



Creating a Positive Organizational Climate in a Negative Economic One

Improving Organizational Climate to Transform Performance

point of view

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Some companies are truly holding their own in today's economic climate. They are continuing to exceed customer expectations, maintain employee productivity, and innovate to gain a competitive edge—all within the confines of reductions in staff, budgets, and income. How? They are cultivating a positive organizational climate in a negative economic one.

Creating a positive organizational climate is not a new idea, but it has become a corporate imperative now. As growth slows and profits lag, businesses are scrutinizing key metrics of their climate and applying their knowledge to the entire climate improvement chain. After all, a healthy climate increases employee motivation, catalyzing more effective performance.

What Is Climate?

George Litwin and Robert Stringer first wrote up their ground-breaking research on organizational climate in 1968. They demonstrated that certain leadership styles produce a positive and stable organizational climate that makes an impact on motivation and performance.¹ By 1974, Forum was already using its own Organizational Climate and Practices Questionnaire to improve leadership, climate, and performance in organizations in many industries.

Technically, according to Stringer, "Climate is a set of measurable properties of the work environment, based on the collective perceptions of the people who work in the environment and demonstrated to influence their motivation and behavior."² More simply put, climate is people's perceptions of the corporate environment: what it feels like to work in a place. To ignite employees' motivation and sense of ownership, managers must understand—and apply—a framework, feedback, and some tools for reaping the advantages of a positive organizational climate.

Bad Times Make Good Climates Even More Critical

With layoffs and quarterly losses on the rampage today, companies that succeed are striving to make sure it feels good for their employees to work with them. Their leaders are finding ways to assign manageable workloads, improve morale, lower anxiety, and focus the employees on contributing in their current job rather than finding their next one. Key to this success is leadership that encourages a collaborative, synergetic, and creative work environment. In a positive organizational climate, employees have the confidence and stability they need to serve customers more

effectively with more innovative products.

Measuring Organizational Climate

Forum's research identifies six dimensions of climate³ that influence the work environment and employee motivation:

Dimension
<p>Clarity:</p> <p>People's degree of understanding of the organization's goals and policies, as well as the requirements of their job</p>
<p>Commitment:</p> <p>The expression of continuing dedication to a common purpose and to achieving goals</p>
<p>Standards:</p> <p>The emphasis management places on high performance standards and the amount of pressure it exerts on teams to improve performance</p>
<p>Responsibility:</p> <p>The degree to which people feel personally responsible for their work</p>
<p>Recognition:</p> <p>The feeling that people are recognized and rewarded for doing good work, and that they receive accurate performance feedback</p>
<p>Teamwork:</p> <p>The feeling of belonging to an organization characterized by cohesion, mutual support, trust, and pride</p>



The Performance Chain

Positive organizational climate is not a goal unto itself. It is a key link in a company’s ability to maintain and improve performance. Successful leaders take pains to ignite a chain reaction that improves climate, increases motivation, and enhances performance.

associates with leadership skills and tools whose use translates directly to residents’ appreciation of services. Some examples of how Archstone’s program creates a customer-centered climate appear at the bottom of the page.

Archstone’s senior executives prioritized the Commitment to GREAT business strategies and

residents as leading indicators of greater resident loyalty and referrals, reinforcement of the Archstone premium brand, and even stronger financial performance as the initiative takes hold.

The Power of Engagement

“Engagement” may sound fluffy, but it’s an integral component of company performance. Highly engaged employees create the greatest value for the company. Statistically, they are 87 percent less likely to leave their jobs, and they report 20 percent fewer lost-time accidents.⁵ It’s important that companies engage and keep essential contributors. After all, the cost of turnover for a senior manager or a salesperson can exceed 250 percent of the position’s annual compensation.⁶

Goal = enhance performance

- ➔ To enhance performance, increase employee motivation
- ➔ To increase employee motivation, improve climate
- ➔ To improve climate, change the manager’s day-to-day behaviors in the work team

Leading for Climate Change

According to Litwin and Stringer, leadership style is a critical factor of the quality of any organizational climate. In fact, a manager’s behavior accounts for about 70 percent of the variability of climate. Good managers lower anxiety, creating a sense of confidence and security. By communicating realistically, they build trust. And they acknowledge urgency, focusing teams on the most important projects and goals. All these actions engage employees in their work and connect them to the larger organization.⁴

Lowering anxiety, communicating realistically, acknowledging urgency: leaders can achieve these objectives by focusing on the six dimensions of climate. For example, Archstone—the \$1.5 billion real estate investment trust and leader in residential multi-family housing—has recently significantly increased employee engagement and customer satisfaction with its Commitment to GREAT program. This program provides managers and frontline

then cascaded their expectations through the organization. They see more effective employees and happier

Climate Dimension	Archstone’s Commitment to GREAT Program
Clarity:	Leaders at all levels continuously communicate the purpose and benefit of assignments. Even the program’s name, Commitment to GREAT, informs employees of the right approach to take to service: G o the extra mile R eliable and responsive E mpathize A sk questions and listen T ake ownership
Commitment:	Leaders use Commitment to GREAT as a rallying cry and facilitate motivational meetings in which associates share and analyze their customer successes.
Standards:	Management emphasizes high-performance standards and exerts pressure on associates to meet them.
Responsibility:	By giving associates the power to handle issues locally—they can spend up to \$1,000 without prior approval—Archstone has improved morale, increased company responsiveness, and lowered the cost of problem resolution.
Recognition:	Leaders make a point of acknowledging extra effort, and they frequently provide both formal and informal praise.
Teamwork:	Offices and regions receive reports of results and performance on key metrics that identify the synergy of efforts across groups and areas of responsibility.



Engaged employees feel a strong bond with the company, so they are willing to commit more time and effort to making it successful. They're also more likely to recommend the organization and its products to others. They believe they can have a positive impact on the company, enhance the customer experience, and increase productivity. Their contribution to the company matters, and the quality of their work helps maintain competitive pressure.

As an example of the power of engagement, SemMaterials, the asphalt and emulsion production company, put a new program in place that encourages sales leaders to create a motivating high-performance climate in their teams. This strategic shift engaged salespeople considerably, prompting them to actively develop new skills and adopt a more customer-centric work model. As a result, SemMaterials' Technology Products group doubled its size in 1 year and made significant progress toward realizing its 5-year growth plan.

A committed and engaged workforce can overcome many of the barriers companies are facing today.

Rousing Performance

Focusing on the six dimensions of climate enables companies to build leadership and engage employees. It also triggers an increase in productivity, even in today's economy, even when the organization extends well into the sales channel.

A case in point: A well-known health insurance company determined that sales were above average in 71 percent of company units with a positive climate (compared to only 18 percent of those with a negative climate). The company proceeded to provide its leaders with tools for and training in fostering a positive climate. It still faced

a significant challenge, though: All its transactions go through independent agents who sell the company's policies on a commission basis. Nevertheless (and despite today's economic downturn), some of the units have actually improved their climate in the last year. These independent businesses are staying motivated and performing more effectively, developing a foundation for competitive advantage as the economy improves.

Weathering the Storm

Strong leaders have the motivation and influence skills required for improving their company's climate. It's simply a matter of developing the workforce in six measurable dimensions: Leaders must increase the **clarity** of company goals and encourage employees to adopt a **commitment** to the goals. They must set high **standards** and help their staff meet them. All personnel must take **responsibility** for their work—which requires that management empower them and provide **recognition** of their success. By encouraging **teamwork** at every level, organizations can ensure that they accelerate productivity.

Creating a positive organizational climate is a powerful thing in good times; in tough times, it becomes an imperative. There is a direct correlation between organizational

climate and financial results, including sales, revenue growth, efficiency, and profitability. Moreover, organizational climate represents one third of the factors that influence the success of any organization.⁷ In other words, companies that build a positive organizational climate as part of their competitive strategy have a significantly better chance of weathering today's economic storm.

Endnotes

- 1 George H. Litwin and Robert A. Stringer, Jr., *Motivation and Organizational Climate*, Harvard Business School Publications, 1968.
- 2 Robert Stringer, *Leadership and Organizational Climate*, Prentice Hall, 2001.
- 3 Tom Atkinson and Henry Frechette, "Forum Climate Survey Validation Project," The Forum Corporation, March 2008.
- 4 N. R. Lockwood, "Leveraging Employee Engagement for Competitive Advantage: HR's Strategic Role," *HRMagazine*, March 2007.
- 5 Lockwood, op cit.
- 6 Bliss Associates, http://www.blissassociates.com/html/articles/cost_of_turnover15.html.
- 7 Daniel Goleman, "Leadership That Gets Results," *Harvard Business Review*; March 1, 2000.

Other References

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