A STUDY ON THE IMPACT OF ORGANISATIONAL CLIMATE ON EMPLOYEE PERFORMANCE IN A MALAYSIAN CONSULTANCY

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ABSTRACT

This study is aimed to analyze the impact of organisational climate on employee performance in a Malaysian Consultancy firm. A questionnaire was developed based on previous literature and analysis was done to determine the normality, reliability and validity of the scale. The independent variables in organisational climate in this research include role clarity, communication, career and development, reward system, relationship, teamwork and support and direction, while the dependent factor is the employee performance. The research design adopted in this study was combination of explanatory and descriptive with the method of cross sectional survey by distributing survey questionnaires, consisting 48 questions with Likert Scale (Strongly Agree -1 and 7 for Strongly Disagree). The sample size of the study was 45 which were collected using Random Probability sampling method. SPSS 2.0 was used in analyzing the collected data by using descriptive means and regression. This study found that all the selected organisational climate dimensions in this research have a positive and significant impact on employee performance from the regression test in SPSS 2.0. The beta coefficients for all the dimensions of organisational climate in this study are positive and high indicating the strong impact on employee performance.

Key Terms: Organisational Climate, Role clarity, Rewards, Direction, Career development

1. INTRODUCTION

In the 21st century, organisations in are confronting more difficulties than ever before. These obstacles are not one of a kind to a particular industry or organisation, but rather influence all organisations, regardless of their structure or size. Organisational climate specifically is always challenged by the increasing number of changes affecting organisations nowadays (Nair, 2006). To survive and compete their rivals, organisations are continually looking to enhance their execution. Brown and Leigh (1996) believe that organisational climate is ending up more imperative than ever before due to organisations need to guarantee...
that those people who increase the value to the standard will need to remain in the organisation and will need to keep pouring their exertion into their work to the advantage of the organisation.

Researchers have been keen on seeing how employees’ view of the work environment impact their level of employment fulfilment in the studies of Mayo’s (1933) at Western Electric. These studies found that environmental elements impact worker efficiency and confidence. Bisconti and Solomon (2003) stated that an organisational climate that permits a high level of autonomy and supports relationships among companions, supervisors and subordinates brings about more fulfilled workers. Organisations that can create environments that employees see as benign and in which they can accomplish their maximum capacity are viewed as a key source of competitive advantage (Brown & Leigh, 1996). Organisational climate can accordingly be viewed as a key variable in effective organisations.

Organisational climate can be viewed as an illustrative idea that mirrors the regular view and understanding of all individuals with respect to the different components of the organisation, for example, structure, frameworks and practices (McMurray, 2003). Hence, organisational climate essentially basically alludes to the experience of employees in the organisation. The idea of organisational climate centers bases on discernment. Brown and Brooks (2002, p. 330) describe climate as the “feeling in the air” and the “atmosphere that employees perceive is created in their organisations due to practices, procedures and rewards.” Based on these clauses, obviously the individual view of employees in the organisation affects the climate. Despite the fact that people contrast in the method they perceive, analyze and interpret information, the climate introduce in the organisation is an aggregate view or recognition (Dormeyer, 2003) as climate is the individual’s perceptual or psychological description (Al-Shammari, 1992).

The conceptual gap is found in those theories where it is lacking of studies on organisational climate in Malaysia consultancy industries. By conducting this study, the selected variables of organisational climate will be analysed due to further understanding is needed on the causal relationship between organisational climate and employee performance as till now it is not clearly proven (Ruchi & Surinder, 2014).

This study benefits many organisations by providing an appropriate framework to identify the variables in organisational climates. Therefore, these help the organisation to strategies effectively using the suitable variables in the organisation to boost up the performance of employees.

The aim of this research is to investigate the impact of organizational climate on employee performance in Malaysia consultancy firm. Besides, the objective of the study is to determine the relationships between organisational climate and employee performance based on the chosen variables will be determined in this study. This study will also clarify the impact of each variables of organisational climate to employees in the organizations.

Research Objectives:

- To examine the impact of role clarity on employee performance
- To examine the impact of communication on employee performance
- To examine the impact of reward system on employee performance
To examine the impact of team work on employee performance
To examine the impact of career development on employee performance
To examine the impact of direction on employee performance
To examine the impact of relationship on employee performance

Organisational climate has an essential role in the organisations and impacts on the perceptions of employees’, which influences their practices and behaviours, thus, it is important for more research to be done on such areas to improve the working environment of individual in the organisation. The conceptual gap is found in those theories where is lacking of studies on organisational climate in Malaysia consultancy industries. By conducting this study, the selected variables of organisational climate will be analysed resulting in further understanding on the causal relationship between organisational climate and employee performance as it is not clearly proven (Ruchi & Surinder, 2014)

2. LITERATURE REVIEW

Over the decades, a range of wide researches has been developed and published on organisational climate. Two concepts exist in the organisational climate which is perceptual and descriptive. McMurray (2003) claimed that the opinions and agreement of employees on different organisation elements such as system, structure and practices show the descriptive concept in it. While, climate is defined as the ‘feeling in the air’ and the “atmosphere that employees perceive is formed in their organisations based on procedures, practices and rewards” in the study of Brown and Brooks (2002, p.330) and this shows the perceptions concept in organisational climate which affected by the individual perceptions. The organisational climate can be seen as the collective perception of employees although it subject to change anytime (Dormeyer, 2003, Al-Shammari, 1992)

The climate in an organisation is influenced by occasions and attributes significant to the organisation, which thus apply a strong impact on the members of organisation behaviour. Organisational climate and the route in which people react to it consistently associate. After some time, the organisational climate has the ability to bring out the general psychological atmosphere of an organisation, and subsequently, may influence the behaviour, fulfillment and inspiration of people in the work environment (Lawler, 1992).

Organisational climate is the generally persisting characteristic in an organisation which recognizes it from different organisations: and (1) typifies members collective perceptions about their organisations as for such measurements as self-sufficiency, confidence, cohesiveness, innovation, acknowledgment, fairness and support; (b) collaboration among the members; (c) fills in as a reason for interpreting the circumstance; (d) reflects the culture for predominant standards, qualities and attitudes of the organisation; and (e) serves as an impact for molding behavior (Forehard & Gilmer, 1964, Pritchard & Karasick, 1973)

According to Wallace, Hunt and Richards (1999), collective perceptions of organisational individuals and characterize climate as the outline view of how an organisation manages its individuals and condition. West, Smith, Lu Feng and Lawthom (1998) also indicated the shared perceptions of the basic components of people's specific organisation are viewed as the organisational climate. Gerber (2003) hypothesizes that organisational climate is illustrative of organisational individuals' collective perceptions as well as emotions about the organisation. McMurray (2003) refers the organisational climate as an affective event that the emotions where lead to information-processing behaviors of employees and interaction among themselves or with outsiders.
In the study of Ahmed (1998), the expression “climate” generally begins from the theorists of organisational for example Douglas McGregor and Kurt Lewin, who utilized the term to allude to climate of social and organisational separately. The climate of the organisation depends on its employees’ sentiments and view of the organisation’s practices, methods and reward frameworks. Organisational climate can be characterized in various ways. Definitions of Litwin and Stringer (1968) which is the most broadly accepted characteristic of organisational climate as an arrangement of the work environment quantifiable properties that is perceived by the general population who live and work in a specific situation and is expected to impact their behaviour and performance.

A few studies have been conducted to analyze the theoretical relationship between climate and performance. The outcomes show that where view of employees was positive as expanded interest in basic leadership, more prominent data sharing and and management support, there was expanded corporate viability (Kangis & Williams, 2000). Based on the empirical studies carried out in the past, from the wide ranges of industries, the outcomes demonstrated that there is factual connection between organisational climate and performance.

In a review of studies investigating organisational climate and employees’ performance, the study of Ozge (2016) found that organisational climates exhibit the clear role clarity dimensions result in a higher satisfaction and performance of employees. Peek (2003) explained the characteristics of organisational climate, for instances having a high level of self-governance, giving opportunities for employees, sustaining connections among employees, concerning and demonstrating enthusiasm for employees, perceiving workers’ achievements also, holding them in high respect result in more fulfilled employees.

Role clarity was considered as one of the dimension of organisational climate in the study of Podsakoff et al (1996) and stated that there is a positive relationship between the clear vision and tasks in the future with the outcome of employee’s performance. Nair (2006) defined clarity as the feelings of the organisation members concerning the fact that employees should exactly know what the expectations from their work and them are. Without having clear role clarity, conflict in organisational goals and objectives and ambiguity of organisational structure and roles, would happen which may lead to poor communication from management and lack of interdepartmental cooperation (Jones & James, 1979).

Communication in an organisation is defined as accessibility of the supervisor for listening and guidance, effective communication, and clear expectations and feedback that was needed for better work performance. It also refers to the evoking of a shared or common meaning in another person. There is sometimes communication issues occur in the organisation, where the ability of manager in listening to the staff, share information and sort out misunderstandings play an important role. Rewards system and team work under organisational system dimensions are positively related to the performance of employees as mentioned in the study of Campbell, et.al,(1970).

Jianwei (2010) agreed that the organisational climate in career development of the employees is important for the employee to perform better in work as providing necessary and related trainings are required. Good communication among the employees and upper management form a good organisational climate to boost up the satisfaction of employees in work (Sanad, 2016). Amin Bahrami et al, (2015) emphasize the relationships between the employee and organisational such as the employee wellness, priority for minority people etc. have directly affected the perception of employee as well as their performance.

Organisational climates creates a clear direction of the organisation to the employees in term of the future objectives and goals. The employees are always being in the cognitive stage of understanding the structure of organisation and in the state of readiness for change.
based on the planning of the organisation (Campbell et al., 1970). The leadership of upper management is playing a role in how good they deliver the aims of organisation and manage the employees to the reach the goals. By having a clear directions and objectives, the organisation will eventually become an employer of choice and well known in the market with high rating.

In short, studies investigating the relationship between organisational climate and employee performance are less frequent in the literature today, especially in Malaysia. This is probably explained as the studies tend to emphasize more on the organisational culture and job satisfaction of employees. In this study, a number of dimensions of organisational climate will be utilized in a consultancy company in Malaysia based on the surveys.

3. RESEARCH DESIGN AND METHODOLOGY

Positivism paradigm will be adopted in this research as by using this enables to experiment the phenomena, apply a correlation study and rectify the causal relationship that leads to the methods to produce quantitative data (Scotland, 2012). In this study, the positivism is suitable to be chosen and determined by external working environment due to the concept of positivism. The quantitative method is usually conducted to gather the information for this research as the common practice of the positivist.

The adopted method of investigation in this study is the combination of explanatory and descriptive approach. Explanatory research was used due to two variables are covered in this study which are the independent and dependent variable. Investigation and clarification of the nature of the causal relationship between these two variables can be done through this method. Thus, the relationship between the working environment and employee performance can be identified.

In order to gather the numerical data, the quantitative approach was used in this research by distributing questionnaire to a number of participants. Wyse (2011) suggested that this method is more reliable to measure and establish the relationship among the variables by interpreting the collected data into related usable results which to be discussed in this research. The assumptions of quantitative approach are consistent with the positivist paradigm that the social perceptions are taken as entities.

The reason of using the primary data is that the researcher has the choice to investigate via survey or questionnaire directly and indirectly, which are different with secondary data that gathered from published or unpublished materials, thus the primary data makes more accurate and reliable (Imna & Hassan, 2015). Based on the past findings, primary research enables to provide satisfactory and adequate results for further investigations by adopting the proper strategy of research design and data collection for the specific problems. Essentially, as this research is done in Malaysia consultancy industry, this collection is an entire new obtained data.

50 questionnaires through Google form were distributed and a total of 48 questionnaires were received (response rate 96%). However, there are few returned questionnaires are excluded due to not fully completed by the respondents, thus a total of 45 completed questionnaires are used in this research. The respondents were the employees currently working in the consulting firm in Malaysia. In this study, random probability sampling is decided to use in the survey among the respondents due to randomization diminishes biases enabling the outcomes to extend based on the sampling population. Besides in non-probability sampling technique, informants are especially selected out of convenience or from the suggested knowledgeable individuals that diminish the validity of the results.
4. Results and Discussion

The results of all the alpha coefficients in reliability test for the conducted questionnaire are presented in Table 1 below. The last column indicates the internal consistency for each dimension of organizational climates.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Cronbach’s Alpha</th>
<th>Cronbach’s Alpha Based on Standardized Items</th>
<th>Internal Consistency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>0.947</td>
<td>0.939</td>
<td>Excellent</td>
</tr>
<tr>
<td>Role Clarity</td>
<td>0.734</td>
<td>0.753</td>
<td>Acceptable</td>
</tr>
<tr>
<td>Communication</td>
<td>0.739</td>
<td>0.741</td>
<td>Acceptable</td>
</tr>
<tr>
<td>Reward System</td>
<td>0.820</td>
<td>0.826</td>
<td>Good</td>
</tr>
<tr>
<td>Career Development</td>
<td>0.805</td>
<td>0.812</td>
<td>Good</td>
</tr>
<tr>
<td>Relationships</td>
<td>0.855</td>
<td>0.862</td>
<td>Good</td>
</tr>
<tr>
<td>Teamwork and Support</td>
<td>0.714</td>
<td>0.720</td>
<td>Acceptable</td>
</tr>
<tr>
<td>Direction</td>
<td>0.818</td>
<td>0.820</td>
<td>Good</td>
</tr>
<tr>
<td>Performance</td>
<td>0.781</td>
<td>0.781</td>
<td>Acceptable</td>
</tr>
</tbody>
</table>

The overall Cronbach’s alpha coefficient obtained for the organisational climate questionnaire was excellent with the value 0.947 as shown in Table 1. Total value being above 0.8, the variables are considered to have good internal consistency reliabilities for examining the results such as reward system, career development, relationships and direction. The dimensions of role clarity, communication, teamwork and support fall in the acceptable category with the Cronbach’s alpha coefficients of between 0.7 and 0.8.

The climate of the organisation was determined by analysing the collected questionnaire with the Likert scale of 1-7 indicating from ‘the strongly agree’ to ‘strongly disagree’ respectively. Various dimensions of organizational climate are assessed by the questionnaire were computed into the descriptive statistics as illustrated below.

<table>
<thead>
<tr>
<th>Dimension</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role Clarity</td>
<td>45</td>
<td>2.10</td>
<td>1.33</td>
<td>1.458</td>
<td>1.394</td>
</tr>
<tr>
<td>Communication</td>
<td>45</td>
<td>2.16</td>
<td>1.38</td>
<td>1.491</td>
<td>1.765</td>
</tr>
<tr>
<td>Reward System</td>
<td>45</td>
<td>2.43</td>
<td>1.52</td>
<td>1.043</td>
<td>0.222</td>
</tr>
<tr>
<td>Career Development</td>
<td>45</td>
<td>2.42</td>
<td>1.58</td>
<td>1.188</td>
<td>0.501</td>
</tr>
<tr>
<td>Relationships</td>
<td>45</td>
<td>2.23</td>
<td>1.36</td>
<td>1.163</td>
<td>0.517</td>
</tr>
<tr>
<td>Teamwork and Support</td>
<td>45</td>
<td>2.20</td>
<td>1.39</td>
<td>1.162</td>
<td>0.524</td>
</tr>
<tr>
<td>Direction</td>
<td>45</td>
<td>2.34</td>
<td>1.42</td>
<td>1.055</td>
<td>0.265</td>
</tr>
<tr>
<td>Total Organisational Climate</td>
<td>45</td>
<td>2.27</td>
<td>1.43</td>
<td>1.223</td>
<td>0.741</td>
</tr>
</tbody>
</table>

From table above, role clarity appears to have the lowest mean of 2.10, means that most of the respondents have the strong agreement on this variable compared to the other dimensions of organizational climate. Reward system recorded the highest mean, which is 2.43. Overall, the total mean value for organizational climate is 2.27.

In this study, regression analysis is performed to identify the impact of organisational climate on employee performance based on the seven independent factors and the employee performance as the dependent factor.
The table above summarizes the prediction for the employee performance with the R value of 0.723, R square as 0.523 and adjusted R square as 0.447, indicating that 44.7% of the variance of employee performance can be assumed by all the mentioned independent variables. A minimum of 60% variation of the dependent variable would consider a good fit. Thus, this is not a model with good fit, however the autocorrelation of this regression is potentially high.

From the ANOVA table, F test conducted for this study and with the F statistic value for this study show that the regression model is significant due to the \( p\)-value shown is less than 0.01.

From the Beta reading above, basically all the dimensions stated have an impact on employee performance such as there are 45.8% goes to role clarity, 18.6% of communication, 29.3% of reward system, 20% of career development, 28% of relationships, teamwork and support are 39.1% and 24.7% of direction. The result indicates that the role clarity (45.8%) has significant impact on employee performance in the organization based on the analysis.
The following assumptions were made before the analysis of this table:

Dependent factor: Employee Performance  
Y = EP (Employee Performance)

Therefore, the model should be:

\[ Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + C \]
\[ Y = 0.458 (X_1) + 0.186 (X_2) + 0.293 (X_3) + 0.200 (X_4) + 0.280 (X_5) + 0.391 (X_6) + 0.247 (X_7) + C \]

This empirical model (original) indicated that changing 1 unit of \( X_1 = RC, X_2 = C, X_3 = RS, X_4 = CD, X_5 = R, X_6 = TS \) and \( X_7 = D \) while other things remain same with \( C = 0 \), \( Y \) (EP) will change by 2.055 units. Therefore, all the dimensions of organizational climates such as role clarity, communication, reward system, career development, relationships, teamwork and support and direction are important on positively influencing the employee performance.

The analysis found that the discussed dimensions of organizational climate in this study have significant impact on the employee performance as the \( p\)-value shown in the table are all less than 0.01 which within the confidence level at 95% and 99%.

Besides having good role clarity as the most significant factor, an efficient communication in the organisation is an essential dimension of organizational climate to enhance the employee performance. Strong team work and support is analyzed to be the third high positive impact on the performance of employee among others followed by relationship. Last but not least, the practice of career development and good reward system are believed to bring impact on the performance of employee despite they have the least beta coefficient among the other dimensions.

5. CONCLUSION

The main purpose of this research is to investigate the impact of organisational climate on employee performance in Malaysia consultancy firm. An organisational climate questionnaire was distributed to collect the information on the climate from the employees and all the gathered data were analyzed in. The total organizational climate mean score and the seven dimensions are below the cut-off point which is not more than 2.5 is recommended. The results determined that organizational climate, as perceived by the employees in the organizations, are generally positive and significant.

In general, this research reminds that each organization has its own unique climate that viewed in the context of the specific organization. Besides, the influence and impact that an organisational climate can bring on the employee performance should be always aware.

It is important to understand what the necessities of the employees are when creating and implementing the goal of enhancing the organisational climate. Thus, the understanding of the significance of organisational climate and employee performance cannot be ignored to identify the success or failure of the company and execute the suitable programmes that boost up the performance level in the organization in both long and short term.
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