

THE EFFECTS OF CHANGES IN LEADERSHIP ON ORGANISATIONAL CLIMATE

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Abstract:

The purpose of this paper is to show the general characteristics of organisational climate and its importance for company performance. The company's management has to establish a positive organisational climate, which, in today's competitive environment, presents the foundation for a job well and quickly done. In order for a company to attain its objectives, it makes sense for it to measure and study organisational climate. The paper presents the results of a quantitative research which aimed to establish the status of organisational climate in company X and how changes in leadership affect the employees, organisational climate, and the company's performance. The study sample comprised the employees of the studied company. The questionnaire comprised 65 statements which researched the fields of organisational climate in the studied company. Based on an analysis of survey results, we provide some basic tips on how to improve the situation in company X and thus also organisational climate, as these would result in better long-term performance.

Keywords: employee satisfaction, leadership, manager, organisation, organisational climate, Slovenia

1. INTRODUCTION

Today's pace of life dictates that we have to spend at least eight hours a day at work and employees have to focus on generating a positive climate in the workplace. The company's management should be aware of this fact, as satisfied employees are the key to a successful company. It is important for the manager to know and be aware of the organisational climate in the company, as this is the only way to contribute to its improvement. All employees help shape the work climate and the latter affects their behaviour and the company's performance. Today, the majority of companies want their employees to be able to work thoroughly and quickly, which is the key to every company's success. The employees have to attain the set objectives and observe company rules, while their work has to increase the company's value.

Every manager has their own management style, own views of leadership, and own habits which they try to pass on to their employees. In this way, they shape the organisational climate in the company. In order for the employees to be able to perform their tasks in a quality manner, they have to be satisfied with the management style and the work climate in the company. Shaping an appropriate organisational climate is of critical importance, as an appropriate environment and atmosphere facilitate the exchange of knowledge and ideas among employees. Changes in company leadership are crucial in a fast-growing market in order for the company to remain competitive in the market. A change in leadership also changes the company's organisational climate. Changing the organisational climate means changing the perception of individual key situations, so that the desired reactions are evoked among employees in order to attain the previously set objectives. This usually raises two questions: how to change the climate and who can change it. Usually, the changes in work climate are uncontrolled and happen without any deliberation but not at random. This is a climate that later usually hinders the achieving of objectives and dictates change. Such changes can be caused by a number of environmental factors, immediate or remote, and as such these factors have to be considered a disruptor in the realisation of intentions. The second method of changing the work climate includes instructions and decrees aimed at regulating the behaviour of individuals (Lipičnik, 1997, p. 204).

Additional studies (Furst and Cable, 2008; Van Dam et al., 2008; Hatjidis et al., 2019) highlighted that when the relationships between managers and employees were characterized by high quality connections, there was a strong climate for development, greater access to information, increased trust in management, additional opportunities for participation in the change process, and lower levels of resistance to change.

The nature of the organizational climate or the general atmosphere has also been found relevant to employees' reactions toward change. The importance of organizational climate can be understood by the words of Senior and Fleming (2006, p. 139; Hatjidis et al., 2019): "Regardless of how well change might be planned in terms of the more formal organizational characteristics, it is the hidden informal aspects of organizational life that will ultimately help or hinder an organization's success". While the general understanding of the impact of climate on organizational change is very limited (Jones et al., 2005; Lofquist, 2011; Hatjidis et al., 2019), research has established that organizational climate is related to change readiness (Cunha and Cooper, 2002; Hatjidis et al., 2019). Moreover, Bouckenoghe et al. (2009) define organizational climate as a key component that can make or break readiness for change.

Various attempts have been made to describe the concept of organizational climate including Rousseau's (1998) explanation that it denotes perceptions of the work environment. Organizational climate is an enabler for organizational change and describes the internal circumstances under which change occurs. According to Schneider and Barsoux (2003), organizational climate represents the descriptions of the things that happen to employees in an organization. It includes employees' perceptions of organizational policies, practices and procedures, as well as routines that support elements such as creativity, innovation, and safety in the workplace. Tierney (1999) further discusses the climate of change and asserts that it is employees' perceptions of which organizational change initiatives in an organization are expected, supported and rewarded (Hatjidis et al., 2019).

The connection between organizational climate and change management has been explored by a number of researchers. Some scholars emphasized the importance of alignment between organizational culture and implementation methods. Lok et al. (2005) reported that organizational alignment increased the effectiveness of change initiatives, whereas Lofquist (2011) found that a mismatch between organizational climate and implementation methods contributes to the failure of change initiatives. Burnes and James (1995) reported that change resistance was low in organizations where supportive and participative conditions existed. Similarly, Jones et al. (2005), Zammuto and

O'Connor (1992) concluded that organizational climates with flexible and supportive structures are conducive to establishing a positive attitude toward change. Additional studies have examined the direct link between organizational climate and change readiness. Miller et al. (1994) found that a positive perception of the working environment among employees predicted change recipients' readiness for, openness to, and adjustment to change. Armenakis et al. (2007) noted that a positive communication climate predicted employees' readiness for change. Furthermore, the degree to which the organization's existing cultural values were aligned with the change initiative predicted change recipients' readiness to change (Jones et al., 2005; Hatjidis et al., 2019).

Consequently, the quality of relationships can be related to the factors creating a supportive organizational climate toward change which seems to have an impact on the readiness level of employees to accept change.

This paper presents the results of a quantitative research. Our objective was to establish the status of organisational climate in company X and how changes in leadership affect the employees and organisational climate. Based on an analysis of survey results, the final part of the paper provides some basic tips on how to improve the situation in the company and thus also organisational climate, as these would result in better long-term performance.

2. METHODOLOGY, DATA COLLECTION AND SAMPLE

A structured questionnaire was used for collecting data for the quantitative research. The questionnaire comprised 65 statements which researched the following fields of organisational climate of the studied company: organisation, internal communication and information sharing, leadership, organisational loyalty, internal relationships, motivation and commitment, professional qualifications and learning, remuneration, career development, and knowledge management. The questionnaire was prepared and adapted utilising the example of the SiOK questionnaire (Slovenian Organisational Climate), which is used to research and monitor organisational climate in Slovenian companies. In light of the method of implementation, a questionnaire was chosen which was used in personal interviews with respondents conducted in the company. The questionnaire had been tested on a smaller sample (N=10) and correspondingly corrected prior to the implementation of the main survey. This served to avoid major errors in the measuring instrument and to prepare a clear and understandable questionnaire. The possible answers were based on the Likert scale. The respondents were asked to circle one of the five possible answers which indicate their level of agreement or disagreement with individual statements, whereby 1 means that they completely disagree with the statement and 5 that they completely agree with the statement. The obtained primary data were analysed using appropriate statistical data processing methods using R Commander Basic Statistics GUI 1,9-0.

The study sample comprised the employees of the studied company. 60 respondents were included, i.e. 31% men and 69% women. As regards their age, the majority of the respondents fall into the 41 to 50 years old age group (53%), while 27% belong to the more than 51 years old age group. Analysing demographic data of respondents, we were interested in eventual statistically significant differences in educational attainment, years of service, or age between the genders which might significantly affect study results. It has been established that there are no significant differences when making such comparisons, either from the viewpoint of comparing joint data with gender-specific data or in direct comparisons between men and women. This comparison established that a separate analysis shows no significant statistical differences between the genders which could affect the results compared to the joint analysis. No statistical or noteworthy differences were established between the genders.

2.1 Research hypotheses

The following hypotheses were prepared, which are verifiable in practice and have been empirically tested using statistical methods:

- H1: The majority of employees are satisfied with how the manager transfers knowledge to employees.
- H2: The majority of employees believe that the manager's knowledge affects the company's performance.
- H3: Organisational climate affects employee satisfaction.
- H4: The employees are satisfied with the manager and his leadership.
- H5: The employees believe the organisational climate to be favourable, as the management positively affects it.

3. RESULTS AND DISCUSSION

This part of the paper presents the analysis of the obtained answers, which refer to individual dimensions of organisational climate. The value of each category was obtained by calculating the mean value of individual dimensions by including all values of statements as provided by all employees.

Organisation

Based on the assessed statements, we can say that the management makes decisions on time, as this statement received the highest rating, i.e. 3.25. The employees' tasks and responsibilities are clearly defined and the employees understand their position in the organisational scheme, as these two statements received a rating of 3.14. However, employees mostly disagree with the statement that they have a clear idea of what is expected of them (2.75) and consequently they rarely participate in providing initiatives and proposals (2.86). Furthermore, employees also mostly disagree with the statement that each employee has a determined level of responsibility, freedom, and independence, as this statement received a rating of 2.93.

Internal communication and information sharing

Internal communication and information sharing is an important category when it comes to company performance. Communication among employees is relaxed (an average rating of 3.25). The management provides information on time and clearly and there is good information sharing between departments. These are also the two highest rated statements within this category (3.38). This is as it should be, as without information the employees cannot know what they are doing right and what they are doing wrong. The superiors provide sufficient information to employees for a job well done. This statement received a rating of 3.14. There are very few working meetings in the company and the statement that working meetings are scheduled regularly consequently received the lowest average rating, i.e. 2.68.

Leadership

The manager should be the one to create a pleasant work environment and see to a favourable work climate, effective leadership, and remuneration. The employees' answers allow us to establish that the company's management is making great efforts to do away with authoritarian leadership, as this statement received the highest rating (4.15). The management positively affects company climate, as the statement received a rating of 3.67. The statements that the manager talks to employees, considers and respects employees' wishes and requirements, and considers and respects our wishes and requirements received an average rating of agreement (3.12). The statement that the management is also able to solve emerging problems and issues was rated 3.2. The respondents provided the lowest rating (2.79) in the Leadership category to the statement that the superiors accept sound comments regarding their work.

Organisational loyalty

Among the six statements on organisational loyalty, the employees of company X expressed the highest rate of agreement (3.25) with the statement that the employees would not leave the company if salaries decreased due to business problems. We believe the reason for such a high level of agreement to be the population of older employees with a lower educational attainment, who are mainly afraid that they would not find another employment. The employees mainly like going to work. This statement received a rating of 3.14. Consequently, they speak in positive terms of their organisation also outside of work (a rating of 3.12). The lowest rated statement in the category of Organisational loyalty (2.8) is associated with major competition in the environment and the majority of employees consequently believe that their job is not secure.

Internal relationships

Internal relationships in the company are favourable. This is also evident from the statement ratings. The statement that employees value the work of their colleagues received the highest average rating, i.e. 3.6. The employees get along well and cooperate and the employees trust each other are statements that received a rating of 3.3. The majority also agree that relationships among employees are good (statement rating of 3.21). The statement that the relationships between the management and the employees are good received a rating of 3.12.

Motivation and commitment

The statement that because the climate is favourable employees are satisfied received the highest rating in the Motivation and commitment category, i.e. 3.64. The employees agree (3.15) with the statement that they are committed to doing their job. They are willing to take on additional workload when needed and are committed to their tasks (3.14). As praise for good business results is rare in the company, the rate of agreement with this statement is also lower (2.65).

Professional qualifications and learning

The employees mostly agree that we learn from each other (3.35). The statement that the organisation employs people who are qualified to do their job received the average rating of 3.6. The statement that the organisation provides sufficient training to employees to be able to do their job well received a rating of 2.14. These statements allow us to conclude that the wishes of others are not considered in training and that the training system in the company is bad.

Remuneration

As regards statements pertaining to remuneration, the employees express the highest level of agreement with the statement that an appropriate punishment follows a job done poorly (3.56). A negative opinion is expressed for all other statements on remuneration. As the wage ratio in the company is inappropriate, the rating for the statement is also low, which means that employees mainly disagree with the statement that the wage ratio is appropriate.

Career development

The employees express the highest level of agreement with the statement that they have the possibility of promotion (3.18). A slightly lower agreement is seen in the statement that promotion criteria are clear to all employees (2.94). The lowest level of agreement by employees of company X is seen in the statement that they are satisfied with their current personal development (2.26).

Knowledge management

Almost the majority of employees completely agree that an orientation towards knowledge management is required to successfully manage a company, as this statement received an average rating of 4.65. The employees are also predominantly satisfied with how the manager transfers his knowledge (4.27) and how his knowledge affects the company's performance (4.31).

3.1 Comparison of research segments

The research also included a comparison of the results in individual research segments. We were interested in average values or the arithmetic mean for individual statements. The average ratings of individual dimensions of measuring the categories of organisational climate are shown in Table 1.

Table 1: Average ratings of individual dimensions

Climate categories	Rating
Knowledge management	4.65
Leadership	3.35
Internal relationships	3.30
Motivation and commitment	3.22
Internal communication and information sharing	3.15
Organisational loyalty	2.98
Organisation	2.97
Remuneration	2.82
Career development	2.75
Professional qualifications and learning	2.61

Table 1 shows that the highest rated dimension is knowledge management receiving an average rating of 4.65 and the lowest rated dimensions include organisation (2.97), remuneration (2.82), career development (2.75) and professional qualifications and learning (2.61).

3.2 Hypotheses testing

The key research findings allow us to either confirm or refute the original hypotheses.

H1: The majority of employees are satisfied with how the manager transfers knowledge to employees. Knowledge transfer to employees is an important process in the company. This hypothesis aimed to assess that the majority of employees in company X are satisfied with how the company transfers knowledge to its employees. The hypothesis was assessed with the statement on knowledge: "The employees are satisfied with how the manager transfers his knowledge". As this statement received a rating of 4.27 and 75.8% of the respondents rated this statement with a 4, I mostly agree, hypothesis 1 is confirmed. This means that the majority of employees in company X are satisfied with how the manager transfers knowledge to employees.

H2: The majority of employees believe that the manager's knowledge affects the company's performance.

There are numerous factors that affect a company's performance. When speaking of a company's performance, economic performance is usually the first thing that comes to mind. However, this is not the case. This hypothesis aims to prove that the majority of employees believe that the manager's knowledge affects the company's performance. The hypothesis was assessed with the statement on knowledge: "The manager's knowledge affects the company's performance". The research results show that the statement received a rating of 4.30. As 76.5% of the respondents mostly agreed with this statement, hypothesis 2 is confirmed.

H3: Organisational climate affects employee satisfaction.

If the organisational climate is positive, people are satisfied, work better, and achieve better work results. This hypothesis was assessed with the statement: "Because the climate is positive, the employees are satisfied". The results show that this statement received a rating of 3.63, which suffices to indicate that the majority of the employees agree with this statement. As the rating is sufficiently high to indicate the employees' agreement with this statement, hypothesis 3 is confirmed.

H4: The employees are satisfied with the manager and his leadership.

The respondents rated the Leadership dimension with an average rating of 3.35, which means that the majority agreed with the statements on leadership. When the respondents assessed their rate of satisfaction with the company's management, the majority expressed satisfaction with leadership, as the average rate of satisfaction with leadership stood at 4.20. This shows that hypothesis 4 "The employees are satisfied with the manager and his leadership" is confirmed.

H5: The employees believe the organisational climate to be favourable, as the management positively affects it.

If the management positively affects climate, organisational climate in the company is favourable. The respondents in company X rated the statements whether the management positively affects the climate. This statement received a rating of 3.66, which means that the majority of the respondents believe that the management positively affects the climate. This statement can also be linked to the level of satisfaction with organisational climate in the company, where it was established that the employees are satisfied with organisational climate rating it with 4.10. Hypothesis 5 is therefore confirmed on the basis of the obtained results.

4. CONCLUSION

The company's management wants its employees to perform their work well, as this is the only way to contribute to the company's performance. In times of fierce competition, managers have to be aware that good and successful leadership significantly affects the satisfaction of employees who are the wealth of every company. The company's management has to establish a positive organisational climate, which presents the foundation for a job well and quickly done. In today's times, when companies have to adapt to the frequent changes in the market, this is especially important. In order for a company to attain all its objectives, it makes sense for it to measure and study organisational climate.

In light of the obtained research results, it has been established that company X employs people who strive for knowledge management and the employees are motivated and committed to their job.

Communication and internal relationships are good and the employees are satisfied with the management and their leadership. The research established that the existing remuneration and education and training system are inappropriate, while organisation and career development are weak. The employees are satisfied with changes in leadership, as a positive climate is being shaped among the employees. The manager shapes and maintains a positive environment in the company, which is the key role of managers. There is a synergy between the management and employees, which is important for achieving the set objectives. A significant factor for the company's performance is also the relationship between the manager and employees, which is evident from the communication and establishing a positive organisational climate. We reviewed the theoretical starting points of the discussed field and research results and provided our proposals for improving the poorly rated categories of organisational climate.

Company X should see to a better organisation of work according to individual production departments. It should also prepare rules on employee remuneration. By studying organisational climate, the management of company X receives an insight into employees' opinions on their work, working conditions, the working environment, and the company as a whole. By measuring and studying organisational climate, the management of company X receives feedback on what should be changed in order to improve organisational climate. These results can be used by the management to prepare an action plan on how to realise specific changes.

The research results allowed us to establish that the change in leadership had a positive effect on organisational climate.

The research is undoubtedly limited by the subject of the research being a single company, which is also reflected in the small size of the sample of respondents. The results consequently cannot be applied to organisations or companies in general. We were also geographically limited only to the Slovenian market. Further research should focus on studying models and tools to be used in order to reliably and effectively recognise, measure, and upgrade an organisation's organisational climate.

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