



organisation effectiveness and development

Leadership Tools

*Organisational Climate:
A proven tool for improving
business performance*

What Is Organisational Climate?

The term “organisational climate” can be used in either a technical or a colloquial sense. As a technical term, it is defined as “a set of measurable properties of the work environment, based on the collective perception of the people who live and work in the environment and demonstrated to influence their motivation and behaviour.” As an everyday term, it describes the way it feels to work in an organisation. People use “climate” as a catchall phrase to describe the overall “tone” or “work atmosphere” of an organisation. **Simply stated, climate is people’s perceptions of the environment in which they work.**

Why Study Climate?

According to either the technical or the everyday definition of the term, climate seems to play an important role in determining **how people** behave in an organisation. Different climates attract and motivate different kinds of employees by subtly or blatantly defining the “rights and wrongs” and “dos and don’ts” for each organisational member. If people perceive that certain kinds of behaviour will be rewarded, they will be motivated to engage in those behaviours. Similarly, if there is a feeling that other behaviours are punished (“that’s not done around here”), these will be avoided.

Research and experience have shown that organisational climate has a long-term impact on an organisation’s productivity and performance.

For example, climates characterised by informality, few procedures, independence and high responsibility tend to motivate creative R&D professionals. This same kind of work environment might prove extremely frustrating to other employees, who would be most productively motivated by a more structured and predictable climate.

The study of climate is important because it helps explain employee motivation, employee behaviour and organisational performance. It provides managers with insights into the “people side” of the business. Another reason for studying climate is that it seems to be determined primarily by the practices of the leaders of the organisation. **Climate, then, can become an active and useful tool for managing the people side of the business.**

*Note: this note was originally prepared by Harbridge House Inc. (© 1990) based on portions of work by George H. Litwin and Robert A. Stringer Jnr., *Motivation and Organisational Climate* (Boston: Harvard Business School Press 1968). It was subsequently amended as a result of doctoral research undertaken by Fred Cannon, Director, OED Consulting Ltd., 2000 – 2004.*

How Is Climate Measured?

In order to use climate as a management tool, managers need a simple, straightforward way of measuring climate. **OED uses an easy-to-administer questionnaire, which has been validated and tested, to assess organisational climate.**¹ All data collected by means of the organisational climate questionnaire are kept strictly confidential unless otherwise agreed. A personal climate report can be generated for each manager who participates in the survey. This report describes how the manager's people perceive the climate and the manager's practices. All responses are averaged so that no individual questionnaire responses are revealed.

The climate report is divided into three sections. The first section deals with employees' perceptions of the climate, the second deals with their view of the manager's personal leadership while the third asks for open-ended comments. **The description of climate is organised into six categories, or dimensions** that research has shown to be the most important predictors of employee motivation and performance.

The Dimensions of Climate

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| <i>Clarity</i> | Scores on this dimension reflect employees' sense of being well organised and of having a clear definition of their roles and responsibilities. Structure is high when people feel that everyone's role is well defined. It is low when there is confusion over who has decision-making authority. |
| <i>Standards</i> | Scores on this dimensions measure the feeling of pressure to improve performance and the degree of pride employees take in doing a good job. High scores mean people are always looking for ways to improve performance. Low scores reflect lower performance standards. |
| <i>Responsibility</i> | Scores on this dimension reflect the feeling employees have of "being their own boss" and of not having to constantly check decisions with others. High responsibility scores signify that employees are encouraged to solve problems on their own. Low responsibility scores indicate that risk taking and the testing of new approaches tend to be discouraged. |

¹ Litwin and Stringer (1968); Cannon (2004)

Recognition	Scores on this dimension indicate the feeling of being rewarded for a job well done. This is a measure of the emphasis placed on reward versus criticism. High-recognition climates are characterised by an appropriate balance of reward and criticism. Lower scores on recognition mean that good work is inconsistently rewarded.
Support	Scores on this dimension reflect the feeling of trust and mutual support that prevail in the organisation. Support is high when employees feel they are part of a well-functioning team and they sense they can get help when they need it. It is low when employees feel isolated and alone.
Commitment	Scores on this dimension measure employees' sense of pride in belonging to the organisation and their degree of commitment to the organisation's goals. High commitment scores indicate that employees have a strong sense of personal loyalty to the organisation and commitment to achieving goals. Low commitment scores mean employees feel apathetic towards the organisation and its goals.

The climate report provides managers with a profile or “snapshot” of the organisational climate of the work group they manage. This allows them to compare the profile with what they consider should be an appropriate profile. For example, the scores on some dimensions may be considered too low, others too high.

What Determines an Organisation's Climate?

The climate report not only provides managers with a “snapshot” of how their people view the work environment, it **also highlights how managers can change the climate to improve employee motivation and productivity.** Exhibit I illustrates the primary determinants of climate and how climate relates to motivation and bottom-line performance.

Leadership Practices

Most studies have shown that the single most important determinant of an organisation's climate is the day-to-day behaviour of the manager. The leader of a work group has a powerful influence on the expectations of its members. Many times, the quickest way to change organisational climate is to change the manager or the way the manager is managing.

For each of the six climate dimensions, three management practices have been identified that seem to be particularly important. Taken as a whole, these 18 management practices provide a comprehensive "road map" to guide managers who wish to build a healthier organisational climate. The climate report gives each manager a confidential assessment of the strengths and weaknesses of his/her practices.

Organisation Culture

The second determinant of climate is the wider organisation culture – the underlying values, beliefs and assumptions on which the organisation is founded. These help determine the organisation's climate by creating informal sanctions and standards of behaviour for members of the work group. Over time, a "culture" evolves that influences the way people dress and talk and relate to one another. These cultural norms define the patterns of behaviour that are considered acceptable; to the average employee, they are powerful social motivators.

Organisational Structure, Systems and Procedures

The third determinant of climate is usually the organisational arrangements and systems. These include the formal organisational structure, the design of tasks and jobs, the formal reward systems, and the explicit policies and procedures of the organisation. It is not hard to imagine how these "rules and regulations" impact the tone of the workplace and create strong barriers or incentives to employee behaviour. Formal organisational arrangements often determine communication channels, the flow of information, and perceptions of opportunities and advancement; these are all related to the six climate dimensions.

External Environment

Fourthly, the external environment in which an organisation competes plays a role in the organisation's climate. Often, this influence is exercised through the environment's impact on leadership, strategy and culture. Factors such as government regulation, economic conditions, competitive industry forces and technology create pressure on organisations and their managers. These pressures manifest themselves in different organisational climates. For example, the climate that characterises a team of engineers working in a fiercely competitive high-technology industry will be markedly different from the climate of a similar team of engineers working in a highly regulated public utility.

Business Strategy

Finally, an organisation's overall strategy can have a distinctive impact on the climates of its work units. If a corporation has chosen an aggressive, growth-oriented strategy, for example, the goals, priorities and resource allocation decisions needed to support the strategy will help to determine the climates of the organisation's work units. One would expect to find a climate that stressed risk taking, individual initiative, and future-oriented rewards in contrast to a strategy that focused on downsizing and re-structuring.

An organisation's strategy can send clear signals to employees about what is expected from them. The absence of a clearly articulated strategy also has implications for the climates in which they work. Many times, low structure or commitment scores are the result of a lack of strategic clarity or the inability to clearly communicate the business focus and priorities.

Managing Organisational Climate

The five determinants of climate provide work unit leaders with points of leverage in managing the people side of the business. The lessons of research cannot be ignored: **The most important "lever" is the manager's own behaviours. Changing leadership practices can change the climate and in turn change employee motivation and behaviour patterns.**



Whether or not such changes in employee behaviour are translated into improved productivity and organisational performance depends on three factors:

1. How well the manager plans his / her climate improvement efforts (Does s/he focus on the right practices to alter the right climate dimension?)
2. How well the manager identifies and is able to deal with the other determinants of climate, particularly organisational arrangements and strategy. (Are there competing forces that produce inconsistencies, or do all aspects of the change effort “fit” with each other?)
3. How well the manager is able to execute the climate improvement plans. (Does s/he have the experience, skills, and resources to implement the changes required?)

An effective climate improvement process requires that all three factors be considered and managed assertively. In addition, **managers need a climate measurement system to pinpoint climate weaknesses and evaluate the results of their climate improvement efforts.** The OED organisational climate questionnaire and climate report is one such tool.

Exhibit I

A Model of Organisational Climate and Performance

