Impact of Organizational Climate on Intentions to Leave and Job Satisfaction

Mei Teh, Goi*

This study examines the impact of organizational climate on job satisfaction and intentions to leave of a higher educational institution. Organizational climate consists of four quadrants namely human relations, internal process, open systems, and rational goal. A total of 210 data was analyzed and path analysis was used to examine the relationship between organizational climate, job satisfaction, and intention to leave. The finding indicates that human relations, open systems, and rational goal have significant impact on job satisfaction and intention to leave. Internal process has impacted on job satisfaction, but no impact on intention to leave. This study provides recommendation to top management on how to reduce the intention to leave and enhance job satisfaction.

Field of Research: Organizational Climate, Intentions to Leave, Job Satisfaction

1. Introduction

In a competitive market, an employee has a lot of opportunities to mobilize from one company to another. Thus, it is important that an organization understands what causes an employee to choose to leave an organization. Intention to leave is one of the important factors of non-quality standardize of quality service. Service industries face greater challenges than non-service industries; the effort to prove the service quality is tough. The failure of service industries to deliver a continuous and high quality service has been embittered by a lot of factors. Manning et al. (2005) indicated that employees in service industries often represent the interface between organization and customers; therefore, the organizational climate is essential in supporting the employees to deliver a quality service.

Data from The Star shows that service industry has the highest turnover rate in Malaysia with 22.44% compared to 18.84% for manufacturing industry (Goh, 2012). HR Matters (2012) indicated that one of the top three reasons why employees leave their companies is the working environment. The environments where the employees work, play an initial role in the employees' decision to stay in an organization. The environment in which an employee works is closely linked to the organizational climate of the organization (Dondero, 1997). Past literature has suggested that organizational climate may contribute to the high intention to leave (Gieter, et al., 2011; Glisson et al., 2008; Schwepker, 2001). The impact of organizational climate has been seen as critical for service industries (Manning et al., 2005). A clear understanding of the organizational climate is important because it provides the top management with an understanding of how to improve the functionality of an organization (McKim, et al., 2011).

*Dr. Goi Mei Teh, Faculty of Business and Accounting, Infrastructure University Kuala Lumpur, Unipark Suria, 43000 Kajang, Salangor, Malaysia. email: g_mt10@yahoo.com
Studies have been conducted to understand how organizational climate influences the functional activities in an organization. One of the most important studies was the impact of organizational climate on employees’ behavior toward specific phenomena such as intention to leave, job satisfaction, sustainability, organizational change (Glisson et al., 2008; Payne and Wall, 1976; Shim, 2009; Schneider et al., 1996). It is widely agreed that organizational climate influences employee’s intention to leave. However, there are limited studies in service industry that can conclude which factors are better predictors of the employee’s intention to leave. The generalization of the model related to organizational climate is hardly achieved because every employee in an organization is unique (Gieter, et al. 2011). Previous studies had provided useful empirical insights for understanding organizational climate. However, due to the uniqueness of educational industry, the dynamic relations between organizational climate and other factors need to be explored.

This study was carried out in a Higher Educational Institution (HEI) that is considered a leader in the education industry in Malaysia. The company strives to focus on quality education and profession service. The management of the company always tries to keep the best employees, however, the company is limited in their ability to keep their employees. The company believes that to keep experienced staff organizational climate play an important role. The author was requested to help the company to develop ways for solving employee’s intention to leave problems. Past studies were not conducted in one specific organization and this study carried out in an organization providing a study of non generalization of the organizational climate model. Therefore, this study aims to understand how the organizational climate influences the intention to leave and job satisfaction in higher educational institution, and to develop an organizational climate model for a higher educational institution.

The arrangement of this study is presented in four sections. The first section discusses the past literature, operationalization of the variable and hypotheses development. The next section elaborates the sampling technique and questionnaire development. The third section focuses on the data analysis. Finally, this study concludes by providing the contribution toward academic and management.

2. Literature Review

Higher Educational Institutions (HEIs) provide services to customers in a number of ways, which include employee service, social environment, etc. Glisson et al. (2008) and Dondero (1997) suggested that organizational climate could be important to the design of strategies to improve the services provided by the service organization. According to Alavi and Jahandari (2005), organizational climate is the character that permits us to differentiate one organization from another. Organizational climate is essential for dynamism of an educational system (Alavi and Jahandari, 2005). Dondero (1997) claimed that organizational climate is an important factor in the education industry. Although organizational climate research has been studied widely in higher education (Arabac, 2010; Mckim, et al, 2011), the findings of past studies are inconsistent. Since individual differences exist in an organization, employees’ perception of organizational climate may vary (Schwepker, 2001; Gieter, et al. 2011). Arabac (2010) also found that individuals’ different background, such as being an academic or administrative personnel in a university, have a different perception toward the organizational climate. Therefore, it is a must to examine an organizational climate in each organization in order to cater to the unique environment of an individual organization. Al-Shammari (1992) explained four
reasons why organizational climate varies from one organization to another, (1) all climates are held to be perceptual and psychological in nature, (2) all climates are abstract, (3) since the climates are perceptual and abstract, they are held to be subject to the same principles of perceptions as other psychological concepts, and (4) climates are considered to be predominantly descriptive rather than evaluative in nature.

2.1 Organizational Climate

The study of organizational climate has been popular since the 1960s (Al-Shammari, 1992). Organizational climate is synonymous with organizational re; the two terms are sometimes used interchangeably and overlapping (Patterson et al., 2005; Rostila et al., 2011). Patterson et al. (2005) indicated both terms describe employees’ experiences of their organizations. However, Denison (1996) argued that organizational culture and organizational climate are contra in terms of epistemology, methodology, temporal orientation, theoretical foundations and discipline. Denison (1996) explained that climate refers to a situation and culture refers to an evolved context. Patterson et al. (2005) and Denison (1996) agreed that both terms need to be distinguished in terms of conceptual and methodological use. Denison (1996) indicated that organizational culture relates to qualitative perspective, whereas organizational climate is conventionally studied through the application of quantitative research designs.

Based on past literature, most research agreed that organizational climate is multi-dimensional. However, the dimensions introduced vary. For example, Alavi and Jahandari (2005) have introduced seven dimensions of organizational climate for a university which consists of morale, personality, leadership, formal organization, informal organization, the open organizational climate, and the closed organizational climate. McKim et al. (2011) examined three dimensions of organizational climate, namely participative safety, support for innovation, and task orientation. Suliman and Obaidli (2011) introduced four dimensions of organizational climate that consists of decision making, performance reward, organizational justice, and chances to innovate. Griffin (2001) introduced seven dimensions, namely alienation, authority, fear of victimization, organizational support, quality of supervision, role ambiguity, and training. Understanding the gap, Patterson et al. (2005) claimed that they have developed a new measure of organizational climate which is both theoretically grounded and empirically validated.

Patterson et al. (2005) divided organizational climate into four dimensions: human relations, internal process, open systems, and rational goal; that consists of seventeen (17) scales of organizational climate which consists of (1) Autonomy, (2) Integration, (3) Involvement, (4) Supervisory Support, (5) Training, (6) Welfare, (7) Formalization, (8) Tradition, (9) Innovation & Flexibility, (10) Outward Focus, (11) Reflexivity, (12) Clarity of Organizational Goals, (13) Efficiency, (14) Effort, (15) Performance Feedback, (16) Pressure to Produce, and (17) Quality. Patterson et al. (2005) have been cited 123 times (Scopus database, 2013), which indicates the article has contributed significantly to the study of organizational climate. Since the measurement of Patterson et al (2005) consists of 82 items, it’s rarely used in past literature to relate with other variables. For the purpose of this study, Patterson et al.’s (2005) four dimensions have been adopted (Table 1) to fill the gap of past literature.
### Table 1: Organizational Climate Measure

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Scales</th>
<th>Definition</th>
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<tbody>
<tr>
<td>Human Relations</td>
<td>Autonomy</td>
<td>Norms and Values associated with belonging, trust, and cohesion</td>
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<tr>
<td></td>
<td>Integration</td>
<td></td>
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<tr>
<td></td>
<td>Involvement</td>
<td></td>
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<tr>
<td></td>
<td>Supervisory Support</td>
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<td></td>
<td>Training</td>
<td></td>
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<tr>
<td></td>
<td>Welfare</td>
<td></td>
</tr>
<tr>
<td>Internal Process</td>
<td>Formalization</td>
<td>Emphasis on stability, minimized effects of environmental uncertainty</td>
</tr>
<tr>
<td></td>
<td>Tradition</td>
<td></td>
</tr>
<tr>
<td>Open System</td>
<td>Innovation &amp; Flexibility</td>
<td>Focus on readiness, change and innovation</td>
</tr>
<tr>
<td></td>
<td>Outward Focus</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reflexivity</td>
<td></td>
</tr>
<tr>
<td>Rational Goal</td>
<td>Clarity of Organizational</td>
<td>Emphasis on the pursuit and attainment of well-defined objective</td>
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<tr>
<td></td>
<td>Goals</td>
<td></td>
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<tr>
<td></td>
<td>Efficiency</td>
<td></td>
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<tr>
<td></td>
<td>Effort</td>
<td></td>
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<tr>
<td></td>
<td>Performance Feedback</td>
<td></td>
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<td></td>
<td>Pressure to Produce</td>
<td></td>
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<tr>
<td></td>
<td>Quality</td>
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</table>

Source: Patterson et al. (2005)

### 2.2 Theoretical Framework

Al-Shammari (1992) indicated that there are a lot of debates regarding the relationship between organizational climate and job satisfaction. Brimhall et al. (2014) and Payne et al. (1976) indicated that organizational climate and job satisfaction was correlated. The study also suggested that the different measurement of variables would produce different results. For example, Griffin (2001) and Bhutto et al.’s (2012) studies indicated varying results. Griffin (2001) found three dimensions that predict job satisfaction, which are quality of supervision, role ambiguity, and training. Bhutto et al. (2012) found mixed results of the relationship between the dimensions of organizational climate and job satisfaction. Organizational structure, identity, and human relations have a positive relationship with job satisfaction, whereas equity and empowerment are negatively related to job satisfaction (Bhutto et al., 2012). Since the dimensions used in both studies vary, the results also vary.

Suliman and Obaidli (2011) explored the relationship between organizational climate and intention to leave in an Islamic banking industry. The study revealed that employees’ perceptions of organizational climate influenced staff’s intention to leave in a negative way. Shim (2009) also proved that organizational climate as a predictor to turnover intention. The study measured organizational climate as consisting of four dimensions, namely role clarity, personal accomplishment, emotional exhaustion, and workloads. Shim’s (2009) study found that emotional exhaustion is the only dimension that contributes to intention to leave. The operational definition of organizational climate, thus needs to be defined accurately in order to determine the impact of organizational climate toward intention to leave.
Past studies have illustrated the employees’ perceptions of the organizational environment or organizational climate as an essential factor in human resource management or organizational behavior studies (Shim, 2009). Although a lot of studies showed the relationship between organizational climate and job satisfaction (Payne, 1976; Suliman and Obaidli, 2011) or organizational climate and intention to leave (Shim, 2009; Suliman and Obaidli, 2011), the relationship between the variables still receives a lot of arguments. Shim (2009) was the only study that introduced specific relationship of multidimensional of organizational climate with intention to leave. The four dimensions of Shim (2009) vary with Patterson et al. (2005), Shim (2009) had found one dimension of organizational climate related with intention to leave. Patterson et al. (2005) explained that the inconsistency of the findings is partly because every study uses a different measure of climate, each assessing rather different dimensions. To address the above issues, this study hypothesis that:

**H1**: The four dimensions of organizational climate that consists of (a) human relations, (b) internal process, (c) open systems, and (d) rational goal predict job satisfaction.

**H2**: The four dimensions of organizational climate that consists of (a) human relations, (b) internal process, (c) open systems, and (d) rational goal predict intention to leave.

Brimhall et al. (2014) and Gieter et al. (2011) indicated job satisfaction is related to intention to leave; the more employees are satisfied with their job, the smaller their intention to leave is. MacIntosh and Doherty (2010) also confirmed the strong relationship between job satisfaction and intention to leave. Tian-Foreman (2009) found there is a strong negative relationship between employees’ intention to leave and job satisfaction. The study further investigated and found there are differences in the relationship between job satisfaction and intention to leave by occupational categories and workplace. From the discussion above, the research framework of the influence of organizational climate, job satisfaction and intention to leave guiding this study is presented in Figure 1, and the third hypothesis was developed:

**H3**: Job satisfaction is related with intention to leave.

**Figure 1: Research framework**

3. Methodology

A total of 300 surveys were distributed to all employees in a higher educational institution, excluding those at the managerial level. This exclusion is based on the suggestion by MacIntosh and Doherty (2010). The employees were selected because they are directly
involved in the service operation and are knowledgeable with the subject under study. The questionnaires were distributed to all the department by Head of Department, and questionnaires were collected two weeks later. Out of 300 questionnaires distributed, 226 (75.33%) were returned, but only 210 were usable and valid for analyses while 16 have to be dropped due to incomplete response. The usable questionnaires obtained were above the acceptable response rate of 70% as suggested by past literature.

The instrument was developed based on previous studies, which consists of organizational climate, intention to leave, and job satisfaction. For this study 82 items for organizational climate developed by Patterson, et al. (2005) were used. Patterson et al. (2005) divided the items into 17 scales that consist of autonomy, integration, involvement, supervisory support, training, welfare, formalization, tradition, innovation and flexibility, outward focus, reflexivity, efficiency, effort, performance feedback, pressure to produce, and quality. Patterson et al. (2005) tested the instrument across 55 organizations with a sample of 6869. For intentions to leave, this study used the scale proposed by Macintosh and Doherty (2010), which comprise three items. However, one of the items had been eliminated from the study based on panel suggestion. For job satisfaction, this study selected the three items developed by Cammann et al. (as cited in Macintosh and Doherty, 2010).

4. Results and Discussion

Table 2 shows the general descriptive result of the variables. The data show a normal distribution, in which skewness and kurtosis value is between the range of +1 and -1. The results of the tests show Cronbach’s alpha for dimensions of organizational climate that ranged from 0.60 to 0.95. The Cronbach’s alpha for intention to leave is 0.91 and job satisfaction is 0.78. The items were then reviewed by a panel in the company whose members were asked to determine if the items reflected the value of their company.
To test the impact of organizational climate and job satisfaction on intention to leave, the data were analyzed using path analysis, a structural equation modeling technique. The model fit the data well: $\chi^2/df=1.42$ (<5), NFI=0.96 (>0.90), CFI=0.99 (>0.90), RMSEA=0.05 (<0.08). Fig. 1 shows the standardized theoretical path coefficients, all the relationships are significant. The impact of organizational climate on job satisfaction shows $\beta$ value of 0.95 ($p=0.001$), the impact of organizational climate on intention to leave indicates $\beta$ value of -0.81 ($p=0.001$), and the impact of job satisfaction on intention to leave shows $\beta$ value of -0.80 ($p=0.001$). This study indicated a strong correlation between organizational climate toward intention to leave and job satisfaction. The results consistence with past literature, the relationship between organizational climate and job satisfaction (Al-Shammari,1992; Griffin, 2001; Payne et al, 1976); organizational climate and intention to leave (Suliman and Obaidli, 2011; Shim, 2009).
The structures for relationships between specific dimensions of brand climate were specified and analyzed. In order to explain how the four dimensions of organizational climate influence job satisfaction and intention to leave, each dimension was performed individually. Table 3 shows all of the research hypotheses except H1(b) were supported. The results indicate the highest impact dimension on job satisfaction is a rational goal. Human relations, open system, and rational goal have a negative impact toward intention to leave. The stronger the human relations, open system, and rational goals are, the employees will have less intention to leave the company. On the other hand, internal process has a positive impact toward intention to leave. Internal process, which consists of formalization and tradition, reflects that the stronger the formalization and tradition are, the employees will have a stronger intention to leave the company. The results fill the gap in explaining the finding of past literature of Griffin (2001) and Shim (2009).
Table 3: The impact of organizational climate quadrant on job satisfaction and intention to leave

<table>
<thead>
<tr>
<th>Organizational Climate Quadrant (χ)</th>
<th>Model Fit values</th>
<th>Job Satisfaction ← χ</th>
<th>Intention to leave ← χ</th>
<th>Intention to leave ← Job Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Relations</td>
<td>χ²/df=1.14, NFI=0.99, CFI=0.99, RMSEA=0.03</td>
<td>β=0.73, p=0.001</td>
<td>β=-0.60, p=0.001</td>
<td>β=-0.89, p=0.001</td>
</tr>
<tr>
<td>Internal Process</td>
<td>χ²/df=0.89, NFI=0.99, CFI=0.99, RMSEA=0.01</td>
<td>β=-0.15, p=0.19</td>
<td>β=0.37, p=0.01</td>
<td>β=-1.12,p=0.001</td>
</tr>
<tr>
<td>Open System</td>
<td>χ²/df=1.18, NFI=0.99, CFI=0.99, RMSEA=0.03</td>
<td>β=0.65, p=0.01</td>
<td>β=-0.57, p=0.01</td>
<td>β=-1.02,p=0.001</td>
</tr>
<tr>
<td>Rational Goal</td>
<td>χ²/df=0.83, NFI=0.99, CFI=0.99, RMSEA=0.01</td>
<td>β=0.95, p=0.01</td>
<td>β=-0.45, p=0.03</td>
<td>β=-1.00,p=0.001</td>
</tr>
</tbody>
</table>

Applying an organizational climate in a HEI, this study found detail of specific dimensional of organizational climate that influence intention to leave and job satisfaction. Rather than discusses organizational climate as unidimentional, this study found that rational goal (β=0.95) has the highest impact toward job satisfaction but internal process not influence the level of job satisfaction among employee. All four dimensions of organizational climate has impact toward intention to leave and human relations (β=0.60) has the strongest impact toward intention to leave.

5. Conclusion

This study has argued that the modeling of relationship between organizational climate, intention to leave, and job satisfaction is challenging because the uniqueness of education industry. As a result, the impact of organizational climate on intention to leave and job satisfaction is uncertain. Therefore, study was held in an HEI to assist the top management in understanding the impact of organizational climate. Results from the research hypothesis testing suggest the following information. First, this study found organizational climate has an impact on job satisfaction and intention to leave. Second, both organizational climate and job satisfaction have a negative impact toward intention to leave. This study suggested that the impact is similar in magnitude toward intention to leave, which means that the higher the organizational climate and job satisfaction are the employees would have low intention to leave the organization. Third, rational goal, human relations, and open system not only influence intention to leave but also job satisfaction. Internal process found not influence job satisfaction. This result complements the past literature on how organizational climate influence job satisfaction and intention to leave.

This study has filled the gap in identifying how the multidimensional of organizational climate influence intention to leave. The past literature suggested that organizational climate influences the intention to leave without indicating how the dimensions in organizational climate influence intention to leave and job satisfaction. This study shows that human relations, open system, and rational goal are important to reduce the
intention to leave and to enhance job satisfaction. Internal process, on the other hand, influences intention to leave in the opposite way compared to other dimensions in organizational climate. Human relation was found to have the strongest influence on employee's intention to leave, whereas rational goal had the least influence on employees' job satisfaction. Though it is important for management to focus on internal process to reduce intention to leave, internal process do not influence job satisfaction that mediates the relationship between organizational climate and intention to leave.

The results have implications for the management to address the problem of retaining employees in the organization. The Human Resource Department (HRD) should focus their efforts on human relations. Creating a better human relations and limiting the internal process help to enhance job satisfaction and reduce intention to leave. The HRD should invest resources to create better coordination and control through empowerment and participation, and interpersonal relations are supportive, cooperative, and trusting in nature (Patterson et al., 2005). For improving further, implementation of innovation and well-defined goal can be beneficial.

A first limitation of this study pertains to the sample chosen to conduct this survey, the sample size limited our ability to test the model. This study was conducted on a moderate scale of a HEI. Research findings may not generalizable to others scale of HEIs. A big scale institution may vary in terms of findings; separate departments may have different organizational climate due to different leadership. Leadership can be adopted as a moderator for the model. Future studies should include variations in the size of the organization. Further, there have not been many studies in the education industry, so that the theory developed could suffer from lack of justification and support. Future studies can be benefited from this study to further understand the impact of organizational climate toward the job satisfaction and intention to leave. In order to further verify the impact of organizational climate, a study should be conducted to explore other factors contributing to a positive organizational climate.

References


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