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PERCEPTION OF ORGANIZATIONAL CLIMATE: A STUDY OF SMALL ENTERPRISES IN AMRITSAR

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ABSTRACT

Organisational climate as a concept, its importance and impact on various organisational outcomes have been studied for over 70 years. Organisational climate is defined as a set of characteristics that describes an organisation, distinguishes it from other organisations, is relatively enduring over time and can influence the behaviour of people in it. The present paper attempts to examine the perception of organizational climate of employees of small enterprises. Data were collected from a sample of 102 respondents employed at seven small scale manufacturing enterprises of Amritsar region. Organizational climate was assessed by a Likert type questionnaire covering dimensions such as work conditions, communication, decision-making, handling of complaints, job clarity, workgroup cooperation and professional esprit. The findings of the paper showed how the individual of small scale manufacturing enterprises of Amritsar region perceive organization climate based on various dimensions.

KEYWORDS

Organization climate, Perception, Small scale enterprise.

INTRODUCTION

In the recent years the concept of organizational climate has gained momentum in the area of industrial research. As every individual has a personality that makes him unique, in the same way each organization has an organizational climate which clearly distinguishes its personality from the other organizations (Gupta, 2008). The atmosphere perceived by the employees is created in organizations by practices, procedures and rewards. Employees observe their surroundings and then draw some conclusions about their organization's priorities and set their own goals and priorities accordingly. Organizational climate has much to offer in terms of its ability to explain the behaviour of people in the workplace.

Organizational climate is a term that was probably first coined by Cornell in 1955. He used the term to denote a "delicate blending of interpretations or perceptions by persons in the organization of their jobs or roles in relationship to others and their interpretation of the roles of others in the organization". Schneider (1975) defined climate as a "shared and enduring molar perception of the psychologically important aspects of the work environment." In a similar manner, organizational climate has also been defined as 'the shared perceptions of organizational policies, practices, and procedures, both formal and informal' (Reichers & Schneider, 1990).

Further, there are many types of work climates, such as a climate for service, climate for safety compliance, climate for innovation, etc. (Peterson, 2002). Burton et al (2004) specified four types of climatic profiles: the group climate, the developmental climate, the rational goal climate and the internal process climate which were described based upon their degree of trust, conflict, morale, equity of rewards, resistance to change, leader credibility and scape-goating. Table 1 displays how the four profiles score on the above said seven characteristics.

TABLE 1: PROFILES OF THE FOUR TYPES OF ORGANIZATIONAL CLIMATE

	Group Climate	Developmental Climate	Rational Goal Climate	Internal Process Climate
Trust	High	Medium/High	Low	Low
Morale	Medium/High	Medium/High	Medium	Low
Rewards equitability	High	Medium/High	Low	Low
Leader credibility	High	High	Low/Medium	Low
Conflict	Low	Low	High	High
Scape-goating	Low	Low/Medium	High	High
Resistance to change	Medium/High	Low	Medium/High	Medium/High

Source: Fritzsche, 2009.

Organizational climate has a major impact on the individual performance as it affect individual motivation and job satisfaction. It carries certain kinds of expectancies about what consequences will follow from the different actions. According to Litwin and Stringer (1968) various climates have dramatic effect on motivation. A positive, innovative and creative organization climate raises an employee's motivation. Organization climate also have a direct bearing on the job satisfaction of employees. The satisfaction of employees with organizational climate enhances positive organizational outcomes: efficiency, productivity, organizational commitment and cohesiveness of co-workers (Ahmad et al, 2010). Employees' show commitment in supportive, cooperative, innovative and an energetic climate which results in employees own satisfaction (Iqbal, 2007). All these result in lower employee turnover, higher employee productivity and greater organization effectiveness.

One of the more persistent problems with the concept of climate is the specification of appropriate dimensions of organizational and/or psychological climate as it could help in making possible to do comparative studies in different organizational settings (Glick, 1985, Denison, 1996). The dimensions of organization climate have been derived from various researches. Unfortunately, these distinctions still fail to define variables that are unique to the domain of climate for example, managerial function (Schneider et al., 1980), managerial trust and consideration (Gavin & Howe, 1975), communication characteristics (Payne & Mansfield, 1973, Drexler, 1977) and warmth (Downey, Hellriegel, & Slocum, 1975). The major contribution to the dimensions of climate was given by Jones & James (1979) as (1) Job challenge, importance and variety (2) Leader facilitation and support (3) Workgroup cooperation, friendliness, and warmth (4) Professional and organizational esprit (5) Job standards (6) Reward and Recognition (7) Clarity and Commitment and (8) Conflict and ambiguity.

Considering the importance of organizational climate, the present paper attempts to examine the perception of organizational climate of employees in small enterprises. The organization of the paper is as follows: Section II will describe the concept of small enterprises. The research methodology is explained in section III. Section IV provides the results and related discussion and the concluding remarks.

CONCEPT OF SMALL ENTERPRISES

According to the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 Small Enterprises are classified in two Classes¹:

(a) Manufacturing Enterprises: These enterprises deals with manufacturing or production of goods pertaining to any industry specified in the first schedule to the industries (Development and Regulation) Act, 1951). The Manufacturing Enterprises are defined in terms of investment in Plant & Machinery.

(b) Service Enterprises: These enterprises deals in providing or rendering of services and are defined in terms of investment in equipment.

The limit for investment in plant and machinery / equipment for manufacturing / service enterprises, as notified, vide S.O. 1642(E) dtd.29-09-2006, are as under Table 2:

TABLE 2: SMALL ENTERPRISES IN TERMS OF SECTOR WISE INVESTMENT LIMITS

S. No.	Sector	Investment Limits
1	Manufacturing Sector	More than twenty five lakh rupees but does not exceed five crore rupees
2	Service Sector	More than ten lakh rupees but does not exceed two crore rupees

Source: adapted from http://www.dcmsme.gov.in/ssindia/defination_msme.htm

Often termed as 'engine of growth' Small enterprises plays a very vital role in the overall growth of Indian economy. These enterprises are generally characterized by their unique feature of labour intensiveness. In India, the total number of employees in this industry has been calculated approximately 695.38 lakh (MSME-annual report, 2010-2011) and moreover it has an immense employment generating potential. The countries which are characterized by acute unemployment problem especially put a great emphasis on the model of small enterprises. The rate of growth of small enterprises is 10.40% and they are specialized in the production of consumer commodities. As these industries lack capital, so they utilize the labour power for the production of goods. The main advantage of such processes is the absorption of the surplus amount of labour in the economy that was not being absorbed by other large and capital intensive industries and thus helps in distributing national income efficiently and equitably.¹¹ Further, they also play a key role in the development of economies with their effective, efficient, flexible and innovative entrepreneurial spirit. (MSME-annual report, 2010-2011).

Since independence our country had adopted a progressive policy for small enterprises due to their huge significance for the generation of employment and income. In 2009-2010 the total number of MSME's were 298.08 lakh spread in almost all major sectors in Indian industry such as food processing, pharmaceuticals, leather industry, home science, paint, soap, financial, computer software, textile & garments etc. Out of the total working enterprises small enterprises were 4.89%. This comprises of 67.10% manufacturing enterprises and 32.90% services enterprises.

Small enterprises are serving a useful ancillary to large industrial units. A very low capital investment is required per unit of output and per unit of input for small enterprises which is of particular importance to labour abundant and capital scarce economy like India. These products obtained by small enterprises are often available at affordable prices and has successfully catered vast domestic market. Small enterprises contribute nearly 44.86% of the gross industrial value added in the Indian economy. These enterprises also play a major role in India's present export performance. About 45% of Indian exports are contributed by this sector (Singh, 2006).

In spite of constituting more than 80 % of the total industrial enterprises and supporting industrial development, small enterprises in India suffer from the problems of suboptimal scale of operation, lack of appropriate manpower/skill sets, poor working environment, technological obsolescence, supply chain inefficiencies, fund shortages for raw material and power, lack of space for expansion, under utilization of capacity, apathy of management towards timely modernization and renovation programs and product and market diversification (2011). The absence of state of the art technology which alone can ensure high quality, high productivity and competitiveness is one of the major handicaps. To overcome this, the industry needs to create an innovative culture in the organization which is conducive for technological innovations. Despite an elaborate and dynamic policy framework, the progress of Indian Small enterprises continues to be hindered by some of the basic constraints as poor credit availability, low levels of technology (hence, low product quality and limited exportability) and inadequate or no basic infrastructure, both physical and economic.

RESEARCH METHODOLOGY

In Amritsar the small enterprises are mostly engaged in the production of various goods namely panel pins, paper-cutting, engineering goods, textile machinery, wood and machine screws, printing and machinery, electric fans, chemicals and the textiles including woollen, silken, cotton, etc. Throughout India, Amritsar holds a place of prominence in the country in the production of woollen fabrics, like worsted, tweeds, blankets, shawls, etc. The city of Amritsar is famous for the manufacturing of fine pashmina shawls, thick serge, silk goods and carpets. Carpet weaving is another industry, which is very popular in Amritsar. This was an offshoot of pashmina industry, since the carpets were produced from inferior varieties of raw wool. Industrialization is occurring at a fast pace in the city. After 1950s, despite being on the international border, the city saw a huge expansion in the industrial sector with many new industries coming up and the old ones expanding at a fast rate.

In spite of widespread interests in the phenomena of organizational climate and success stories of small enterprises, not many comprehensive studies have been conducted in India. The present study attempts to fill up some of the gaps in the existing research. The study attempts to examine the perception of organizational climate of employees of small enterprises.

SAMPLE

The data has been collected from 7 small scale manufacturing enterprises of Amritsar region. An empirical study was conducted, 102 workers and lower level managers were contacted from each enterprise. The number of respondents contacted depends proportionally on the total labour force of the enterprise. Table 3 shows the 7 small enterprises and the number of respondents contacted from each enterprise. The average age lied between 25-35 years with 79% male respondents. Regarding educational qualification 45% of the respondents were below matric, 27.5% were 10+2 and 27.5% were graduate. The (45%) respondents have experience between 2-5 years only 5% have experience 10 years or above. 51% of the respondents' were earning below Rs.10000 and only 5% were earning above Rs. 20000.

TABLE 3: NUMBER OF RESPONDENTS

	Name of the Company	No. of respondents
1	R K Overseas	22
2	Swastika Textiles	10
3	Freedom Industries	16
4	Laxmi Plastic Industries	11
5	Kalyan Soap Factory	10
6	GN Textile Industries	22
7	Marshal Industries	11
	Total	102

INSTRUMENT

A structured Organization Climate Questionnaire was designed to study the perception of employees of small enterprises towards their organizational climate. The questionnaire consisted of two parts. Part A was designed to elicit the demographic profile of the respondents and part B considered their views about the climate characteristics of their organizations covering various dimensions such as work conditions, communication, decision-making, handling of complaints, job clarity, workgroup cooperation and professional spirit. The respondents were given a set of 21 statements concerning their perception and observations about the organization in which they were working. The statements were quantified on a five point scale using Likert type technique. The respondents were asked to tick mark the appropriate score on a five point continuum (1 = strongly agree, and 5 = strongly disagree). Two statements were negatively worded; so the scores of these items were reversed during the analysis.

RESULTS AND DISCUSSIONS

The set of statements with their appropriate scores were subjected to varimax rotated factor analysis. Table 4 indicates the values of KMO test and Bartlett's Test of Sphericity. The values of KMO are .724 which is greater than 0.5 so satisfactory factor analyses can be preceded. Bartlett's test of sphericity indicates strength of the relationship among variables. The observed significance level is .000. It is concluded that the strength of the relationship among variables is strong. Thus, it is good to proceed for factor analysis for the data.

TABLE 4: KMO AND BARTLETT's TEST

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.724
Bartlett's Test of Sphericity	Approx. Chi-Square
	df
	Sig.
	1331.171
	210
	.000

Factor loadings obtained presented in Table 5 and Rotated component matrix is shown in Table 6. The climate measure constrained to 5 factors accounting for a total of 69.157 percent of the variance.

TABLE 5: TOTAL VARIANCE EXPLAINED

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.180	34.192	34.192	7.180	34.192	34.192	4.989	23.759	23.759
2	2.645	12.596	46.789	2.645	12.596	46.789	2.719	12.948	36.707
3	1.824	8.686	55.475	1.824	8.686	55.475	2.620	12.477	49.184
4	1.624	7.731	63.206	1.624	7.731	63.206	2.480	11.810	60.994
5	1.250	5.952	69.157	1.250	5.952	69.157	1.714	8.164	69.157
6	.971	4.626	73.783						
7	.831	3.957	77.740						
8	.727	3.461	81.201						
9	.601	2.861	84.062						
10	.544	2.592	86.655						
11	.495	2.357	89.012						
12	.435	2.073	91.085						
13	.377	1.793	92.878						
14	.330	1.572	94.450						
15	.261	1.245	95.694						
16	.238	1.134	96.828						
17	.208	.990	97.818						
18	.167	.795	98.613						
19	.131	.623	99.235						
20	.099	.470	99.705						
21	.062	.295	100.000						

Extraction Method: Principal Component Analysis

TABLE 6: ROTATED COMPONENT MATRIX (a)

	Component				
	1	2	3	4	5
Decisions are made at the top level and communicated downwards	.175	-.084	.696	.156	-.006
encourage employee involvement	.785	.252	.226	.004	-.024
group spirit and team work	.724	.000	.232	.243	-.012
Management care about the interests of its employees	.772	.134	.256	.256	.271
Job is challenging and interesting	.594	.387	.337	.189	-.269
well organized work and progress systematically	.279	.222	.663	-.271	.299
clear responsibilities	.451	.267	.191	.258	.434
The problems and grievances handled properly	.675	.564	.156	.071	.161
Company tries to be fair in its action towards employees	.215	.737	.371	.146	.147
Only a few influential people are trusted here	-.086	-.096	.131	-.048	.272
Employees have to follow well set rules and procedures	.017	.579	-.509	.054	-.114
increased work load	.001	.095	-.835	-.014	.015
Knowledge and expertise are recognized and rewarded here	.190	.683	-.172	-.005	-.023
My senior respect me as an employee and support me whenever needed	.642	.460	-.061	.113	.183
Open communication	.817	.254	-.001	.076	.119
New ideas are readily accepted here	.760	-.099	-.211	.323	.010
Quality is taken very seriously here	.184	.562	-.133	.412	-.338
adequate first aid and safety equipments	.390	.045	-.234	.155	.781
work area is clean and comfortable	.363	.029	-.232	.714	.061
adequate welfare facilities	.133	.041	.190	.822	-.118
I am satisfied with the climate of my organization	.226	.270	.028	.789	.316

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 7 iterations.

The five major factors extracted from the rotated component matrix are as follows:

Factor 1 consisted of items showing involvement of employee's participation, group spirit, teamwork, open communication and creativity. So it was named *Employee Participation*.

Factor 2 included items depicting handling of problems and grievances, fair action towards employees, well set procedure and recognition of knowledge and expertise. This factor was named as *Grievance Handling and Recognition*.

Factor 3 deals with heavy work load as people were always busy in doing their work. Further the work is well organized and all the decisions are made at the top level. Therefore this factor was named as *Workload and Decision Making*.

Factor 4 indicates that companies provide clean and conformable place to work with adequate welfare facilities. This also includes the overall an average satisfaction from the organization climate. So it was named as *Welfare Facilities*.

Factor 5 showed companies have adequate first aid and safety equipments. This factor was named as *Workplace Safety*.

The descriptive statistics showed 41% respondents agree with the statement that the company encourages group work and team spirit. There it has been concluded the company follow group climate. Moreover, 48% employees showed that the management did not encourage open communication. Another statement showing the encouragement of acceptability of new ideas, creativity and innovation 48% of the respondents strongly disagree with the statement which showed management follow a reserved type of climate. Regarding the overall satisfaction of employees with the organization climate 56% responded neither satisfied nor dissatisfied, 28% dissatisfied and only 15% satisfied. These result showed very few employees were satisfied from the organization climate.

CONCLUSION

In present study an attempt has been made to see how the employees of the small scale manufacturing enterprises perceive the organization climate. It is evident from the results that on a whole Employee Participation, Grievance Handling and Recognition, Workload and Decision Making, Welfare Facilities and Workplace Safety were found the major dimensions influencing the organizational climate. Moreover, welfare facilities and handling of problems and grievances were found to be the most influencing variable and Job as challenging and interesting is least influencing. The descriptive statistics showed the company follow group climate and management did not encouraged open communication, creativity and innovation and follow a reserved type of climate. Regarding the overall satisfaction of employees with the organization very few employees were satisfied from the organization climate.

SUGGESTIONS

The small enterprises provides a very particular type of climate due to the nature of work, the rules, regulations, compensation, communication patterns, working conditions, etc. The employees who work in the small enterprises have different values and need patterns. To fulfill such need patterns the management can do a great job by creating a positive and conducive work climate. The present research suggests that the small scale enterprises must encourage employee participation in the decision making and encourage open communication in the organisation. This will, in turn, increase creativity and innovation in decision making and employee engagement. In addition, they should also develop a suitable grievance procedure for the timely handling of employee complaints. This will result in reducing the deviant workplace behaviours. Further the employer should provide adequate workload in order to have a satisfied and committed workforce. It also helps in retaining the employees. Furthermore the enterprises should strengthen the safety of their employees and provide them with better health and welfare facilities. Management often has a tendency to think that such boosting up of the organizational climate needs extra costs. However, this need not be true as the dimensions such as open communication, involvement of the workers in decision making, respect and support from seniors etc., need only the behavioural inputs from the management rather than any financial inputs.

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WEBSITES

ⁱhttp://www.dcmsme.gov.in/ssiindia/defination_msme.htm

ⁱⁱ<http://www.economywatch.com/world-industries/small-scale.html>

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