

# A STUDY OF ORGANIZATIONAL CLIMATE AND ITS IMPACT ON THE WORK PERFORMANCE OF EMPLOYEES OF LIQUOR INDUSTRY IN INDIA

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## Abstract

Organizational climate is comprised by the fusion of norms, ethics, opportunity, policies and measures that control work enthusiasm, assurance and ultimately individual and work component concert. Positive climate encourages, even as negative climates inhibits unrestricted effort. As today's businesses continue to struggle to survive or acquire sustainable competitive advantage, it is important for organizations to better understand the factors that influence employees and important employee-oriented work outcomes. The growing significance placed on understanding employees and their behavior within the organization has produced a great deal of interest in investigating employee perceptions of climate within the organization. Liquor industries are operating in a highly competitive scenario and they are bound by strict compliance and excise norms and law. There are a lot of restrictions imposed by the government on advertisement and promotion of liquor and even surrogate advertisement is controlled to a great extent. In this scenario, liquor industries rely heavily on their manpower for higher productivity in order to get an edge over competition and it is pertinent to note that they need to differentiate themselves from each other. Climate is worthwhile to understand and measure because there are organizational and human benefits a 'good' climate, and powerful disadvantages of many kinds of bad climate. So it is necessary that the management of corporations should strive to create a congenial organizational climate in the organizations to improve the economic condition of the country.

**Keywords:** Organizational Climate, Work Performance, Liquor Industry, Dimensions of Organizational Climate, Determinants of Organizational Climate, Environment, Team work, Management Effectiveness, Involvement, Rewards and recognition, Competency and Commitment.

## INTRODUCTION

### Organizational Climate & Work Performance

Organizational Climate has been of key interest to scholars and experts in the years past. It is assumed to be very pivotal in an organization's existence due to its unblemished influence on supervisory activities. OC is considered as an important feature of a gratified workplace. It is emphasized that the impact of Organizational Climate on employee behavior is stronger concerning interpersonal relationships and Work Performance (WP). In a business organization perspective, WP are the discrete activities an individual performs during a standard unit of time that contributes to the core activities of an organization. Similarly, WP is highly predictive by staff attitude, behavior, motivation, abilities as well as their commitment level, which are impacted by OC (Semu & Tadesse, 2019). OC influences staff performance and contentment, hence leading to the success and continually enhanced capabilities of the organization. Thus,

if a leader builds a great work climate, it will upsurge WP. Moreover, enormous studies have established that OC has a close association with performance. Also, Obeng et al. (2020) assessed that OC has a positive effect on performance. Given this, WP is one of the functioning components and a vital part of organizational studies.

Catto (2001) as cited from Evans, et.al (2007) contended that OC is a perception that individuals have about the various aspect of the organizational environment. These perceptions are the results of organizational practices. According to Rousseau (1988), organizational climate is caused by several dimensions such as communication, conflicts (functional and dysfunctional), leadership (consistency, inconsistency, direction), and reward system. Leadership is a key contributing factor to the stressful organizational climate. Applying an authoritarian leadership style can cause a problem to organizational climate as Rousseau (1988) argued that stressful organizational climate may happen if there is limited participation in decision making, use of punishment, and negative feedbacks rather than rewards and positive feedbacks, conflicts, or confrontation rather than problem-solving.

## LITERATURE REVIEW

A conceptual model of a "positive climate for diversity" is developed by Deborah Hicks et al. (2000) in their study, Climate for diversity and the consequences on career and organisational attitudes and perceptions, which addresses issues of human resource diversity and diversity climates in organisations (PCFD). This refers to the extent to which there is an organisational atmosphere where diversity in the workforce is respected and where workers from different backgrounds feel included and at home. In particular, it focuses on how individual career and organisational attitudes and perceptions, as well as other results for organisations and individuals, might result from a climate that is supportive of diversity. Additionally, factors that modify the model are presented. The findings of research from service-focused organisations in the public and private sectors show that diversity-friendly environments have a substantial influence on a variety of organisational attitudes and beliefs related to careers. Discussion is had regarding the research's managerial implications.

Michael, C.G. Davidson (2003) investigated that "Does organisational atmosphere improve the services in hotels?". He examined the organisational environment and culture through a context related to the hotel business. A case made for the causal relationship between a positive organisational climate and a hotel's level of service quality. The service quality framework also looks at organisational climate to see how its inclusion in quality initiatives would affect it. A conceptual model of organisational climate, service quality, customer satisfaction, and hotel performance is offered to explain the relationship between organisational culture, organisational climate, service quality, and customer satisfaction.

Sonny Nwankwo, et al. (2004) have done an empirical study that attempted to develop an organisational climate test that would be reliable in the cultural setting of Lithuanian workplaces. The study's sample includes 1299 respondents from 147 work teams as well as 36 distinct business, non-governmental, and governmental (customs, police) organisations. 18 subscales were created from the 137 original test items using exploratory factor analysis. The

subscales' quality was verified using factor and internal consistency analysis. According to secondary factor analysis, one component was made up of 17 subscales (64,3 percent of variance explained). Additionally, it seemed that the teamwork and organisational climate test subscales had a long-lasting correlation. Multiple regression analysis revealed that the results of the organisational environment test often explained around 20% of the variance of the teamwork test. It seemed that managers of departments and teams had a tendency to view the organisational culture and the effectiveness of teamwork more favourably than regular employees. It was hypothesised that the climate relies on the circumstance and context because there were some significant disparities in how subunits and work teams evaluated the organisational climate. Other research in the subject of assessing organisational climate were also taken into consideration, along with theoretically pertinent issues (those relating to the conceptualization of "organisational culture" and "organisational climate").

Klinkner, J., Riley D., and Roach, Mary A. (2005) emphasized through their study that how a successful early development programme must be both a decent location for professionals to work and a supportive environment for children. Early childhood programme administrators, the children and their families, and the employees that remain behind all battle constantly to deal with staff turnover. By looking at the culture of their organizations, administrators and teachers can develop successful measures to increase staff retention. The administrators of 15 top-notch early childhood institutions in Wisconsin were contacted by the authors to share their staff retention techniques in order to solve this problem. The following categories were used to group their responses in four important areas: (1) Does the staff feel a feeling of devotion to their jobs? (2) How does the centre promote teamwork? (3) Are families, educators, and administrators in communication with one another? (4) Do supervisors and employees express gratitude to one another? Many studies revealed that creating a positive organisational climate entail forging and maintaining satisfying relationships between co-workers and with families, offering chances for people to contribute to the programme, incorporating appreciation and respect, and cultivating feelings of accomplishment, such as improving the lives of children and families. Although these features of an early childhood programme may not completely replace the requirement for fair pay and suitable working circumstances, they do help to foster job satisfaction, which is important for staff retention.

Frans Berkhout, Julia Hertin, and David M. Gann (2006) contend that realistic simulations of adaptive behaviour at the level of organisations and individuals should serve as the foundation for analyses of human adaptation to climate change. With new information from empirical research into adaptation in nine case-study enterprises, the report lays out a framework for analysing adaptation to the direct and indirect impacts of climate change in corporate organisations. It makes the case that organisational learning processes and adaptation to climate change have many characteristics. According to the study, there are a variety of challenges that business organisations must overcome in order to learn how to adapt to the effects of climate change, particularly in light of the weak and ambiguous signals that are being sent about the issue as well as the uncertainty surrounding the benefits that will result from taking action. Since their adaptive behavior depends on resources outside the organisation and is impacted by policy and market conditions, organisations rarely adapt "autonomously".

According to Yuhyung Shin's (2012) research, organisational climates and top management ethics can be seen in varying degrees depending on the size of the firm and the sector to which it belongs. Organization size was specifically strongly correlated with top management ethical leadership and firm ethical climate, indicating that larger businesses are more concerned with ethical issues. It was very evident through mediation research that ethical leadership at the top has an influence on organisational outcomes through intermediary organisational processes, despite the fact that these impacts are large. Top managers' self-reports on ethical beliefs and behaviours were used to evaluate the ethical leadership of top management.

### **Research Gap**

Through the Literature review it is clear that there is lack of studies on organizational climate in Indian Liquor industries. By conducting this study, the selected variables of organizational climate will be analysed due to further understanding is needed on the causal relationship between organizational climate and employee performance as till now it is not clearly proven. This study benefits many organizations by providing an appropriate framework to identify the variables in organizational climates. Therefore, this will help the organizations to effectively use the suitable variables in the organization to boost up the performance of employees. The aim of this research is to investigate the impact of organizational climate on employee performance in Alco-beverage firms in India.

## **RESEARCH METHODOLOGY**

### **Research Objective**

- To study the level of organizational climate prevailing in the Organization.
- To study the factors influencing organizational climate.
- To study the organizational climate using seven dimensions: Environment, Team work, Management Effectiveness, Involvement, Rewards and recognition, Competency and Commitment

### **Research Design**

The study is descriptive research study. The main purpose of descriptive research is description of the state of affairs as it exists at present. In the present study, descriptive method is used to study the prevailing organizational climate.

The primary data was collected through a well-structured questionnaire with close-ended questions/measures at 5-point likert type scale and suggestion questions. Secondary data required for the project was collected from the company records and Internet.

Simple convenience sampling method is used. Sample size consists of 100 respondents.

Simple percentage analysis and tabulation is used to analysis the data. The following test was used for the study.

- Standard deviation

- ANOVA

## DATA ANALYSIS

### Objective 1

- To find out significant difference between working environment and organizational climate.

H0: There is no significant difference between the working environment and climate in the organization.

H1: There is a significant difference between the working environment and climate in the organization.

#### Analysis Of Variance Table:

Source of variation	Sum of Squares	Degrees of freedom	Variance	Value of F
Between varieties	888.22	3 - 1 = 2	888.22/2 = 444.11	
With in varieties	2694.62	9 - 3 = 6	2694.62/6 = 449.10	0.9888

F = Variance between varieties / Variance with in varieties. Tabulated F = 5.1433 [for degree of freedom V1 = 2, V2 = 6]

Since calculated F is lesser than the tabulated, null hypothesis is accepted.

**Inference:** The calculated value of F is lesser than the table value. Therefore the null hypothesis is

Accepted. This implies that there is no significant difference between the working environment and climate in the organization.

### Objective 2

- To find out the significant difference between team work and organizational climate.

H0: There is no significant difference between the teamwork and climate in the organization.

H1: There is a significant difference between the teamwork and climate in the organization.

#### Analysis Of Variance Table:

Source of variation	Sum of Squares	Degrees of freedom	Variance	Value of F
Between varieties	888.22	3 - 1 = 2	888.22/2 = 444.11	
With in varieties	3998.67	9 - 4 = 5	3998.67/5 = 799.73	0.5553

F = Variance between varieties / Variance with in varieties.

Tabulated F = 5.7861 [for degree of freedom V1 = 2, V2 = 5]

Since calculated F is lesser than the tabulated, null hypothesis is accepted.

**Inference:** The calculated value of F is lower than the table value. Therefore the null hypothesis is

Accepted. This implies that there is no significant difference between the teamwork and climate in the organization.

### Objective 3

- To find out the significant difference between management effectiveness and organizational climate.

H0: There is no significant difference between management effectiveness and climate in the organization. H1: There is a significant difference between management effectiveness and climate in the organization.

#### Analysis Of Variance Table:

Source of variation	Sum of Squares	Degrees of freedom	Variance	Value of F
Between varieties	888.22	$3 - 1 = 2$	$888.22/2 = 444.11$	
With in varieties	2838.67	$9 - 4 = 5$	$2838.67/5 = 567.73$	0.7822

$F = \text{Variance between varieties} / \text{Variance with in varieties}$ . Tabulated  $F = 5.7861$  [for degree of freedom  $V1 = 2, V2 = 5$ ]

Since calculated  $F$  is lesser than the tabulated, null hypothesis is accepted.

Inference: The calculated value of  $F$  is lower than the table value. Therefore the null hypothesis is

Accepted. This implies that there is no significant difference between Management effectiveness and climate in the organization.

### Objective 4

To find out the significant difference between employee's involvement and organizational climate. H0: There is no significant difference between employee's involvement and climate in the organization. H1: There is a significant difference between employee's involvement and climate in the organization.

#### Analysis Of Variance Table:

Source of variation	Sum of Squares	Degrees of freedom	Variance	Value of F
Between varieties	888.22	$3 - 1 = 2$	$888.22/2 = 444.11$	
With in varieties	2568.67	$9 - 4 = 5$	$2568.67/5 = 513.73$	0.8644

$F = \text{Variance between varieties} / \text{Variance with in varieties}$ . Tabulated  $F = 5.7861$  [for degree of freedom  $V1 = 2, V2 = 5$ ]

Since calculated  $F$  is lesser than the tabulated, null hypothesis is accepted.

Inference: The calculated value of  $F$  is lower than the table value. Therefore the null hypothesis is

Accepted. This implies that there is no significant difference between employee's involvement and climate in the organization.

### Objective 5

To find out the significant difference between employee's reward and recognition and organizational climate.

H0: There is no significant difference between employee's reward and recognition and climate in the organization.

H1: There is a significant difference between employee's reward and recognition and climate in the organization.

#### Analysis Of Variance Table:

Source of variation	Sum of Squares	Degrees of freedom	Variance	Value of F
Between varieties	888.22	3 - 1 = 2	888.22/2 = 444.11	0.7454
With in varieties	2978.67	9 - 4 = 5	2978.67/5 = 595.73	

F = Variance between varieties / Variance with in varieties.

Tabulated F = 5.7861 [for degree of freedom V1 = 2, V2 = 5]

Since calculated F is lesser than the tabulated, null hypothesis is accepted.

Inference: The calculated value of F is lower than the table value. Therefore the null hypothesis is

Accepted. This implies that there is no significant difference between employee's reward and recognition and climate in the organization.

### Objective 6

- To find out the significant difference between employee's competency and organizational climate.

H0: There is no significant difference between employee's competency and climate in the organization. H1: There is a significant difference between employee's competency and climate in the organization.

#### Analysis Of Variance Table:

Source of variation	Sum of Squares	Degrees of freedom	Variance	Value of F
Between varieties	888.22	3 - 1 = 2	888.22/2 = 444.11	1.07655
With in varieties	2062.67	9 - 4 = 5	2062.67/5 = 412.53	

F = Variance between varieties / Variance with in varieties. Tabulated F = 5.7861 [for degree of freedom V1 = 2, V2 = 5]

Since calculated F is lesser than the tabulated, null hypothesis is accepted.

Inference: The calculated value of F is lower than the table value. Therefore the null hypothesis is

Accepted. This implies that there is no significant difference between employee's competency and climate in the organization.

### Objective 7

- To find out the significant difference between employee's commitment and organizational climate.

H0: There is no significant difference between employee's commitment and climate in the organization. H1: There is a significant difference between employee's commitment and climate in the organization.

### Analysis Of Variance Table:

Source of variation	Sum of Squares	Degrees of freedom	Variance	Value of F
Between varieties	888.22	3 - 1 = 2	888.22/2 = 444.11	0.8985
Within varieties	2454.67	9 - 4 = 5	2454.67/5 = 490.93	

$F = \frac{\text{Variance between varieties}}{\text{Variance within varieties}}$ . Tabulated F = 5.7861 [for degree of freedom V1 = 2, V2 = 5]

Since calculated F is lesser than the tabulated, null hypothesis is accepted.

Inference: The calculated value of F is lower than the table value. Therefore the null hypothesis is

Accepted. This implies that there is no significant difference between employee's commitment and climate in the organization.

### Overall Result: Dimensions Vs Organizational Climate

#### Objective:

- To test the significance of the difference between Dimensions and Organizational Climate in the organization.

DIMENSION	MEAN	SD	F
Environment	19.77	2.56	0.9888
Team Work	24.92	5.75	0.5553
Management Effectiveness	20.93	2.15	0.7822
Involvement	19.34	2.56	0.8644
Rewards and Recognition	19.52	2.68	0.7454
Competency	22.34	2.43	1.0765
Commitment	25.13	3.02	0.8985

Inference: From the above table, it is clear that there is no significant difference between the climate dimensions and the overall level of organizational climate.

## FINDINGS

- From the study it is clear that there is no significant difference between working environment and organizational climate.
- From the study it is clear that there is no significant difference between team work and organizational climate.
- From the study it is clear that there is no significant difference between management effectiveness and organizational climate.
- From the study it is clear that there is no significant difference between employee's involvement and organizational climate.
- From the study it is clear that there is no significant difference between rewards and recognition and organizational climate.
- From the study it is clear that there is no significant difference between competency and organizational climate.
- From the study it is clear that there is no significant difference between employee's commitment and organizational climate.

## SUGGESTIONS

- The employee's works are been recognized by the management and appreciated. It can be maintained in such a way that the employees morale will be improved.
- Need to improve the environment of the working condition.
- A few measures can be taken to revise regarding pay and benefits.
- Team performance must be highly encouraged and recognized.
- Employees have a high trust in management. It can be maintained in such a way employee's involvement and commitment will increase.
- Employees are willing to give suggestions for the development of the organization. The suggestions given by the employee must be duly responded.

## CONCLUSION

Climate is the atmosphere of the organization, a “relatively enduring quality of the internal environment of an organization, which is experienced by its members and influences their behavior.” Organizational climate may affect quality of service and employee's commitment and involvement towards the organization. Climate dimensions in one way or other affect the level of organizational climate. It is need to be taken into account while evaluating the organizational effectiveness. Climate surveys are studies of employees' perceptions and perspectives of an organization. The surveys address attitudes and concerns that help the organization work with employees to instill positive changes. In general, they are aimed at all

aspects of the employees' jobs. The study analyzes everything from an employee's workload to their relationships with coworkers and superiors to their salary to company policies and anything in between. The study shows that that there is no significant difference between culture dimensions and organizational climate.

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