

A study on Consequences of organizational climate in SMEs

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Abstract

Organization climate is one of the most widely discussed issues in Human Resource Management. Small and medium-sized enterprises (SMEs), commonly referred to as small and medium-sized businesses, are those organizations whose employee count remains below specific thresholds. Each country or economic entity defines a small and medium-sized enterprise differently. In India, SMEs are classified as businesses where the investment in machinery and equipment ranges from Rs. 25 lakhs to Rs. 10 crores for manufacturing industries and from Rs. 10 lakhs to Rs. 5 crores for service sector enterprises. SMEs often rely on traditional methods for production, and as a result, the quality of their products tends to be lower compared to those produced by larger companies that utilize advanced manufacturing technologies. To help SMEs adopt modern technology, the Indian government provides support. If SMEs are unable to embrace new technology through effective change management, they may struggle to compete in the global marketplace. Change management offers SMEs the opportunity to expand in the market while gaining a particular edge over competitors.

Keywords: SME, startup, local economy

Introduction

An increasing number of companies are realizing their social responsibility, which is reflected in their policies of commitment to employee's welfare and betterment of the organizational climate. The organizational climate is the human environment with in which employees do their work. It may refer to the environment prevailing within a department or a unit, such as a branch, a plant, or an entire organization. The organizational climate is just like an asset, comprising the attitude of the people toward the organization as a whole. The organizational climate is an asset of properties of the work environment, perceived by employees and assumed to be a major factor in influencing their behaviour. The organizational climate has a major influence on human performance through its impact on individual motivation and job satisfaction. The job

satisfaction significantly influences the level of efforts and commitment of the people that leads to organizational effectiveness.

Statement of Problem

Organizational climate influence organizational and psychology process which, in turn , predisposes and induces the overall productivity and well being of SME s organizational climate influence, and is subsequently influenced by , the outcome of SMEs . organizational climate affects organizational productivity and well being by controlling and directing organizational process such as problem solving , decision making , communicating and coordinating , the individual process of leaning and crediting, and levels of motivation and commitment. The SME s have not realized the importance of human resource management to deliver better services to their customers. First of all, they should give more importance to their workforce in order to develop them for a better organizational commitment.

Objective of Study

- a. To identify the factors determining the success of good organizational climate at selected units,
- b. To measure the organizational climate at the SME s as per the view of the employees.

Research Gap

The previous studies discuss the existence organizational climate in several units and the relationship between organizational climate and the job satisfaction or job performance. There is no exclusive study which focuses on the antecedents and consequences of organizational climate in SMEs, especially in Tamilnadu. Hence, the present study has made an attempt to fill up the research gap with the finding s of the proposed focused study.

Interpretation

SMEs include lack of clarity and guidance from management, lack of training, and micro-management. These issues can lead to a culture of mistrust and cause people to leave SMEs in large numbers. SMEs may struggle to compete with larger organizations that have improved their flexible work offerings. Smes are lifeblood of GDP in India which include 60% of private sector business. It accounts 60% of employment opportunities. Financial sector assessments to determine areas of improvement in regulatory and policy aspects enabling increased responsible SME access to finance. Implementation support of initiatives such as development of enabling environment, design and set up of credit guarantee schemes Improving credit infrastructure (credit reporting systems, secured

transactions and collateral registries, and insolvency regimes) which can lead to greater SME access to finance. Introducing innovation in SME finance such as e-lending platforms, use of alternative data for credit decisions, e-invoicing, e-factoring and supply chain financing. Policy work, analytical work, and other Advisory Services can also be provided in support of SME finance activities. Advocacy for SME finance at global level through participating and supporting G20 Global Partnership for Financial Inclusion, Financial Stability Board, International Credit Committee for Credit Reporting on SME Finance related issues. Knowledge management tools and flagship publications on good practice, successful models and policy frameworks. The failure of processes - the small day-to-day and repeatable tasks that drive a business – are the root cause of a great many SME workplace stresses. Almost two-thirds (63%) of our research respondents admitted they were not clear about all of their company's processes, a worryingly high figure.

What are the primary causes of SME workplace stress?

Chasing colleagues for updates	33%
Lack of information or clarity when asked to do something	31%
Lack of control over a situation	28%
Lack of guidance / direction from your boss	26%
Lack of response to emails	25%
Lack of effective collaboration with colleagues	24%
Being chased by your boss unnecessarily	23%
Being micromanaged by your boss	15%
Lack of trust placed in you by your boss	12%

The impact of process failure and stresses 33% of SME employees have called in sick because of work-related stress 43% have moved jobs because of work-related frustrations that weren't addressed.

This figure rises to 47% when polling just women 32% say they do not feel trusted in the workplace. 68% of SME employees say collaboration in their company could be improved 75% say communication in their company could be improved

Research indicated 63% of SME employees are not clear about all their company's processes, that's a lot of potential stress. And that stress is manifesting itself in a number of ways, that are both

damaging for the well-being and health of employees, but that also have an impact on the potential performance of the business.

Review of Literature

Going more to reduce stress in the workplace is hugely important and should be a key priority for SME bosses during 2019 – staff retention is vital,” concluded Alister Esam. “Employees do their best work when they are motivated, engaged, trusted and work in a reduced-stress environment and leave a job when they are unhappy and demotivated. Workplace stress can come from many different sources and while no boss can eliminate stress completely, there are lots of measures that can be put in place to ensure day-to-day frustrations are reduced.” A favourable organisational climate can be said to be the foundation on which the edifice is known what constitutes such an environment, then measures can be taken to make the organization a better place to work in. The climate of an organization refers to those aspects of the environment that are consciously perceived by organisational members (Armstrong, 2003). climate has also been described as an exponentially based described of the work environment and more specifically, employees perceptions of the formal and informal policies, practices and procedures in their organisation (schneider & bowen, 2010).

Recommendations

Maintaining internal stability is essential for businesses looking to expand their clientele. Within the organization, there should be less conflict, disagreements should not be handled lightly, and no warning sign should go undetected. Maintaining consistency both internally and externally, which eventually results in the accomplishment of corporate goals, is greatly aided by the leadership style chosen. There is no ideal way to lead. It is necessary to select the approach that best suits the current circumstance.

Suggestions

To improve their technical and other interacting skills, it is recommended that members participate in additional training and development programs. Since the company is continually developing and redefining new positions, appropriate role linking is advised; Job enrichment is advised in order to lessen the stress of role erosion, and the company must focus on appropriate role integration. demands increased employee involvement in the crucial functional area. More participatory management should be implemented by the organization.

Conclusion

The success of SMEs is significantly influenced by the organizational climate. SMEs may establish a constructive and encouraging work atmosphere that promotes employee well-being, improves performance, and eventually propels organizational success by comprehending the elements that affect climate and taking proactive measures to manage them. For SMEs to thrive, they must be resilient. Businesses will need to put in a lot of effort to attain the much-needed business growth in a dynamic and complex market where everything has become uncertain. This is what would be accomplished when business owners have an entrepreneurial mindset.

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