highest Cronbach Alpha (0.896).

Leadership received the lowest Cronbach Alpha (0.573). Organizational climate received a Cronbach Alpha of 0.889 while the organization environment a 0.871 and communication 0.722. This shows that in terms of data reliability, the post-test was almost consistent to the pretest.

## **RESULTS**

### ***Hypothesis on Leadership and Organizational Climate***

The research also revealed that leadership behaviors have a significant relationship with the warmth of the organizational climate dimension (Holloway, 2012).

***Ha 1:** There is a significant relationship between leadership and organizational climate.*

***Ho1:** There is no significant relationship between leadership and organizational climate.*

In relation to the correlation results, a combination of leadership and organizational climate is significant ( $r = 0.509$ ;  $p < 0.05$ ); leadership obtained a moderate correlation with organizational climate. According to the mentioned above correlation results:

**Ha 1 is accepted while Ho 1 is rejected.**

The leader indeed has a powerful influence on the expectations and behaviors of employees in the corporate organization; again in accordance with Jean-Sebastien Boudrias (2010).

### ***Hypothesis on Communication and Organizational Climate***

Information is paramount, as they acquire, process, store, or arrange them for dissemination. In this process, good and an effective communication is vital for the recording of accurate evidence. Resolution is achieved as effective organizational climate is the nexus of these factors (Guazhe, 2013).

***Ha2:** There is a significant relationship between communication and organizational climate.*

***Ho2:** There is no significant relationship between communication and organization climate.*

In relation to the correlation results, the combination of communication and organizational climate is significant ( $r = 0.539$ ;  $p < 0.05$ ); communication obtained moderate correlation with organizational climate. According to the mentioned correlation results:

**Ha 2 is accepted while Ho 2 is rejected.**

In a previous study, by Ghina, A.(2012), the results obtained showed that communication was positively associated with organizational climate. Also, communication was perceived as a dominant corporate climate dimension.

### ***Hypothesis on Job Satisfaction and Organizational Climate***

Perceptions of leadership influence the corporate organizational climate (de Lara, 2008). According to the hypothesis:

***Ha3:*** *There is a significant relationship between job satisfaction and organizational climate.*

***Ho3:*** *There is no significant relationship between job satisfaction and organizational climate.*

In relation to the correlation results, the combination of job satisfaction and organizational climate is significant ( $r = 0.696$ ;  $p < 0.05$ ); job satisfaction obtained a high correlation with organizational climate. According to the mentioned correlation results:

**Ha3 is accepted while Ho3 is rejected.**

And through the survey, it was found that a good working environment helps to improve staff's work motivation and job satisfaction (HR-Survey, LLC, 2016). On the other hand, a recent study (Cloete 2011) among leaders in a private retail organization in South Africa found a completely opposite relationship between organizational climate and leadership style.

### ***Hypothesis on Organization Environment and Organizational Climate***

A relaxed and happy organization environment that is easier to form would lead to a relaxed climate of the organization.

***Ha4:*** *There is a significant relationship between organization environment and organizational climate.*

***Ho4:*** *There is no significant relationship between organization environment and organizational climate.*

In relation to the correlation results, the combination of the organization environment and organizational climate is significant ( $r = 0.783$ ;  $p < 0.05$ ); the organization environment obtained a high correlation with organizational climate. According to the mentioned correlation results:

**Ha4 is accepted while Ho4 is rejected.**

The study by these scholars showed that bullying at the workplace may lead to a low leveled organizational climate. Imran et al. (2014) also suggested that a negative perception of organization bullying (organization environment) is associated with negative organizational climate.

### ***Predictor of Organizational Climate***

To state relationship with independent and dependent variables.

***Ha5:*** *There are significant contributions of leadership, communication, job satisfaction and organizational environment in predicting organization climate.*

***Ho5:** There is no significant contribution of leadership, communication, job satisfaction and organizational environment in predicting organization climate.*

In relation to the correlation results, the combination of the four independent variables with the one dependent variable; the organizational climate is significant. All variables obtained an equal correlation or more than moderate correlations. According to the mentioned correlation results:

**Ha5 is accepted while Ho5 is rejected.**

The climate in an organization environment has an impact on employees' motivation, behavior, and performances, which, in turn, are predicted to influence organizational climate (Adenike, 2011: 155). In addition to leadership, other antecedents that have been shown to predict climate include organizational resources (Salanova et al. 2005) as well as high-performance job satisfaction (Chuang & Liao, 2010).

## **CONCLUSION**

This study investigates in Chinese SME's relationship with organizational climate, job satisfaction, communication, leadership, and organization environment. The independent variables - job satisfaction, communication, leadership, and organization environment significantly predict the variance contributing to the dependent variable; organizational climate. Thus, job satisfaction, communication, leadership and organization environment are moderately, positively and significantly related to organizational climate.

Through this study, it was found that the organizational environment is the most influential factor of the four factors on organizational climate. In fact, this result has already been revealed through the Demographic Profile section in the study, that seek a meaningful question as follows: "What's your reason for working in this organization (corporation)?" The answer to the question is none other than wages in the form of welfare as the first factor in people's choice of work; but also workplace being close to home as the second option. This simply indicates that Chinese people care about the working environment when they choose a job. With the progress of Chinese society and with the development of the economic culture, more Chinese, in the context of meeting the economic foundation, prefer to have good working environment. They do not tend to only focus on high-risk or high-paying types of work. It is evident that Chinese employees are increasingly demanding for better workplace culture.

According to the implications of this study, more attention should be given to developing the organizational climate in Chinese organizations.

China is a developing socialist country with a long history and culture. It has the largest population in the world; which adds on to the notion that China's market must be complex and diverse. As a developing country, the conditions required for the development of its many enterprises are still at the stage of infancy; there is an urgent need for these conditions to improve. This study on the organizational climate of SMEs in China, sheds a brief introduction of the corporate atmosphere, allowing readers to understand the significance of the organizational climate. It also attempts to help establish an ideal organizational climate that eliminates possible disadvantages and threats at the workplace while hoping that the Chinese enterprises realize the importance of a positive organizational climate. The study provides thoughts on building effective enterprise policies and procedures in an attempt to build a good sustainable organization for an ideal organizational climate.

The findings of this investigation concluded that the workplace environment is the most influential factor in the four influencing factors to affect organizational climate. Why do the results

show the working environment is the most important factor? The answer is simple; based on the investigation, it was found that employees regard the proximity to home as a very important choice next to their welfare as an important choice for their ideal working conditions. They also place importance on the safe working conditions that they are in during their working hours. Although, this is not the main direction of the survey, it can be an important extension of a future study.

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