

**ORGANISATIONAL CLIMATE AND PERFORMANCE: A CASE STUDY OF  
NIGERIAN HIGH GROWTH SMEs**

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## Abstract

There have been extensive explorations of organisational climate (OC) and performance in large organisational contexts but predominantly in western economies. Despite the rich and growing body of literature on the topic, there is considerable lacuna in the understanding of how the composites of organisational climate factors coalesce into business enablement and performance outcomes especially in economically resurgent African economies of which Nigeria is one. More fundamentally, the dimension of High Growth Small and Medium Enterprises (HGSMEs) exemplify the dearth of knowledge of the intricate role of OC in reconfiguring strategic positioning and performance of organisations, especially the genre of SMEs attributed as the main driver of economic growth. Against this backdrop, this study explores the dynamic interaction between OC and HGSME performance in Nigeria with a view to providing situated understandings of how organisational performance is moderated by variabilities of OC. This relationship is investigated empirically using as conceptual prisms four principal constructs distilled from the extant literature; leadership, organisational strategy, HRM practices and entrepreneurial orientation.

Methodologically, a triangulation procedure was applied in order to afford both rich-context and scaled datasets. From a sample of HGSME drawn from the national database maintained by Small Medium Enterprises Development Agency of Nigeria (SMEDAN), the mixed method approach used encompassed data gathered through (a) in-depth interviews conducted with senior executives of sample organisations and (b) survey questionnaires administered to 300 employees within two Nigerian HGSMEs. Qualitative data was analysed through thematic analysis. The quantitative data treatment rigour was achieved through descriptive statistics; correlation and multivariate regression analysis. OC was measured at the firm level using the validated instrument (Organisational Climate Measurement instrument, OCM, Patterson *et al.*, 2005), while the organisational performance was measured subjectively using efficiency and quality as performance proxies.

Results show direct effects of organisational factors (leadership, strategy, HR practices and entrepreneurial orientation) on organisational climate configuration. The relationship between organisational climate and performance is significantly positive while the direct effect of some HR practices on organisational outcomes such as

efficiency (training vs. efficiency, employee involvement vs. efficiency) was negative. The results are robust in indentifying the nature of internal organisational systems and networks that triggers growth and sustainability of HGSMEs.

**Key words:**

Organisational climate, performance, Leadership styles, Strategy, HRM Practices, Entrepreneurial Orientation.

## Declaration

I declare that this thesis is the report of my research and contained as its main content work that has not previously been submitted for a degree at any tertiary education institution.

Signature .....

Date .....

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As with most significant undertakings, this study represents the collective wisdom of many, not just one. I have completed this research and my doctoral journey, not by myself alone, but through the help and support of Almighty God and some amazing individuals.

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## CHAPTER ONE - INTRODUCTION

### 1.0 RESEARCH OVERVIEW

The objective of this study is to investigate the relationship between organisational climate and organisational performance, highlighting the contributory effects of leadership styles, organisational strategy, Human Resource Management practices and entrepreneurial orientation on this relationship. A theoretical framework is proposed to explain the organisational factors which shape climate and how these factors interact and influence performance. This framework can be used by High Growth Small-and Medium-sized Enterprises (later referred to as HGSMEs) to identify the optimal relations of the variables in order to increase their firm's overall performance and thus, gain competitive advantage.

This research investigates the mediating impacts of organisational climate on the performance of high-growth SMEs, using Nigeria as a contextual base. The overarching aim is to be able to identify and characterise the stock of SMEs that are most likely to impact, more vigorously than the norm, their operating environments and, consequently, drive forward economic growth potentials (at both organisational and national levels). Interests in this category of SMEs have recently heightened because of their dynamic capabilities for growth and sustainability in the face of adverse and severely constrained operating/environmental conditions. Arguably, for developing countries such as Nigeria, policy thrusts towards this sort of SMEs could potentially accelerate the rate of economic growth and integration into the global economy.

For quite sometime, there has been a sustained policy attention to encouraging business start-ups as a way to improve economic growth opportunities, both in developed and developing economies (Valliere, 2009; Gries and Naude, 2009; Rabiei, 2011; Hussain *et al.*, 2011). In this regard, there has been a tremendous growth in the body of entrepreneurship literature exploring the relationship between entrepreneurial growth and economic development (Wennekers and Thurik, 1999; Acs, 2006) Although the link

between economic growth and entrepreneurial growth has become empirically stable over time (OECD, 1998, pp. 11–12; Caree and Thurik, 2002; McCormick, 2010), recent works are beginning to re-classify entrepreneurial firms in the degree to which they impact individual, organisational and national growth potentials (Carree and Thurik, 2002).

Based on the current state of knowledge, the greatest impact of SMEs on economic growth is not so much determined by the aggregate stock of SMEs but their quality in terms of growth-enhancing capabilities (Welford and Gouldson, 1993; World Economic Forum, 2009). Consequently, there has arisen an urgent need to identify this genre of SMEs, understand how they form, organise, their internal dynamics, boundary-spanning capabilities and how they negotiate their operating environments to achieve superior competitive positions (Banham, 2010). The need to pursue this angle of research is even more urgent for developing countries most of which are under severe pressures for economic turnarounds, hence the use of Nigeria (the most populous black nation on earth) as a contextual base.

### **1.1 Subject and Context of Enquiry**

Small businesses are generally regarded as the driving force of economic growth, job creation, and poverty reduction in developing countries (Aremu & Adeyemi, 2011). They have been the means through which accelerated economic growth and rapid industrialization have been achieved (Yusuf and Schindehutte, 2000; Monk, 2000; Goedhuys and Sleuwaegen, 2000; Arinaitwe, 2002; Kiggundu, 2002; van Eeden *et al.*, 2004; Sauser, 2005; Harris and Gibson, 2006 ). Therefore, promotion of such enterprises in developing economies like Nigeria is of paramount importance since it brings about a great distribution of income and wealth, economic self-dependence, entrepreneurial development, employment and a host of other positive, economic uplifting factors (Aremu, 2004). Moreover, in a country like Nigeria with an adverse balance of payment situation, the growing contribution of the Small Scale Industrial sector in Nigeria's export portfolio goes a long way in generating foreign exchange and smoothening out the adverse Balance of payment situation. Aremu (2004) posited that Small Scale enterprises play an important role in the economy of any country in accordance with their relative levels of development. He further emphasized that poverty is a worldwide phenomenon and its incidence in Nigeria had been high and on the increase since 1980.

This position is in line with (Schmitz, 1982; Adeyemi and Badmus, 2001), they also argued that adequate financing of small and medium scale enterprises will reduce the unemployment level in Nigeria. The findings have shown that most SMEs particularly in Nigeria die within their first five years of existence. It was also revealed that smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent of young companies survive, thrive and grow to maturity. Many factors have been identified as likely contributing factors to the premature death. Key among these include insufficient capital, lack of focus, inadequate market research, over-concentration on one or two markets for finished products, lack of succession plan, inexperience, lack of proper book keeping, irregular power supply, infrastructural inadequacies (water, roads etc), lack of proper records or lack of any records at all, inability to separate business and family or personal finances, lack of business strategy, inability to distinguish between revenue and profit, inability to procure the right plant and machinery, inability to engage or employ the right caliber staff, and cut-throat competition (Basil, 2005).

Several studies have confirmed that small and medium scale enterprises are pivotal instrument of economic growth and development either in developed or developing economies (Ogujiuba *et al.*, 2004; Onugu, 2005; Ihua, 2009). Data from the federal office of statistics in Nigeria affirmed this importance when it reveal that about 97percent of the entire enterprises in the country are SMEs and they employed an average of 50% of the working population as well as contributing to 50 percent of the country industrial output.

SMEs in Nigeria are not only catalyst of economic growth and development, but are also the bedrock of the nation.( Ariyo, 1999; Ihua, 2009). Although small business activities had existed since the period of independence in Nigeria, conscious effort on small and medium scale enterprise as instrument of economic and national development started in 1970-1979 when Nigeria adopted the policy of indigenization through its national development plan programme. The development plan articulated the need for the Nigerian economy to be self reliant through industrialization, entrepreneurial development employment generation and development through increasing export trade (NDP,1970). The federal government singled out small and medium scale enterprises as the key area of intervention. This was premised on the government desire of giving



support to small scale industries in the country as a measure of meeting up with its commitment to the development plan and the indigenization policy

The Nigerian government in its intervention efforts promulgated different regulation for the purpose of protecting the small scale industries. Some of the regulations include Nigeria Enterprises Promotion No. 3 of 1977, Patent Right and Design Act No 60 of 1979 Custom Duties (dumped and subsidized goods Act No. 9 of 1959), Industrial Promotions act No. 40 of 1979, Industrial development Tax Act No. 2 of 1971 among others (Alawe, 2004). Apart from the promulgated act, government supported SMEs through favourable investment policies, institutional and fiscal policies, protective business law and financial incentives to encourage the national development and indigenization policy which small and medium scale are very central to. Several micro lending institutions were established to enhance the capacity and development of small and medium scale enterprises, and the liberalization of the banking sector to enhance the banking institutions for effective participation in the growth and capacity building of small and medium scale enterprises (Ogujiuba, *et al.*, 2004). The government also established Raw Materials and Research Development Council (RMRDC) , and created some polytechnics and universities to provide manpower scheme and also set up some manpower training institutions, such as Centre for Management Studies, (CMD) Administrative Staff College of Nigeria (ASCON), Industrial Training Institute (ITI) etc. (Ogechukwu, 2006)

In addition to this, the government, through the bankers' forum at the initiative of CBN as an interventionist strategy also established small and medium industry equity investment scheme (SMIEIS) in 2001. This scheme requires bank to set aside 10 percent of their profit before tax to fund SME in an equity participation framework. In 2002, government further intervened to enhance the capacity of SMEs through direct policy as consisting of direct investment and the establishment of more SMEs, promotion institution agencies (technological development institutions, credit lending institutions, technical and management institutions and the provisioning of infrastructures such as industrial estate, nationalization of foreign firms and provision of incentives and subsidies for the promotion of small and medium scale companies. (Alawe, 2004)

In spite of the participation and effort of the government in developing SMEs, the contribution index of manufacturing to GDP was 7% in 1970-1979 (Odedokun, 1981). In 2004, a survey conducted by manufacturer association of Nigeria revealed that only about 10 percent of industries run by its members are fully operational. Similarly Joshua (2008) contends that about 70 percent of the small and medium scale enterprises in Nigeria are between operational or on the verge of folding-up, while the remaining 30 percent operate on low level capacity and are vulnerable to folding up in the nearest future. In 2009, the constraint was further compounded by a sharp drop of manufacturing to GDP of 4.19 percent while industrial capacity utilization dropped to 48.8percent. (National Bureau of Statistics, 2009).This portends danger for the Nigeria economy given the fact that manufacturing industries are critical agent of real growth and development for the country.

Despite the incentives, favourable policies and regulations and preferential support by government aimed at improving small and medium scale enterprises, SMEs have performed below expectation in Nigeria. The challenges associated to small and medium scale enterprises and their failure have been widely acclaimed. Some of these include lack of planning, inimical government regulations, poor marketing strategies, lack of technical know-how, and lack of capital (Aftab and Rahim, 1989, Ekpeyong 1983, Onugu, 2005, Ogechukwu, 2006). Yet some of the challenges of the SMEs are induced by the operating environment (government policy, globalization effects, financial institutions etc); others are functions of the nature and character of SMEs themselves. (Onugu, 2005)

## **1.2 Organisational Climate**

The concept of organisational climate became popular in the industrial and organisational literature particularly in the 1960's and 1970's with the book of Litwin and Stringer (1968), the two major reviews of Forehand and Gilmer (1964) and James and Jones (1974). The topic remains one not only of considerable theoretical speculation and research (La Follette, 1975; Qualls & Puto, 1989; Kozlewski & Doherty 1989), but also disagreement (Jackofsky & Slocum, 1988; Payne, 1990).

In an attempt to define or operationalize the concept, many researchers quote Forehand and Gilmer (1984, p.37 ) : “Organisational Climate is the set of characteristics that

describe an organisation and that (a) distinguish one organisation from another, (b) are relatively enduring over a period of time and (c) influence the behaviour of people in the organisation.” However, the concept proved ambiguous, nebulous and controversial. The main problems in the conceptual clarification concern whether climate should be conceived of in terms of the objective (physical or structural) features of the organisation or the subjective (perceptual) reactions to the organisation. Hence Guion (1973) argued that a perceived climate concerned both the attributes of an organisation and those of the perceiving individual and that as most often conceived climate was simply an alternative label for affective responses to organisation, like job satisfaction. James and Jones (1974) suggested the psychological climate be used to emphasise the fact that it is the aggregated cognitive interpretations of an organisational work-force which arise from experience in the organisation and provide a representation of the meaning inherent in the organisational features, events and processes (Schneider, 1983 a,b; Kozlowski and Farr, 1988).

An important but related issue concerns the amount of consensus within an organisation concerning the perceived climate. Pace and Stern (1958) suggested a two-third agreement but Guion (1973) has argued that it should be 90% for the concept of climate to be invoked. Payne (1990) has argued that the concept of organisational climate is invalid because people in different parts of the organisation have radically different perceptions of the organisation (hence the perception is not shared) and that where perceptions are consensually shared, in small groups, they are not representatives of the climate of the whole organisation. Thus for Payne (1990) it is possible to have departmental but not organisational climates.

The second major theoretical problem concerns the effect of climate (or employee perception) on organisational behaviour. Climate may be conceived of as an independent variable, as for instance in the work of Campbell, Dunnette, Lawler and Weick (1970), it is assumed that organisational climate itself directly influences (causes) various work outcomes both positive like productivity, satisfaction, and motivation, and negative like absenteeism, turnover and accidents. Other have considered climate a dependent outcome variable that is the result, and not the cause of, organisational structure and process. In this sense climate may be a useful index of organisation’s performance but not a causative factor of it. A third and perhaps more common approach has been to see climate as a moderator variable in that climate may

be the indirect link between two organisational outcomes. Thus, climate may be the moderator variable between job satisfaction and productivity. Various untested but heuristically satisfying models consider climate as one of a number of powerful moderator variables (Litwin and Stringer, 1968). Finally, some researchers believe that climate is epiphenomenal, neither a direct cause nor effect variable but one that emerges in some form in all organizations with no influence on it. There are many models which use the concept of climate (Litwin and Stringer, 1968, Bonoma and Zaltman, 1981) but very few specify the exact relationship between climate and other organisational processes. Few researcher and model builders have acknowledged that the climate may be both an independent and dependent variable simultaneously. A third major problem in the area concerns the issue of measurement of climate or employee perception.

The impact of climate on performance can be viewed at both organisational or unit levels. Marcomick & Parker (2010) posits that the climate is a group level concept; individuals within an organisation need to agree on their perceptions of the environment in other for those perceptions to be meaningfully aggregated to represent organisational or unit climate. Schneider (1990), suggested that the environment could be influenced by performance, of both the person and the group (aggregated). Schneider and Synder (1975, pp.474-5) suggested that the holistic nature of climate perceptions is such that perceptions function as a frame of reference for the achievement of some agreement between behaviour and the organisation's practices and procedures. It is also noted that satisfaction is a personal assessment of an organisation's practices and procedures, people in the system will tend to disagree on their satisfaction than on their description of the system climate. Ahmad *et al.*, (2010) conclude that employee satisfaction with organisational climate is important because of its effect on productivity and success of the organisation. The positive climate of the organisation has been noted to have a positive relationship with job satisfaction and ultimately employee performance.

Adeyemi (2008) identified some factors which influence the climate of an organisation. The first one is *leadership behaviour and welfare*, he argues that a leader who places a high value on the welfare of staff is likely to have a more desirable organisational climate than a leader who places less value on staff welfare. *Economic condition* is another factor, when the economic conditions are good, organisations are likely to have a relaxed budget, otherwise, budget might become tighter. The fourth factor is the

*availability and management of resources* and lastly *motivation*. Bigge and Hunts (2000) comment that when workers are sufficiently motivated, they would respond positively to high job performance.

Halpin (1967) identified six types of organisational climates: the first type of climate is the *open climate*, this type of climate is characterised by low disengagement, low hindrance, but there is high intimacy and high morale, *closed climate* – this is the opposite of the open climate, there is high disengagement, high hindrance, low morale and low consideration. The third type of climate is the *autonomous climate* – characteristic features of this climate are; absolute freedom for the employees to carry out and the manager is relatively aloof, the fourth category is the controlled climate, in this type of climate, managers are highly domineering and employees are closely monitored, fifth category is the paternal climate, it is characterised by low disengagement, the management style is more dictatorial. The last category is the familiar climate, this is defined by sociability at the detriment of job performance.

There are numerous ways of measuring organisational climate. The first is categorical, which attempts to classify organisations into pre-existing theoretical types. The second is dimensional, which are thought to capture or fully describe the organisational climate. The first or categorical approach has not been very popular or successful. Examples of this approach can be seen in the work of Ginsberg (1978) who described three basic climates (inception, post-entrepreneurial and bureaucratic) and Halpin and Croft (1962) who felt climates could be categorised as either open, autonomous, controlled, familiar, paternal or closed. Although this approach has attracted a certain amount of research (Hall, 1971) its limitations are those of all typologies -- lack of fine description, inappropriate categories, and most importantly the idea that organisational climates are multi-dimensional and should be measured on various salient albeit related, dimensions.

A number of dimensional organisational climate measures exist. Litwin and Stringer's (1968) 50 items Organisation Climate Questionnaire (Form B) is designed to measure nine characteristics reflecting the degree of organisational emphasis on Structure, Responsibility, Reward, Risk Warmth Support, Standard, Conflict and Identity. Several additional measures have often been utilised in psychological/organisational research. For example, House and Rizzo (1972) developed the Organisation Description

Questionnaire. Taylor and Bowers (1972) popularised the University of Michigan Survey of Organisations. The survey has 22 items designed to measure organisational climate. Similarly, Payne and Pheysey (1971) offered a Business Organisation Climate Index which is a refinement of Stens's (1967) Organisational Climate Index. Other Measures were also developed by Jones and James (1979), Halpin and Croft (1963) and Pritchard and Kurasick (1973).

Both Internal and external climate factors are, from the literature, identified as important determinants of organisational climate. The external factors are environmental factors such as economic, political and market competition. Rollinson (2008) also identified three influential internal variables that contribute to an organisation's climate: the wider organisation, the immediate context and the individual. The wider organisation factors comprises: organisational structure, size, technology, job roles and design, authority and power and management philosophies. The immediate context includes: immediate supervisor, tasks, reward and punishment regime and peers, finally the individual context consists of: personality, needs, goals and abilities. Much of these (discourses of external and internal drivers) are oriented towards large organisations. Paradoxically, SMEs operate in widely diverse environments, in terms of both intensity and complexity, but have largely remained outside the purview of the sort of study being proposed.

### **1.3 Organisational Performance**

Intense competition in domestic and international markets, assertive customers and rapid technological advancement has placed greater pressure on organisations to seek ways to achieve a sustained competitive advantage. Many organisational performance (OP) researchers have emphasised the importance of appropriate organisational structures and systems to support a firm's strategic priority (Miles and Snow, 1978; Porter, 1980; Bouwens and Abernethy, 2000; Abernethy & Lillis, 2001; Hoque, 2004), and implement organisational structures and systems that facilitate the achievement of their strategic choices (Abernethy & Lillis, 2001). Organisational performance measurement has become a necessity for the continued survival of today's companies due to the pressure of global competition.

Performance is the ultimate dependent variable of interest for researchers concerned with just about any area of management. This broad construct is essential in allowing researchers and managers to evaluate firms over time and compare them to rivals. This is the most important criterion in evaluating organisations, their actions, and environments. It comprises of actual output or results of an organisation as measured against its intended outputs: goals and objectives. Organisational performance measures allow companies to focus attention on areas that need improvement by assessing how well work is done.

There is evidence of sufficient research being carried out on small and medium enterprise in relation to their performance or lack of it, but the focus of those studies has largely been big organisations and mostly in the developed countries where defined structures are in place to support SMEs activities and to measure their performance (Lohrke, 2006; Hudson *et al.*, 2010). There is hardly any mention of climate as an important variable in organisational performance. While much work has been done in the field of understanding organisational performance and the underlying objective determinants (e.g. contextual features such as structure, technology and size), little empirical work is found in the literature identifying discriminating influences that climate may have on performance.

In recent times, much effort has been devoted to organisational performance by researchers and academics (Ittner and Larcker, 2003; Burton *et al.*, 2004; Hudson *et al.*, 2001), but a large proportion of such research has been to investigate factors that affect organisational performance in relation to the balance sheet of the organisation involved (profit and loss). Moreover, these scholarly researches in their entirety have largely drawn on SMEs within the very defined and stable economic, political and internal structures of Western environment (Hudson *et al.*, 2001; Lui & Beamish, 2001; Peel & Bridge, 2002; Blackman, 2004). A gap therefore, exists in relation to underdeveloped countries in general and Africa, in particular. This research seeks to unpack the impact of both internal and external factors on Nigerian SMEs, particularly amplifying the impact of organisational climate on performance.

Organisational performance can be put into two sub-constructs, financial and non-financial organisational performance. Several studies (Sang, 2005; Rauf, 2007; Khan, 2010) have used financial, nonfinancial and operational metrics to measure firm

performance. Khan (2010) identifies the financial measures as including profit, sales and market share, the non-financial measures comprise productivity, quality, efficiency, and attitudinal and behavioural measures such as commitment, intention to quit and satisfaction. The operational measures include production flexibility, product cost, product quality, number of customers and product delivery. Organisational performance have also been investigated based on the stakeholder's theory (the Balanced Scorecard), this takes into consideration employees and their representatives, customers, suppliers, governments, industry bodies and local communities (Hubbard, 2006).

Selvarajan *et al.*, (2007) put forward the measurement of organisational performance using the perceived performance approach, this is also referred to as subjective performance measure. This utilises Likert-like scaling to measure firms performance from the top management perspective. Ukenna *et al.*, (2010) argue that the traditional model of performance evaluation places emphasis on financial measures as drivers of organisational performance. This model has been heavily criticised by both academics and practitioners for its inadequacy at capturing important aspects of corporate performance when wealth creation is linked with intangible and non-financial resources within dynamic markets. A developing model performance measurement focuses on combining both financial and non financial measures. Non financial measures such as efficiency, innovation and productivity.

In determining SME performance, this study intend to investigate two high-growth SMEs performance in terms of non-financial and fully subjective measure, as established in previous studies (Arnold *et al.*, 2000; Winter, 2003; Mezas and Starbuck, 2003; Wall *et al.*, 2004; Rosenzweig, 2007).

#### **1.4 High Growth SMEs**

High growth SMEs are a particular type of business, which are substantially different from the other businesses (Davidsson and Delmar, 1997). This has already been established by previous studies (Birch & Medoff, 1994; Storey,1994; Bidhe, 2000) . There is a lack of consensus on the definition of high growth ventures. According to Storey (2001), high-growth firms are firms that have achieved a sales growth of at least 25% in each of the 4 years for businesses with current sales of £5–10 million, or of at least 15% for businesses with current sales amounting to £10–100 million. The National



Commission on Entrepreneurship (2001) took a slightly different angle by defining high-growth SMEs as ventures with an increase in headcount by at least 15% per year. Other studies use similar indicators (Moreno and Casillas, 2000, Barringer *et al.*, 2005). For the purposes of this study, high-growth firms are firms that are able to grow more rapidly (more than 10%) than the other firms in the same industry group.

Moreno and Casillas (2000) identify two main characteristics of high-growth SMEs: (1) strong growth in size, which in most cases leads them to increase by as much as twice their initial dimension; and (2) concentrated growth in a very short period of time, which ranges between 4 and 5 years (irrespective of what indicators have been used to measure this growth rate, i.e. sales growth, duplication of employees)

#### **1.4.1 Nigerian High growth SMEs**

The importance and contributions of Small and medium enterprises (SMEs) to national economy is very well documented (Kelly, 2001; Kiggundu, 2002; Eeden *et al.*, 2004; Sauser, 2005; Arinaitwe, 2006; Harris and Gibson, 2006; Goedhuys and Sleuwaegen, 2000). SMEs are generally regarded as the engine of economic growth and promoting equitable development. They are considered the main driving force behind job creation, poverty reduction, wealth creation, income distribution and reduction in income disparities (Aremu and Adeyemi, 2011). Despite the relevance and importance of SMEs, too many studies have repeatedly reported abysmal performance of Nigerian SMEs (Onugu, 2005; Okpara, 2007; Ihua, 2009; Oniku, 2009; Adaramola, 2012).

The challenges facing Nigerian SMEs has been clustered into internal and external factors (Okpara, 2011). Despite the challenges and environmental problems there are few high performing SMEs which are vigorously impacting the economy in terms of generating new jobs, productivity and raising the national GDP through the sales of their products / services within and beyond the Nigerian borders (High-growth SMEs).

With the identification of the non-oil sector as a major contributor to Nigeria's GDP, there is increased attention to those sectors that are facilitating economic growth. Although oil export still accounts for the bulk of Nigeria's foreign exchange and government budget revenues, but contribution of the non-oil sectors to Nigerian GDP will remain significant. In the third quarter of 2011, the sector made a total contribution of 85.73 percent to total GDP. According to Adulagba (2011) the country exported

1.186 million metric tonnes of non-oil products valued at \$2.765bn in 2011. The non-oil export figure, according to Mr. Adulugba, represents an increase of 19.15 per cent over the \$2.32bn (N359.6bn) recorded in 2010, and 61.97 per cent over that of 2009 (Onuba, 2012).

The Central Bank of Nigeria (CBN) has attributed the growth in Nigeria's Gross Domestic Product (GDP) from 6.9 per cent in third quarter 2012 to 7.1 per cent fourth-quarter of the year to the increase in the contribution of the non-oil sectors, particularly the industrial sector. According to the Central bank in a report tagged "Economic Report Fourth-Quarter 2012" non-oil receipts, at N589.98 billion (24.4 per cent of the total), was below the budget estimate and receipts in the preceding quarter by 22.8 and 30.3 per cent, respectively. (Vanguard, Feb 2013). The Federal Government earned N179.5 billion from the non-oil sector of the economy in the first quarter (January to March) of 2013. A breakdown of the proceeds in the review shows that industrial, manufactured, agricultural, minerals and food products earned \$634.2million, \$322.6 million, \$89.9 million, \$67.9 million and \$21.7 million, respectively. "The shares of industrial, manufactured, agricultural and food products as well as mineral and transport in non-oil export proceeds were 55.8, 28.4, 7.9, 6.0 and 1.9 per cents respectively," (Premium Times, May 2013). The report underscored the importance of the SME sector as pivot for transforming the economy.

The classification of Nigerian top 50 high-growth SMEs identified each company on the list (available in appendix D) as growing at an average of 100% a year on revenues of \$9 million USD, and as a group they have created 6,600 jobs, and if they continue growing, will create thousands more in the next few years. The top 3 companies on the Nigeria HGSMES list all have very close growth rates exceeding 2,000 percent for the period 2009-2011(All World Network, Mar 2013). The Nigerian high-growth firms offer a glimpse into the country's vast potential for SMEs, and the impact they are having in addressing the country's problems from job creation and employee training. Nigerian HGSMES broke many records in relation to 15 other country rankings throughout the Middle East, Turkey and South Asia in terms of growth rates, the size of companies and diversity of industries (All World Network, Mar 2013)These are mostly companies founded in the last ten years, and have already grown to be leaders in their industry. Despite the political instability and the lack of the right infrastructure in some parts of Nigeria, the Nigerian HGSMES identifies the fact that growth opportunities for

them is within their own country, and confirm plans to expand further into West Africa, the entrepreneurs see that Nigeria, with its population of 162 million, is the place to expand.

## 1.5 Problem Definition

While much SME problems has been researched (Levy, 1993; Pissarides, 1999; Hudson *et al.*, 2001; Peel and Bridge, 2002) very little attention has been paid to the internal dynamics of SMEs themselves in order to fully understand their impediments to growth. The internal dynamics are being looked at as the surrogate for growth, success and failure, but the internal organisation of the SMEs as somewhat been overlooked and these are critical factors. Internal dynamics relates to what happens within the SMEs themselves, the cognitive processes, the interpersonal relationship, interfaces within the organisation, all these are captured by the climatic factors. Therefore, climate factors becomes a robust conceptual platform on which this entire research will be based.

There is sufficient evidence of research carried out on Nigerian SMEs performance (Onugu, 2005; Okpara and Wynn, 2007; Ihua, 2009; Ayanda and Laraba 2011; Oluseye, 2013) . The focus of these academic investigations has mostly been to concentrate on specific industry (Malik *et al.*, 2004), government policies (Oniku, 2009; Adaramola, 2012; Atawodi & Ojeka, 2012) , general impact /contribution of SMEs (Egbetokun *et al.*, 2008; Ihua, 2009; Oyelola *et al.*, 2013) and mostly external organisational factors as the missing link in the jigsaw puzzle of SME performance. However, a review of literature revealed that more organisations are not only using the economic index (emphasizing the importance of external market factors in determining firm success but also the behavioural paradigm which sees organisational factors and their fit with the environment as the major determinants of success) in measuring firm's performance. Where such studies have been carried out, it has been in developed economies (Hansen & Wernerfelt, 1989, Kangis & Williams, 2000, Patterson *et al.*, 2005; Voorde, 2009; Voorde & Paauwe, 2010; Jianwei Zhang & Yuxin Liu, 2010).

Establishing the link between organisational climate and performance has not entirely escaped the focus of African academics, but investigation of such links has been carried out largely in the education sector; climate and job performance in primary schools (Adeyemi, 2008; Adejumobi and Ojikutu, 2013), organisational climate and training in Nigeria (Abdullahi *et al.*, 2013) climate & job performance in Nigerian Universities

(Olorunshola & Arogundade, 2012), climate and job satisfaction (Adeniji, 2011) and organisational climate and female academics leadership (Oti, 2012). None of these academic pursuits examined organisational climate within the context of organisational performance or indeed high growth SMEs.

There is expanding research interest in understanding and analysing growth determinants of high growth firms due to their roles as new job generators in net terms (Birch *et al.*, 1994, Littunen and Tohmo, 2003) and accelerated growth (Fisher and Reuber, 2003). These types of SMEs are desirable in any economy (even more so in an emerging economy like Nigeria). Several studies have explored the importance and contribution of High growth SMEs (Smallbone *et al.*, 1995, Julien, 2000; Schreyer, 2000; Delmar *et al.*, 2003, Littunen & Virtanen, 2004; Barringer *et al.*, 2005, BERR, 2008). All of these investigations concentrate on Western economies, with the exception of Goedhuys & Sleuwaegen (2009) who offered insights into the growth performance of a large set of entrepreneurial firms in ten manufacturing sectors of eleven Sub-Saharan African countries (excluding Nigeria). The study identified entrepreneurial attributes and firm characteristics that tend to generate a significant number of high-growth firms in these countries. The exclusion of Nigeria in this study validates the need for research into the performance of Nigerian high-growth SMEs with focus on internal organisational factors .

The interest of this research is centred on investigating factors that stimulate the proliferation and growth of Nigerian high-growth SMEs and to extend our understanding by interrogating the internal properties (leadership, strategy, HRM practices and entrepreneurial orientation) of these firms that are becoming all too important to many nations both in developed and emerging economies. This study will attempt to investigate the impact of organisational climate (an internal organisational factor) on the performance of HGSMEs.

The absence of research on Nigerian SMEs (specifically focussing on HGSMEs) using organisational climate as the conceptual framework therefore makes the doctoral investigation novel.

## **1.6 Research Purpose and Objectives**

Given the scope of this study, the two main purposes of this research are: 1) to investigate the moderating effects of organisational climate on the performance of high-growth SMEs, using Nigeria as a contextual premise. 2) To explore the differences in perception of organisational climate and the degree to which other internal factors (leadership, human resource practices, strategy and entrepreneurial orientation) contribute to organisational performance. Therefore, the objectives of this research are:

1. To investigate the moderating effect of organisational climate on the performance of high-growth SMEs in Nigeria.
2. To explore the intensity of climate factors in determining the growth trajectories of high-growth SMEs.
3. To explore the influence of organisational factors (e.g. leadership styles, strategy, HRM practices and Entrepreneurial orientation) on climate perception
4. To investigate the contributory role of organisational strategy to the development of organisational climate of High growth SMEs.

## **1.7 Preliminary Research Framework**

A research framework is proposed which graphically depicts the preliminary working theory of the relationships between organisational climate and organisational performance. It serves as a conceptual framing defining key research constructs and hypothesised relationships. This initial framework is developed into an operational research framework once sub problem statements are defined. As illustrated in figure 1.1, this research proposes that (1) organisational climate is influenced by these organisational factors (leadership styles, strategy, HRM practices and entrepreneurial orientation), each of these factors also contribute to organisational performance directly. (2) Organisational climate plays a mediating role between human resource management practices and organisational performance. (3) Organisational climate impacts organisational performance by creating a positive work environment that engenders desired organisational performance.



**Figure 1.1: Proposed Research Framework**

### 1.8 Research Questions

In order to achieve the above research objectives, the following research questions (RQs) were investigated in this study:

- RQ1: How does organisational climate mediate entrepreneurial orientation (i.e. environment-strategy congruence)?
- RQ2: Which ‘climate variables’ impact the performance and sustainability of high-growth SMEs (i.e. environment-performance congruence)?
- RQ3: To what extent does organisational strategy contribute to climate perception of high-growth SMEs employees (for example HRM practices and performance).

Given the above research questions the following hypotheses are tested in this Study.

**Hypothesis 1:**

H<sub>0</sub>: There is correlation between organisational climate and entrepreneurial orientation.

**Hypothesis 2:**

H<sub>0</sub>: There is positive relationship between organisational climate and performance.

### **Hypothesis 3**

H<sub>0</sub>: There is positive relationship between employee training and quality

### **Hypothesis 4**

H<sub>0</sub>: There is positive relationship between employee training and Efficiency.

### **Hypothesis 5**

H<sub>0</sub>: There is positive relationship between involvement and Quality.

### **Hypothesis 6**

H<sub>0</sub>: There is positive relationship between involvement and efficiency

Although there are three main research questions developed for this study, six hypotheses are tested. The first two hypotheses relate to research questions 1 and 2, while the last four hypotheses relate to the last research question.

## **1.9 Overview of Research Approach**

The main research methods that have been used as part of the method triangulation are:

- ◆ Personal interviews - A total number of 6 in-depth interviews were conducted with senior management of two different high-growth SMEs. The interviews presented the opportunity to ask the same questions to different respondents, but at the same time allowing for flexibility and in-depth probing of different issues. All 6 interviews were transcribed and analysed using the principles of Thematic Content Analysis(TCA).
- ◆ Questionnaire – A Questionnaire was devised after extensive piloting. A review of the literature in academic and applied fields suggested that a number of dimensions should be measured. Items were written for each dimension. The questionnaire is for both managerial staff and non managerial staff. The rationale for this is that most organisational climate study concentrate on either managerial or non managerial, but points to the fact that study of organisational climate should sought to evaluate collective climate perceptions of the organisation, consequently the questionnaire were administered to employees at all levels. The Organisational Climate Measurement (OCM) developed by Patterson *et al.*, (2005) was adopted, this instrument has already been evaluated for face, content, criterion and constructs validity (De Vaus, 1991; Newman, 1994; Brewerton and Millward, 2001; Kent, 2001). The nature of the adopted OCM scale is discussed in detail in Chapter 5. The questionnaire was served to 650 employees who are in managerial and non managerial positions within the two case organisations. A total of 300 fully

completed questionnaires were received from respondents, representing approximately 46% response rate, which can be classified as a good return rate. The questionnaire method provided the right platform to survey a larger number of employees (generating a holistic perception of climate from different levels of employment status) in the SME sub sector and to measure the impact of Organisational Climate on performance for the chosen SMEs, at different hierarchical levels and industries as assessed by employees with different personal attributes.

### **1.10 Significance of the Study**

Several researches have investigated organisational performance (OP), but the focus of such academic investigations has been to interrogate OP in relation to specific individual organisational factor. Examples of these include: performance and organisational climate (Lawler *et al.*, 1974; Patterson *et al.*, 2004) performance and entrepreneurial orientation (Kraus and Kauranen, 2009; Rauch *et al.*, 2009), performance and leadership (Cannella and Rowe, 1995; Giambatista, 2004; Rowe *et al.*, 2005; Zhu *et al.*, 2005), performance and HRM practices (Burton *et al.*, 2004; Bowen and Ostroff, 2004; Neal *et al.*, 2005; West and Patterson, 2005) performance and organisational strategy (Thompson and Strickland, 1996; Oosthuizen, 1997; Jennings *et al.*, 2003).

Organisational climate has been investigated mostly in the developed countries, with a few climate research done in Africa, focussing on job satisfaction, employee motivation and generally looking at the SME sub sector. There seem to be a paucity of research interest in this area, specifically interrogating Nigerian High growth SMEs, this research therefore contributes to knowledge by investigating climatic factors, scrutinising some of the organisational factors that create the unique genetic make up of an organisation's work environment and how this influences organisational performance. This study also bring a unique approach to organisational performance as it takes a subjective look at the performance of two Nigerian high growth SMEs

### **1.11 Scope and Depth of the Research**

The fact that organisational climate plays a pivotal role in determining organisational outcomes by influencing employees' perceptions, which impacts on their behaviours.



This study aims to contribute to the current literature in attempting to understand whether a relationship exists between organisational climate and performance in Nigerian High Growth SMEs. The focus of this research is to spotlight on the influence of organisational climate on the performance of two HGSMEs in Nigeria, one of the organisations belongs to the media sector and the other in publishing. OC will be measured at the organisational level by surveying employees at all levels of employment, previous organisational climate research has focused on a departmental level of analysis (Saunders, 2008), but this study examines organisational climate as a molar construct, therefore the views of employees across the board from both organisations is sought.

### **1.12 Research Contributions**

The contribution of this research stems from its uniqueness as it does not only examine the relationship between organisational climate and performance but also exhumes the contributory relationship of organisational factors (leadership, organisational strategy, HRM practices and entrepreneurial orientation) to organisational climate and also interrogates the relationship between each of these constructs with organisational performance. This research proposes a conceptual framework which provides a robust view of investigating the relationship between organisational climate and performance. The study contributes theoretically to the study of organisational climate by distilling relevant literature on leadership, strategy, human resource management and entrepreneurial orientation, exploring their relationship with organisational climate and performance. Furthermore, this study proposes some practical and relevant recommendations for both Nigerian government and managers. This is an exploratory study to identify the relationship between organisational climate and performance of Nigerian HGSMEs.

### **1.13 Research Limitations**

Like all research, the present study has several limitations that need to be considered. Firstly, the sample is not a representation of all HGSMEs in Nigeria because it was limited to two sectors (media and publishing sectors), therefore, the results cannot be generalized to firms that do not belong to these sectors. The research was limited to one city as both participating organisations are located in the Western part of Nigeria

(Lagos), a broader geographic sampling would provide a better reflection of the national profile. Further research is required across a wider geographical area. Secondly, another source of limitation for this research was the fact that all the interview participants are senior managers, which could mean that their view of the organisation is different. A few non managerial employees could have been interviewed in order to obtain views representative of the different cadre of the workforce. Thirdly, the OCM survey instrument used for this study has a large number of survey items (sixty eight questions), this may have significantly reduced the response rate. Non-response bias therefore added another threat to the generalisability of the results. Thus, the generalisability of the results beyond the studied population requires additional field research. Lastly, this study recognizes the fact that several variables, apart from the ones identified in this study contributes to organisational climate and it is mindful of the fact that there are other predictors of HRM focus of an organisation beyond the two variables isolated in this study (training and Employee involvement). Similarly, this study is not oblivious to the fact that a number of other factors can also predict organisational performance for HGSMEs other than those measured by this research. In order to relate the two constructs (i.e. organisational climate and organisational performance) this study assumed other factors to be constant. The foregoing shortcomings of this study uncover potential areas for further research in that other variables apart from the current ones highlighted by this research can be studied to improve predictability of HGSMEs performance.

#### **1.14 Organisation of the Thesis and Summary**

This research is entitled as " Organisational Climate and Performance: A case study of Nigerian High Growth SMEs. The thesis is composed of the title page, an abstract, table of contents, eighth chapters, bibliography and appendices. The eight chapters of the thesis are arranged in the following chronological order:

1. Introduction
2. Contextual Background
3. Literature Review – Organisational Climate and performance
4. Literature Review – Organisational performance
5. Research Methodology
6. Presentation of findings
7. Discussion

## 8. Conclusion, Implications, Recommendations & Research Contribution

A snapshot of each chapter of the thesis is presented below:

### **Chapter 1: Introduction**

This chapter presents the general introduction and a synopsis of the thesis. It highlights the background to the research; the justification for the study; aims and objectives; research questions, the breadth, depth and significance of the study. The chapter briefly discusses the choice and justification of the research approach and methods. Fuller details of the methodology adopted are presented in chapter five. The last two sections of this chapter also gives a summary of the contribution to knowledge of the study and a general conclusion.

### **Chapter 2: Contextual background**

This chapter provides a macro-contextual background that is critical for understanding the context of the study. The chapter examines the historical development of the SME sub-sector in Nigeria towards contributing to economic growth and national development and the challenges of Nigerian SMEs, present the characteristics of HGSMEs, discusses strategies that facilitate the proliferation of HGSMEs and trace the development of Nigerian HGSMEs.

### **Chapter 3: Literature Review - Organisational Climate**

Organisational climate schools of thought are presented in this chapter through the review of relevant literature with particular attention to defining the key concepts in Organisational Climate, identifying major organisational factors that shape the perception of employees (leadership, strategy, HRM practices and entrepreneurial orientation). Consequently, discussion demonstrating the relationship between each of the organisational factors and how they contribute to organisational performance individually is presented. The chapter concludes by integrating all these factors together.

### **Chapter 4: Literature review - Organisational performance**

This chapter presents a review of current literature on organisational performance (OP) by examining the types of OP measures, benefits and drawbacks of each one and

investigating the challenges associated with measuring OP. The chapter concludes by providing a justification for adopting a subjective measure for this research.

### **Chapter 5 - Methodology**

The chapter discusses the philosophical stance that dictated the investigation method and theories used for the climate study. It then covers a wide range of subjects such as the selection of the case organisations, research methods, sampling, interview questions, interview and questionnaire validation process, and research ethics. The different analysis methods for both qualitative and quantitative data and their suitability for this research are explored. Finally, abstracts of data analysis is presented to provide the readers with a flavour of how the analysis was conducted.

### **Chapter 6: Presentation of Findings.**

The first part of this chapter discusses the main characteristics of the respondents and the profile of the case organisations. The second part presents the results of qualitative and quantitative analysis addressing respective hypotheses. A summary of findings from both sections is also presented .

### **Chapter 7: Discussion**

This chapter discusses the key findings of the research and attempt to integrate these findings with the literature. The chapter synthesises the qualitative and quantitative findings. It highlights the performance and HRM practices indicators identified quantitatively, integrates these with the qualitative themes and answer each research questions through the discussion, based on the results from both qualitative and quantitative findings.

### **Chapter 8 – Conclusions, Limitations, Recommendations and Research Contributions**

A summary of research conclusions, key contributions of research to knowledge, public policy and managerial implications of the research are explained in subsequent sections of this chapter. In addition, the limitations of the research and recommendations for further research are indicated.

The next chapter presents the contextual background of the research by examining Nigerian SMEs in general, investigating their unique challenges, economic

contributions and discussing government initiatives geared towards the SME sub sector. This chapter also present the determinants and drivers of High Growth SMEs and an exploration of their economic contributions.

## CHAPTER TWO - CONTEXTUAL BACKGROUND

### 2.0 INTRODUCTION

This chapter underscores the relevance and importance of the Small and Medium Enterprises (SMEs) sub sector to any nation, it also interrogates the characteristics and challenges of Nigerian SMEs in particular, specifically looking at how those problems have defined their limited contribution to the Nigerian economy. Since high growth firms are the main focus of this study, a general description and definition of high growth SMEs is provided, their characteristics explored and discussion around drivers of this genre of SMEs is given maximum attention. Finally, an introduction to the growth and contribution of the Nigerian non-oil sectors and the birth of the Nigerian high-growth SMEs (HGSMEs) is traced.

### 2.1 Nigerian SMEs – Bane or Boom

Research into small and medium sized enterprises (SMEs) has grown during the last decade. A huge majority of firms worldwide are SMEs, and they play a significant role in the economy. Consequently, the performance of the SME sector is closely associated with the performance of the nation. They constitute the largest proportion of businesses all over the world and play the multidimensional roles of employment generation, provision of goods and services, creating a better standard of living, as well as vigorously impacting the gross domestic products (GDPs) of many countries (OECD, 2000). The SMEs sector in Nigeria constitutes the largest proportion of the entire businesses. Data from the Nigerian Federal Office of Statistics reveal that about 97 percent of the entire enterprises in the country are SMEs and they employ an average of 50 percent of the working population as well as contributing up to 50 percent to the countries industrial output.

Small businesses are generally regarded as the driving force of economic growth, job creation, and poverty reduction in developing countries (Aremu and Adeyemi, 2011). They have been the means through which accelerated economic growth and rapid industrialization have been achieved (Yusuf and Schindehutte, 2000; Monk, 2000; Goedhuys and Sleuwaegen, 2000; Kiggundu, 2002; van Eeden *et al*, 2004; Sauser,

2005; Harris and Gibson, 2006; Arinaitwe, 2006). Therefore, promotion of such enterprises in developing economies like Nigeria is of paramount importance since it brings about a great distribution of income and wealth, economic self-dependence, entrepreneurial development, employment and a host of other positive, economic uplifting factors (Aremu, 2004).

The future of any growing economy such as Nigeria's depends on the entrepreneurial energy of vibrant SMEs because a lot of large businesses start out as SMEs. Many authors believe that they are the starting point of development in the economy towards industrialisation. Udechukwu (2003) for example sees the SME sector as one that will enhance the contributions of the private sector and provide the critical building blocks for industrialisation and sustainable economic growth. SMEs broaden the base of participation in society, decentralize economic power and give people a stake in the society's future (Williams, 2006). SMEs have also been recognized as a channel for improving the efficiency of domestic markets and making productive use of scarce resources, and thus facilitating long-term economic growth in poor countries (Aryeetey and Ahene, 2004). Given that a large proportion of Nigeria's population relies either directly or indirectly on small and medium enterprises for survival, their importance cannot be overemphasised.

The contributions of SMEs to Nigeria's economy are not contestable as about 10% of the total manufacturing output and 70% of the industrial employment are by SMEs (Aina, 2007). Through the utilisation of local resources, SMEs promote industrial and economic development and are responsible for the production of intermediate goods and the transformation of rural technology (Aina, 2007). Nigerian SMEs not only provide employment and income for majority of its citizens but are also recognised as the breeding ground for domestic entrepreneurial capabilities, technical skills, technological innovativeness and managerial competencies for private sector development (SMEDAN, 2005; Aina, 2007). SMEs also improve forward and backward linkages between economically, socially and geographically diverse sectors of many economies (SMEDAN, 2005). Thus, the development of SMEs is an essential element in the growth strategy of many economies including Nigeria. The simple and popular definition of SME is a firm with 0-250 employees (DTI, 2007) in (Harindranath *et al.*, 2008).

Yaobin (2007) observe that SMEs are major contributor of employment figures as they offer a high amount of employment in casual, part-time, low training, low-skilled jobs, therefore nurturing SME growth is more likely to boost employment than large enterprises where expansion means higher degree of automation and machining. Chu *et al.*, (2008) concluded in their study that Nigerians consider entrepreneurship as an arbiter of job security and source of improving their livelihood. This makes SMEs a relevant factor in poverty alleviation (Beck *et al.*, 2005). SMEs are considered the vital link between the large business enterprise and the consumers as such; large enterprises can hardly survive without them. SMEs contribute to domestic capital formation, add value and mobilisation of private savings and harness them for productive purposes. Kilby (1969) as cited in Ekpenyong and Nyong (1992) sees SMEs as a quasi sponge for urban employment and a provider of inexpensive consumer goods with little or no import content, serving an important pressure-releasing and welfare-augmenting function. SMEs also contribute to long-run industrial growth by producing an increasing number of firms that grow up and out of the small-scale sector. Despite the incentives, favourable policies and regulations and preferential support by government aimed at improving small and medium scale enterprises, SMEs have performed below expectation in Nigeria.

With the dismantling of trade and other barriers, the world has been transformed into a global village. Consequently, SMEs in developing countries are struggling to survive under intense competitive environments both domestic and international. In developing countries like Nigeria, there is an urgent need to provide the required enabling environment for the development of SMEs, so that they could adequately play the role expected of them in economic transformation of the country. Such role includes mobilisation of domestic savings for investment, appreciable contribution to gross domestic product, increased harnessing of local raw materials, employment generation, and significant contribution of poverty reduction efforts through sustainable livelihoods and enhancement in personnel income, technological development and export diversification (Smatrakalev, 2006).

The Nigerian government in its intervention efforts promulgated different regulation for the purpose of protecting the small scale industries. Some of the regulations include: Mandatory Credit Guideline in respect of SMEs (1970); Small Scale Industries Credit Guarantee Scheme (1971); Agricultural Credit Guarantee Scheme (1973); Nigeria



Agriculture and Cooperative Bank (1973); Nigerian Bank for Commerce and Industry (1973); Rural Banking Scheme (1977); The World Bank Assisted SME I (1985) and The World Bank Assisted SME II (1990); Second – Tier Security Market (1985); Peoples Bank (1989); National Economic Reconstruction Fund (1992); Small and Medium Scale Enterprises Loan Scheme (1992); Family Economic Advancement Programme (1997); African Development Bank – Export Stimulation Loan Scheme (ADB-ESL) in 1988; Bank of Industry (BOI) - being merger of NIDB, NBCI and NERFUND) in 2001; Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB) - being merger of NACB, Peoples Bank and Family Economic Empowerment Programme (FEAP) in 2002; and Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) in 2004.

As Hallberg (2000) observes, government assistance strategies in both developed and developing countries often try to achieve a combination of equity objectives (alleviating poverty and addressing social, ethnic and gender inequalities) and efficiency objectives (raising the productivity and profitability of firms). However, as Ojo (2003) argues, all these SME assistance programmes have failed to promote the development of SMEs. This was echoed by Tumkella (2003), who observes that all these programmes could not achieve their expected desires due largely to abuses, poor project evaluation and monitoring as well as moral hazards involved in using public funds for the purpose of promoting private sector enterprises. At the urban and rural levels, private individual and small firms have established Community Banks since 1990 as a means to stimulate the economy from the grassroots.

## **2.2 High-growth SMEs: taxonomical issues**

Various definitions of high-growth firms have been put forward by different authors. The Organisation for Economic Co-operation and Development (OECD) defines high-growth SMEs as firms with employment or turnover growth of greater than 20% per year over a 3 year period (BERR, 2008). Storey (2001), describe high-growth firms as firms that have achieved a sales growth of at least 25% in each of the 4 years for businesses with current sales of £5–10 million, or of at least 15% for businesses with current sales amounting to £10–100 million. According to the National Commission on Entrepreneurship (2001), rapid-growth firms are firms with an increase in headcount by at least 15% per year. Birch *et al.*, (1994), posits that high-growth SMEs are firms with

sales growth of at least 25% per year. Finally, other studies use different, albeit similar, indicators (Moreno and Casillas, 2000, Barringer *et al.*, 2005). A point of convergence for all these definitions is the fact that high-growth SMEs achieve growth more rapidly than the other firms in the same industry group.

High-growth SMEs are variously described in the literature, but more predominantly as ‘born-globals’ (Ibeh and Analogbei, 2011). The distinguishing feature of born globals (BGs), used interchangeably with high-growth SMEs, is their unique strategic intent to seek superior performance right from inception, path-breaking strategic choices to navigate their operating environments, ability to leverage external resources and network capabilities to achieve rapid internationalisation (Kocak and Abimbola, 2009). Their ability to achieve superior performance from start is a function of their internal capabilities – i.e., borrowing from evolutionary economics, the ability to create new ‘knowledge leads’, develop critical competencies and embedded routines which in turn leads to superior performance in highly competitive or challenging environments (Knight and Cavusgil, 2004). In fact, as argued by Knight and Cavusgil, organisational capabilities and firms performance advantages are moored in two major premises; (a) the shifting character of the business environment and (b) management of organisational systems for adapting, integrating and re-configuring knowledge capabilities towards the changing environment. Evidently, dynamic capabilities of BGs reflect not only entrepreneurial orientation but also the ability to achieve congruence with the changing environment. Nevertheless, since the seminal work by Oviatt and McDougall (1994) and the upsurge of interest in born globals (BGs), “we still do not know enough about what happens to BGs after their initial phase and when they become established” (Gabrielsson, *et al.*, 2008). Therefore, the quest to plug this knowledge gap legitimises recourse to the organisational climate literature as the theoretic anchor for this research.

In order to trace high-growth entrepreneurship several approaches can be used to define High-growth firms in Africa. The Global Entrepreneurship Monitor (2007), for instance, proposes a very simple criterion for high-growth entrepreneurs, defining them as ‘established entrepreneurs who currently employ 20 or more employees’ (Autio, 2007, p. 8), irrespective of how many years it took to reach this size. Using the size criterion helps to simplify the categorisation of firms into high /no growth. The idea is that many firms never reach the size of 20 employees, and those that do, can be considered ‘high

growth'. Strongly growing firms have the potential of employment creation, the creation of technological capabilities and physical and human capital formation.

Several authors have recently made attempts to define and identify high-growth firms (HGFS) in the context of the advanced economies (Delmar *et al.*, 2003; Acs *et al.*, 2008; Eurostat-OECD, 2007) and also for developing countries, including Sub-Saharan Africa (SSA), a better understanding of the prevalence and incidence of high growth firms is highly relevant (Goedhuys and Sleuwaegen, 2009). There is an urgent need to gain better insights into the existence, characteristics and stimulating factors of high-growth firms in this region and especially Nigeria, due to their contribution to the economy and dearth of empirical evidence on this topic.

More specifically several authors have tried to investigate factors leading new companies to become born global instead of following a stage path. In particular, after a careful literature review on this topic, Baronchelli and Cassia (2008) identified seven factors: increasing uncertainty and dynamism in the firm's environment (Oviatt and McDougall, 2000; Rasmussen and Madsen, 2002; Laanti *et al.*, 2007); characteristics of the home market (Gabrielsson *et al.*, 2008; Madsen and Servais, 1997); characteristics of the industry/segment (Jolly *et al.*, 1992; Freeman and Cavusgil, 2007); markets' and segments' knowledge (Laanti *et al.*, 2007); entrepreneur and managers' previous international experience with foreign markets (Oviatt and McDougall, 1995); product innovation and firm's innovativeness (Knight and Cavusgil, 2004); and access to network links (McDougall *et al.* 1994, Madsen and Servais, 1997; Chetty and Cumpbell-Hunt 2004; Zain and Ng, 2006).

### **2.3 Drivers of High Growth SMEs**

There are systematic observable factors, such as size, age, innovation, entrepreneur characteristics and resources that do affect the growth of firms. If policymakers are interested in stimulating the number of high-growth firms in the economy, a good starting point is to examine the firm growth distribution based on the different firm characteristics and demand and supply conditions (Goedhuys and Sleuwaegen, 2009) Literature survey identified factors that are likely to affect growth distribution in a variety of ways, with a special focus on findings from Africa, particularly identifying

the factors that have a strong effect in the upper tail of the growth distribution, where high-growth firms are situated.

Factors explaining the propensity of SMEs to acting in a “born global way” can be divided into three categories related to characteristics of: founder, organization and environment (Madsen and Servais, 1997). Baronchelli and Cassia (2008), identify the following six drivers:

### **2.3.1 Firm size and age**

A large body of empirical studies find a significant negative relationship between firm growth and size (Dunne and Hughes 1994; Goddard *et al.*, 2002; Yasuda 2005; Calvo, 2006) and between the variability in growth and firm size. In other words, the higher and erratic growth rates of smaller firms are related to the small size at which firms enter vis-à-vis the minimum efficient scale (MES), dictated by the technological conditions of the industry. A negative relationship has also been established between firm growth and firm age (Variyam and Kraybill, 1992; Dunne and Hughes 1994; Yasuda, 2005; Calvo, 2006) and between the variability in growth and firm age. Smaller and younger firms grow faster than larger, older ones, but the volatility in their growth rates is also higher, as are their hazard rates.

These relationships (size-age-growth) have also been investigated in the context of African firms. McPherson (1996), Goedhuys and Sleuwaegen (1999), Sleuwaegen and Goedhuys (2002), Bigsten and Gebreeyesus (2007), provide empirical evidence that younger and smaller firms have higher growth rates than larger and older companies. However, important non-linearities in the size-growth and age-growth relationships have also been found: Sleuwaegen and Goedhuys (2002) find a positive interaction effect between firm size and age on the growth of Ivorian firms, implying that firms starting at a larger size tend to regress more slowly in growth rate over time than smaller firms. Bigsten and Gebreeyesus (2007) note the age effect to be negative for Ethiopian firms in their early years of activity, yet turning positive for older firms, when firms are likely to benefit increasingly from reputation effects.

### 2.3.2 Resources

Factors related to low level of development in input markets has been identified as contributing to growth constraints experienced by firms in Africa (Sleuwaegen and Goedhuys, 2002). The firm is motivated to internationalise from inception when the home market is perceived as too small or too mature (Madsen and Servais, 1997; Gabrielsson et al., 2008). Tybout (2000) investigates the size distribution of firms in Less Developed Countries and concludes that the proliferation of very small firms results from a particular business environment characterized by small market sizes, low levels of human capital, lack of access to inputs, and poor infrastructure such as roads, ports, communication facilities and provision of energy. According to Debrah, (2011), nowhere is the problem about human capital more severe than in Africa, where lack of managerial expertise and resources has constrained many companies intending on pursuing high-growth strategies to compete for scarce skilled personnel available. Acquiring resources and expertise is not only fundamental to a firm's survival, but it also enhances its ability to navigate the business environment (Amankwah-Amoah & Debrah, 2011). In addition, overregulation and corruption, political instability, uncertain macroeconomic conditions increase the risk level associated with entrepreneurship. Thus the provision of a good transportation and communications network and availability of the necessary equipment at the firm level are key elements for widening the relevant market in which firms can grow. The market widening process will produce self-reinforcing effects for growth.

### 2.3.3 Characteristics of Industry/segment

A few studies have confirmed that HGSMs are more likely to be found in high-tech industries (Jolly *et al.*, 1992) or in niche markets (Freeman and Cavusgil, 2007). In agreement with this point Cavusgil (1994) define Born Globals as firms which normally compete in niche markets and are very flexible and move fast. The following factors are identified as their success factors:

- skill to satisfy customized or specialized product requests from new customers;
- advances in technology process and cost reduction that help to reduce the minimum order quantity opening the opportunity to SME to operate on international markets;

- advances in communication technology that let managers to work in international markets;
- quicker response time, flexibility, adaptability that characterize SMEs.

#### 2.3.4 Entrepreneur characteristics

Oviatt and McDougall (1995) identified the entrepreneur and managers' previous international experience with foreign markets as one of the determinants of high growth firms. For example, the entrepreneur's education, international living and work experience. Van Der Sluis *et al.*, (2004) provided a summary of rich literatures and included evidence from at least 20 African countries. Their study investigated the impact of *education* and experience on entrepreneurial performance. They found evidence supporting the idea that more educated entrepreneurs show superior entrepreneurial performance. Education, experience and management skills are found to be particularly high amongst founders of high growth firms indicating the importance of skills in driving high growth. The average high growth entrepreneur is found to be highly educated holding degree level qualifications and often an MBA qualification. The impact of education on entrepreneurship selection is mixed, since higher education not only raises managerial ability, but also increases outside options for paid wage employment.

#### 2.3.5 Innovation and capabilities

Due to shortened product life cycles and increasing innovation intensity, companies are requested to innovate and own innovation skills to compete successfully (Knight and Cavusgil, 2004); born-global companies have these capabilities. There is broad theoretical support that firm-specific investments in innovation and R&D raise competence and open up growth opportunities (Geroski, 2000; Coad, 2009). A large proportion of the high growth firms (in developed economies) hold intellectual property and intangible assets such as trademarks.

Coad and Rao (2008) discover a positive effect of innovativeness for high-growth firms in the upper tail of the distribution, not for the average firm's sales growth. Product innovations generally have a positive impact on employment (Harrison *et al.*, 2005; Calvo, 2006; Benavente and Lauterbach, 2008). But, process innovations may entail a

labour-saving component and appear to have a negative (Harrison *et al.*, 2005), positive (Calvo, 2006) or have no impact on employment (Benavente and Lauterbach, 2008).

Majority of firms in the developing countries are operating substantially below the technological frontier, firms' innovation efforts are primarily oriented towards improving technologies developed elsewhere (Goedhuys and Sleuwaegen, 2009). Several authors point to the importance of 'technological capabilities' of firms in developing countries with respect to the knowledge and skills - technical, managerial and institutional- necessary for firms to utilize equipment and technology efficiently (Enos, 1992; Lall, 1992). These technological capabilities are built up by firms engaging in a wide variety of activities, such as training of the workforce, investment in new vintage machinery and the use of ICT, technology licensing from abroad, aimed at introducing products and production processes that are new to the firm, and reinforcing the firm's competitive position.

### **2.3.5 Access to network links and market segment knowledge**

Having access to network links help to identify international business opportunities (Chetty and Cumpbell-Hunt, 2004, Zain and Ng, 2006). Furthermore, networks help firm to overcome constraints of limited financial and human resources, influence market selection and entry-mode decision, give access to local market knowledge and to obtain initial credibility. Knowledge of markets and segments gained from the personal previous experience of founder and managers (Laanti *et al.*, 2007) and the interaction with local and international networks (Laanti *et al.*, 2007) is also a credible factor that could facilitate high growth.

## **2.4 Refocusing the Nigerian economy: Contribution of the non oil sector and emergence of high-growth sectors**

Nigeria has been identified as the most populous country in Africa, and indeed, the most populous black nation in the world. A recent study by Goldman Sachs Economic Research (see Global Economic Paper Nos 99, 134, 149) revealed that Nigeria is projected to be the 20th largest economy in 2025 (ahead of Egypt, Bangladesh and others) but could become the 12th largest economy in the world by 2050, ahead of Korea, Italy, Canada, etc. Projections on Nigeria are based on conservative statistics of

Nigeria's initial conditions (GDP, Growth Environments Score). Nigeria's economy is rated as the world's topmost 'global growth generator' (3G) of the next 40 years (Citi Investment Research and Analysis, 2012). With the 8th largest population in the world, Nigeria has over 167 million people (4th largest population under the age of 20). It has the 10th world largest reserves of oil and gas (36.2 billion barrels of oil and 184 trillion Cubic Feet of natural gas). Nigeria is the 4th largest equity market in the MSCI Frontier Market index (Largest outside of the Gulf Cooperation Council - (GCC). Nigeria is in the group of the "Next- 11" countries after the BRICs countries (Brazil, Russia, India and China) in terms of the new sets of economies to emerge and influence the global economy in the next few decades. Nigeria's prospects are rated higher than South Africa, Egypt and other African countries (Nigerian Investment Promotion Commission, 2013).

Over the years, Nigeria has depended on oil for its major income and foreign exchange. Oil accounts for about 80 percent of federal government revenues, and 95 percent of foreign exchange earnings. The National Centre for Economic Management and Administration (NCEMA) reports that Nigeria, with a population of about 120 million, is Africa's most populous country and the continent's third largest economy, yet it still remains one of the poorest oil producing countries. With a continuously declining per capita income, comparatively unfavourable social indicators, dynamic world economy and the fact that countries are looking into alternative sources of energy it is time to begin to look into alternative sources of income for long term economic sustenance and to ameliorate the dwindling oil demand.

Nigerian government has come to terms with the growing need for economic diversification, this move is informed by the monolithic economy since 1980's which has been persistently threatened by the instability in crude oil prices in the international market. This economic transformation has become necessary to address the challenges of rising unemployment and social crisis by expanding the horizon of employment generating activities especially in the non-oil sector where the potentials remain great and largely unexploited. Government has, at various periods, put in place various policies which have impacted positively on the sector and contributed to the current growth status. E.g. Protectionism policy, Trade liberalisation policy and Export promotion policy (Onwalu, 2012).



The non-oil sector of the Nigerian economy can generally be described as those groups of economic activities which are outside the petroleum and gas industry or not directly linked to them. These include: telecommunication services; financial sector (banking and insurance) services; tourism service (hotels, restaurants, resorts/recreation parks, carnivals, movie industry, arts and crafts, comedy; wholesale and retail trade; Health services; export trade; agricultural activities; mineral activities; power (conventional and renewable); Manufacturing; environmental services (cleaning, waste collection and recycling); R&D activities; ICT, etc. These business sectors consist of various businesses which employ sizeable proportion of the population.

## **2.5 Growth of the Non-oil Sector**

Sufficient evidence indicates substantial increase in the contribution of non-oil sector to the growth of the Nigerian economy over the last ten years (Soludo, 2007; Aigbakham, 2008; Olayiwola and Okodua, 2010). Adekunle (2012) asserts that Nigeria has the potential to realize N310bn from non-oil export by the end of last year. National Bureau of Statistics (NBS) further reports that the non-oil sector grew at 9.07% in the fourth quarter of 2011 higher than the 8.93% increase recorded in the fourth quarter of 2010 (Onodugo *et al.*, 2013). The potentials of the non-oil sector are great. For instance, Nigeria has established itself as the largest telecom market in Africa, and the tourism industry had an expansive capacity in terms of revenue and employment generation valued in excess of N1tn and it is currently generating about N150bn yearly, with 300,000 workers in its employ (Alabi, 2011). Direct employment in the non-oil export companies alone is estimated at about 200,000 while indirect employment in the agriculture sector which gains from the market linkages provided by the exporting companies is estimated at over ten million (Udoh, 2012). The table below presents a list of non-oil sectors that are making significant contributions to the Nigerian economy.

**Table 2.1: Potentials of non-oil sectors**

<b>S/N</b>	<b>Economic Group</b>	<b>Description of Activities</b>
1	Agriculture	Cultivation, harvesting, handling, processing, storage, distribution of various crops(cocoa, oil palm, sesame seeds, groundnut, maize), Rearing, processing and distribution of livestock, fishery and domesticated animals
2	Manufacturing	Various activities in the ten sectors of MAN: Production, packaging, distribution lines, marketing and export line.
3	Environmental services	Cleaning of offices and homes, urban waste collection and recycling, street cleaning, energy generation from waste, etc
4	Building and construction	Metal works, supplies of building materials, block and roofing works, plumbing and electrical, finishing (tiling, paintings, decorations, gardening, etc)
5	Health services	Hospitals, Pharmacies, pharmaceutical industries, drug supplies, accessory services(equipment maintenance, equipment supplies, etc)
6	Mineral activities	Exploration, mining , processing , marketing, mineral testing, transportation, etc
7	Power	Power generation and distribution, meter reading, production and supply of electrical accessories, installations, maintenance, renewable energy investments(solar, wind and hydro)etc
8	Telecommunication services	Telecommunication engineering services, installations, telephone wholesale and retail services, marketing services, etc
9	Financial sector	Banking, insurance, installation maintenance , marketing services, transportation, etc
10	ICT	Business centres, corporate communication, defence and security communication, installations

		and maintenance, satellite services, internet services, etc
11	Wholesale and retail	Warehouses, major distributors, Supermarkets, corner shops, kiosks, open market shops, various forms of retail(mobile trading, internet trading), etc
12	R&D activities	Contract R&D, market driven R&D, R&D management (commercialisation of R&D results, linkage management, fund sourcing consultancy, etc)

Source: Onwalu, 2012

**Table 2.2: Contribution to GDP (Selected Sectors), 4th Quarter, 2011**

S/N	Sector	Contribution To GDP (%)
1	Telecom/Postal Service	5.6
2	Manufacturing	7.7
3	Building and Construction	1.99
4	Crude Petroleum and natural gas	13.54
5	Real Estate	1.64
6	Solid Minerals	0.64
7	Finance and Insurance	2.92
8	Agriculture	39.49
9	Wholesale and Retail	19.87
10	Business & Other Services	0.81
11	Others	6.22

Source: National Bureau of Statistics, 2012

**Table 2.3: Index of Employment by Economic Activity**

<b>Economic activity</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Agriculture	100	104.42	105.44	106.16	115.48	143.08	161.70
Manufacturing	100	95.74	99.39	96.37	101.42	103.69	99.80
Building & construction	100	105.96	163.97	141.08	137.24	148.58	157.97
Hotels, Restaurant & Tourism	100	94.90	106.51	103.51	101.35	100.21	96.93
Transport	100	102.25	115.83	124.68	131.40	122.27	156.02
Communications	100	162.80	1112.56	1142.51	1809.66	1867.15	2684.06
Education services	100	107.65	151.25	223.67	247.86	266.01	313.35
Mining & quarrying	100	33.38	33.38	35.51	56.90	60.03	63.89
Utilities	100	97.41	97.78	99.63	101.85	103.70	100.00
Banking	100	60.54	88.89	88.09	86.52	89.56	105.73
Distributive trade	100	99.27	110.85	120.82	125.22	130.27	134.07
Private	100	119.89	108.40	110.64	124.93	136.13	144.82

Source: National Bureau of statistics (2006). Quick National Employment Survey 2006.

The Nigerian Government has shown commendable determination over the years to develop the non-oil sector of the economy by initiating and implementing supportive policies and incentives. These policies have been targeted at encouraging the diversification of the economy to focus more on encouraging the growth and development of Nigerian SME sub sector. Some of these policies with varying degrees of successes include but not restricted to: protectionism policy in the mode of import substitution policy of industrialization in the 1960s; trade liberalization policy (this took the form of Structural Adjustment Programme) of the mid 1980s and export promotion policy of 1990s which was executed through intensified policy support to Small and

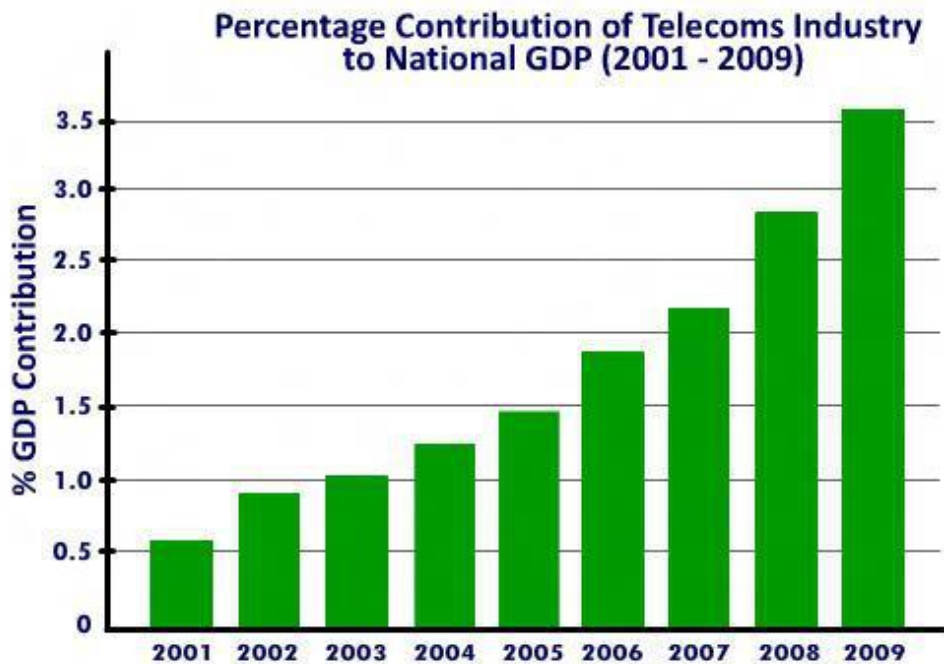
Medium Scale Enterprises (SMEs) to enhance productivity and subsequently, export of local products.

According to the 2012 Economic Outlook Report by the National Bureau of Statistics (NBS), the non-oil sector continued to be a major driver of the Nigerian economy in the fourth quarter of 2011. When compared with the corresponding quarter in 2010, the sector recorded 9.07 percent growth in real terms. This growth was largely driven by improved activities in the telecommunications, Building & construction, Hotel & Restaurant, Business services and other sectors. The performance of the major industries in the non-oil sector in the fourth quarter of 2011 is further analysed to give a better understanding of their contributions to the Nigerian economy. Selected sectors from Table 2.3 above are discussed below.

### **2.5.1 Telecommunications**

As evident from (Table 2.3) employment index rose from 163 in 2000 to 1867 in 2004 and to 2684 in 2005 in communication. The Key Drivers of these developments are a) liberalisation of the telecommunications sector in 2001/2002, b) Inclusion of three major private operators - Econet/V-mobile/Celtel, Mobile telecommunications network (MTN), and Global Communications (Globacom) and lastly, 3) the country's tele-density rose dramatically from 0.62 to 19.96. The Nigerian Telecommunication sector is doing relatively well and it is among the fastest growing in the world. This has paved the way for e-payments and electronic transactions across the country, which is quite good for the economy. For example, the cashless policy of the Central Bank of Nigeria (CBN) is thriving in some states of the Federation due to improved telecommunication services in the country (Vanguard, July 2013). According to Aigokhan (2008), with the expansion in the number of private mobile telephone operators, many youths are gainfully employed through the sale of recharge cards and telephone kiosks operation.

**Figure 2.1**



Source: Techloy.com June, 2012

### **2.5.2 Educational Services**

Index of employment rose from 107.7 in 2000 to 266.0 in 2004 and to 313.4 in 2005. Also, this sector witnessed a significant increase in the number of private educational institutions. Number of primary schools (public and private) increased from 49,306 in 2001 to 59,174 in 2003, the number of secondary schools (public and private) rose from 6,292 in 2001 to 10,964 in 2004, and the number of university equivalent from 51 in 2001 to 63 in 2004 (NBS, 2006). All these provided employment opportunities for teaching and non-teaching staff (Aigokhan, 2008).

### **2.5.3 Service Sectors**

In addition to these two sectors, table 3 above also demonstrate that services sector, namely, banking and finance, professional and business services, and agriculture are the new sources of employment growth in the Nigerian economy. The foregoing demonstrates that since the 1990s, non-oil sector has driven Nigeria's economic growth (Aigokhan, 2008). Although oil export still accounts for the bulk of its foreign exchange government budget revenues, non-oil GDP remains the main engine of growth. Since

early 2000, the expansion of the service sector has taken the lead of Nigeria's economic diversification.

There is a robust GDP growth with average annual growth of 8.6% over 2000-2011; Nigeria recorded the world's 10th fastest economic expansion over the last decade. In 2012, in spite of the global economic downturn, GDP growth decelerated only moderately over the first three quarters of the year, to 6.4%y/y, compared with 7.4% on average in 2011. Oil receipts account for 87% of Nigeria's export revenue and 75% of its budget revenue, real GDP growth is mostly supported by the non-oil sector. Non-oil GDP contributed 8 percentage points to the 8.6% annual average GDP growth recorded over 2000- 2011.

The ongoing diversification of Nigeria's economic structure is first to be seen in the rapid expansion in services. Their share in total GDP increased to 37% in 2011 from 25% in 2000. This is more than the oil sector, whose share in real GDP declined to less than 15% of GDP in 2011 from more than 32% in 2000. Agriculture and construction have remained broadly stable as a share of real GDP since 2000, accounting for respectively 40% and 2% of GDP in 2011. The main sub-sectors of services are wholesale and retail trade (50% of services and 19% of GDP) and communication (15% of services and 6% of GDP), followed by finance, transport and utilities, each accounting for about 3% of GDP. Very dynamic over recent years, telecommunications (+34% per year on average since 2002) and wholesale & retail trade (+14% per year) still have a huge potential to grow, supported by the rapid expansion in domestic demand.

Since early 2000, the expansion of the service sector has taken the lead of Nigeria's economic diversification. With the identification of the non-oil sector as a major contributor to Nigeria's GDP, there need to be increased attention to those sectors that are facilitating economic growth.

## **2.6 Nigerian High-growth SMEs**

The growing interest in the growth and performance of high-growth SMEs is a multi-factorial issue. These ventures are responsible for most of the new jobs created in developed economies (Birch *et al.*, 1994; Acs & Armington, 2006), and because growth

is a reliable indicator of market boom and organisational performance (Robinson, 1998; Shane & Venkataraman, 2000; Gilbert *et al.*, 2006). Many studies have focused on the growth factors and rates of growth of SMEs. The success and development of high-growth firms has been linked to factors such as size, age, resources and capabilities, and managers' characteristics (Davidsson & Wiklund, 2000; Delmar *et al.*, 2003; Acs & Mueller, 2008; Moreno & Casillas, 2008; Henrekson & Johansson, 2010). The other stream of research focus has been the growth rate achieved by HGSMEs, and authors have identified specific characteristics of high-growth firms (Davidsson & Delmar, 1997; Delmar & Davidsson, 1998; Barringer *et al.*, 2005; Moreno & Casillas, 2007; Henrekson & Johansson, 2010). These two areas provide sufficient knowledge on growth enablers of HGSMEs and identified factors that make the growth possible.

Several reports (Nigerian Investment Promotion Commission report 2012, Onwualu, 2012; Nigerian Telegraph, July 2013; Onodugo *et al.*, 2013, BNP Paribas, Dec 2012) have applauded the contribution of the non oil sectors to growth of the Nigerian economy. As much as these economic actors are commended for their contribution to economic growth through generating employment and sale of their products / services both home and abroad, these private entities are yet to be identified and clustered in any academic research.

The reports on the boom of the non oil sectors revealed those sectors that are not only impacting Nigerian economy by their growth pattern, but accelerating the economy by its GDP contribution and job creation. These reports also unveil the characteristics of the SMEs that meet the high-growth definition. Some of these firms are achieving more than 100% growth both in employment and turnover (Vanguard, Mar 2013). A recent publication by All World Network provided a ranking of 50 of the fastest growing private companies in Nigeria (see appendix D). This report identified Nigerian SMEs that are growing at over 100 percent a year and represent 15 industries. Incidentally, the industries represented in this report correspond with the non-oil sectors that are achieving high-growth.

Based on the definition provided above high-growth SMEs are those firms that are achieving employment or turnover growth of more than 20%, or to adopt Morano and Casillas's definition; these are firms growing more than others in the same industry. The high-growth SMEs presented in appendix D qualifies in terms of both employment and



turnover growth. With the importance and relevance of the high-growth SMEs already discussed in this chapter, this research aims to zoom in on two high growth SMEs (as case studies) from two industries (Publishing & Services) with the intent of extending our understanding of the internal organisational characteristics which may offer some explanation of their growth trajectory.

## 2.7 Summary

SMEs contribution to the economy of any nation is multifarious. The factors that set high-growth SMEs apart from the ordinary SMEs have been identified and discussed above. Some of the factors facilitating the high growth of firms are internal (firm's age/size, entrepreneurial characteristics, access to network links, innovation and capabilities) and external (characteristics of industry / segment, uncertainty in firm's environment). Therefore government can support the high growth of SMEs by implementing economic and financial policies that would facilitate the survival and growth of this sector.

The next chapter present a review of relevant literature and provide theoretical background to organisational climate and performance, with particular attention on these organisational factors (leadership, strategy, HRM practices and entrepreneurial Orientation) and how they influence organisational climate and contribute to organisational performance.

## CHAPTER THREE - ORGANISATIONAL CLIMATE AND PERFORMANCE

### 3.0 INTRODUCTION

This chapter traces the historical development of organisational climate and provide some explanation of the various dimensions of it. Climate has been investigated by several authors using different measurement instruments available, the various climate instruments are discussed, focussing on problems and prospects of each. The aim of this research is to examine the relationship between organisational climate and performance by investigating those organisational factors that shapes perceptions of organisational climate, therefore these organisational factors (leadership, strategy, HRM practices and entrepreneurial orientation) are discussed and their relationship with performance is elucidated.

Firm performance is a multifarious phenomenon that is both difficult to measure and influenced by several factors. It has been established in the literature that organisational performance can be influenced by organisational climate (Hansen and Wernerfelt, 1989; Denison, 1996; Johnson, 1996; Gelade and Young, 2005; Patterson *et al.*, 2004; Koys, 1991; Harter and colleagues, 1988), human resource management practices (Chew and Sharma, 2005), leadership (Jones and James, 1979), and strategy (Aragón- Sánchez and Sánchez-Marín, 2005; Andrews *et al.*, 2006), among many other factors. These contributory factors to organisational performance will be reviewed using the organisational climate lens and how each contributes to organisational performance. This chapter starts by providing some historical background of organisational climate (OC), discussions highlighting the major distinctions between organisational climate and culture is also presented. In other to deepen our knowledge of OC, models of climate are explained, the four dimensions of climate are examined and a comprehensive review of the different types of OC will be examined vis-à-vis its relationship with strategy. A review of literature highlighting the interconnectedness of these three constructs and how they all influence organisational climate and contribute to a firm's performance will be elucidated.

### 3.1 Organisational climate historical overview

The concept of organisational climate originated in the late 1950s as social scientists studied variations in work environments. Although researchers interested in educational organisations (Pace and Stern, 1958; Halpin and Croft, 1963) made the initial efforts to define and measure dimensions of organisational climate, the usefulness of the concept was soon recognized by scholars of business organisations (Tagiuri, 1968). Climate was initially used as a general notion to express the enduring quality of organisational life. Tagiuri (1968) observed that "a particular configuration of enduring characteristics of the ecology, milieu, social system and culture would constitute a climate, as much as a particular configuration of personal characteristics constitutes a personality." Gilmer (1966) specified organisational climate as "those characteristics that distinguish the organisation from other organisations and that influence the behaviour of people in the organisation." Litwin and Stringer (1968) suggested that perception is a critical ingredient of climate and defined it as-- *"a set of measurable properties of the work environment, based on the collective perceptions of the people who live and work in the environment and demonstrated to influence their behaviour."*

According to Owens (1998) "Organisational behaviour is a discipline that seeks to describe, understand and predict the human behaviour in the environment of formal organisations. A distinctive contribution and characteristics of organisational behaviour as a discipline is the explicit recognition that (1) organisations create internal contextual settings, or environments, that have great influence on the behaviour of people in them and (2) to some extent the internal environment of an organisation is influenced by the larger context in which the organisation itself exists (for example, the social, political, economic and the technological systems that support the organisation). Moreover, the internal environment or context of the organisation is not merely physical and tangible but also includes the social and psychological characteristics of the living human system."

Due to the multifaceted character of organisational climate a wide range of definitions has been put forward by different authors. Bowen and Siegen (1977) explains organisational climate as: *"A shared perception of what the organisation is like in terms of practices, policies, procedures, routines, and rewards- what is important and what behaviours are expected and rewarded- and is based on shared perceptions among employees within formal organisational units."* (pp.205). Boeyens and Hutchinson

(cited in Sempene *et al.*, 2002) share a similar view with Bowen and Siegen in their description of organisational climate as the employees' description of organisational variables such as size, structure, policies and leadership styles. Coetsee (cited in Gerber, 2003) postulates that organisational climate is representative of organisational members' collective perceptions and/or feelings (attitudes) about the organisation. Coetsee (cited in Gerber, 2003) explains further that the organisation's climate is a reflection of members' subjective attitudes and perceptions, regardless of whether it is an accurate description of reality in the organisation. In a similar view, Schneider and Reichers (1983) describe organisational climate as a shared or summary perception that people attach to particular features of the work setting. Watkin and Hubbard (2003) explains organisational climate as: "how it feels to work in a particular environment and for a particular boss, more precisely it is a measure of employees' perception of those aspects of their environment that directly impact how well they can do their jobs"(p. 380).

Organisational climate is conceptualised as the surface manifestation of organisational culture that consists of the conscious behaviour, such as the feelings or perceptions and attitudes, that is shared by individuals in an organisation at a particular time regarding the fundamental elements of the organisation and that can positively or negatively influence the behaviour of organisational members in terms of organisational effectiveness (Gerber, 2003). McMurray (2003), postulate that organisational climate is a descriptive construct that reflects consensual agreement among members regarding the key elements of the organisation in terms of its systems, practices and leadership style.

In the literature, organisational climate is conceptualized across different levels of analysis: individual, work, and organisation. For the purpose of this research, organisational climate will be considered as a construct that belongs to a group of people (organisation), rather than considering it as something that is assigned to an individual person. Using this approach makes it possible to compare organisational climate with organisational outcomes (instead of individual outcomes). As each organisation has its own specific organisational climate and organisational outcomes, different organisations can be compared to each other.

### 3.2 Organisational Culture

Ouchi (1981) sees organisational culture as “systems, ceremonies, and myths that communicate the underlying values and beliefs of the organisation to its employees.” Lorsch (1985), on the other hand, defines culture as “the beliefs top managers in a company share about how they should manage themselves and other employees.” To Mintzberg (1983) culture is the organisation’s ideology, that is, “a system of beliefs about the organisation, shared by its members, that distinguishes it from other organisations.” Wilkins and Patterson (1985) argue that “an organisation's culture consists largely of what people believe about what works and what does not,” while Martin (1985) asserts that “culture is an expression of people’s deepest needs, a means of endowing their experiences with meaning.” Schwartz and Davis (1981) define culture as “a pattern of beliefs and expectations shared by the organisation’s members that produces norms that powerfully shape the behaviour of individuals or groups in organisations.”

In contrast, Schein (1990) argues that culture should be reserved for “the deeper level of basic assumptions and beliefs that are shared by members of an organisation, that operate unconsciously, and that define in a basic 'taken-for granted' fashion an organisation's view of itself and its environment.” Though many definitions of organisational culture are found in the literature, the high degree of agreement between and among them makes it relatively easy to understand what culture is and how it relates to and differs from organisational climate. Organisational culture is the body of solutions to external and internal problems that has worked consistently for a group and that is therefore taught to new members as the correct way to perceive, think about, and feel in relation to those problems.

Culture develops over a period of time and, in the process of developing, acquires significantly deeper meaning. Thus, “such solutions eventually come to be assumptions about the nature of reality, truth, time, space, human nature, human activity, and human relationships--then they come to be taken for granted and, finally, drop out of awareness.” Therefore, “culture can be defined as the shared philosophies, ideologies, values, assumptions, beliefs, expectations, attitudes and norms that knit a community together. As Deal (1982) pointed out, “*at the heart of most ... definitions of culture is the concept of a learned pattern of unconscious (or semiconscious) thought, reflected and reinforced by behaviour, that silently and powerfully shapes the experience of a*

*people.” This pattern of thought, which is organisational culture, “provides stability, fosters certainty, solidifies order and predictability, and creates meaning.”*

### **3.3 Distinction between Culture and Climate**

Organisational culture and climate are widely used terms that has received considerable attention in both the trade and academic press. The concepts have been studied for decades in business and industrial organisations and their importance to understanding organisational functioning is generally accepted. More recently, the culture and climate of government, non-profit, and human service organisations have received attention. As in the business, for-profit sector, culture and climate are thought to be useful in explaining how organisations influence the behaviour, attitudes, and well-being of members, why some organisations are more innovative and quicker to adopt new technologies, and why some organisations are more successful than others. These two constructs are closely related, but are certainly not the same. Both deal with how individuals try to make sense of their environments, and are learned through interaction among persons belonging to a certain group (Kuenzi and Schminke, 2009). However, fundamental differences between these two phenomena exist.

Patterson *et al.*, (2005) and Schneider (2000), defines organisational climate and organisational culture as similar concepts in that both describe the experiences of employees and provide the basis for understanding the psychological phenomena in particular organisations, and to provide explanations on how organisations influence behaviour, attitudes and the well-being of individuals; why some organisations are more able to adapt to environmental changes and why some organisations are more successful than others (Glission and James, 2002). Both constructs have received several definitions from numerous authors studying the phenomenon. In a study conducted by Verbeke *et al.*, (1998) on the culture and climate literature, 32 definitions and 54 definitions were identified for organisational climate and organisational culture respectively.

According to Lindahl (2006), the reason for the lack of consensus on a definition of organisational culture stems from understanding whether culture is the organisation or something the organisation has. Moran and Volkwein (1992) and Allen (2003), put forward two valid reasons why there is confusion about these two constructs. The first

refers to the lack of adequate definitions and the second is because of researchers failing to recognise that these constructs originate from disciplines that are polar opposites. Climate research has its roots in Gestalt and Social psychology, while culture studies stem from symbolic interactionism and anthropology. Hence, climate studies emanate from a realist perspective and are measured according to quantitative, positivistic methods. Culture's dominant paradigm is idealism with the focus on using qualitative methodologies to understand the concept.

Organisational climate is influenced by and shapes organisational culture (Hunt and Saul, 1977). Organisational culture is more defined than organisational climate; thus organisational culture is a broader pattern of its beliefs and stems from employees' interpretations of the assumptions, philosophies and values that produces the experienced climate within an organisation (Brown and Brooks, 2002). Organisational climate is a manifestation of the organisation's culture; it is the here and now (Sowpow, 2006). Organisational climate attempts to identify the environment that affects the behaviour of the employees. It deals with the way(s) employees make sense out of their environment (Reichers and Schneider, 1990). It is primarily learned through the socialization process and through symbolic interactions among the organisation's members. Schneider (2000) provided a lucid summary of differences between these two concepts by highlighting that organisational climate encapsulates events, experiences and represents the patterns of behaviour of employees whereas culture is explored when individuals are asked why these patterns of shared values, common assumptions and beliefs exist. Culture is portrayed in the literature as being more engrained in the fibre of the organisation and is based on employees' values, beliefs and assumptions. This is in contrast to organisational climate, which is an image of a particular time within an organisation and is measured by a range of dimensions.

After an extensive research on both climate and culture literature, Denison (1996) identified several differences between organisational climate and culture. According to him, organisational culture refers to the underlying structure of an organisation, embedded in the values, beliefs, and assumptions of organisational members. Organisational climate, on the other hand, is reflected in practices and procedures that are observable at the surface of the organisation. Organisational climate is emphasised to be temporary, subject to direct control, and limited to aspects that are consciously

perceived by members of an organisation, therefore it can be influenced relatively easily, and changes in organisational climate can be observed on a short time span.

**Table 3.1 culture and climate comparison table**

<b>Organisational Climate</b>	<b>Organisational Culture</b>
Represents the perception of employees with regard to the policies, practices and procedures of the organisation. Can be seen as a surface manifestation of culture (Patterson <i>et al.</i> , 2005).	Represent the shared norms and values guiding employee interactions (Patterson <i>et al.</i> , 2005).
Focuses on comparisons between different social settings (Fey and Beamish, 2001).	Focuses on the unique aspects of a particular social setting (Fey and Beamish, 2001).
Emphasis is on employee perceptions and aspects of the observable practices and procedures of the organisation (Fey and Beamish, 2001).	Emphasis is on the values and assumptions underlying the practice and procedures of the organisation (Wong and He, 2001).
Concerned with comparisons across the organisation at a single point in time (Fey and Beamish, 2001).	Concerned with the evolution of the organisation over time (Fey and Beamish, 2001).
Relatively temporary, subject to control (Denison, 1996).	Meaning is established by means of socialization (Denison, 1996).
Rooted in the value system and perceptions of employees (Denison, 1996).	Rooted in the deeper values, beliefs and underlying assumptions of employees (Denison, 1996).
Created at lower levels in the organisation (Denison, 1996).	Created from the values and beliefs of top management (Denison, 1996).
Defined as the recurring patterns of attitudes, feelings and behaviour characterising life in the organisation (Greatworkplace, 2009).	Generally deep and stable (Greatworkplace, 2009).
Relatively easy to change (when compared to	Difficult to change (Cotton, 2004).



organisational culture) (Cotton, 2004).	
<p>Theoretical perspectives (Moran and Volkwein, 1992).</p> <ul style="list-style-type: none"> <li>• Structural: Climate is created because employees are exposed to common structural characteristics.</li> <li>• Perceptual: Individuals respond to the situation in a way that is meaningful to them on a psychological level.</li> <li>• Interactive: Interaction takes place between individuals who are responding to the same situation resulting in share agreement.</li> <li>• Cultural: Members share a common frame of reference.</li> </ul>	<p>Theoretical perspectives (Verbeke <i>et al.</i>,2004).</p> <ul style="list-style-type: none"> <li>• Holistic: Integrates cognitive and behavioural patterns of culture.</li> <li>• Variable: Organisational culture is considered to be a variable of the organisation that can be controlled.</li> <li>• Cognitive: Organisational culture is a knowledge system consisting of learned standards that are used for evaluating the environment.</li> </ul>
Measurement mostly conducted quantitatively (Gould- Williams, 2007; Patterson <i>et al.</i> , 2005)	Measurement mostly conducted qualitatively (Gould- Williams, 2007; Patterson <i>et al.</i> , 2005)
Researched focuses on aspects of organisation that can be generalised across different settings (Davidson, 2003).	Research focuses on aspects of organisation that are completely unique (Davidson, 2003).
Researched on organisation climate serves as snapshot of what is currently going on in an organisation (Davidson, 2003).	Researched on culture is deep-rooted and focuses on the underlying reasons why things at the organisation are happening (Davidson, 2003).
Organisational climate studies investigate the impact that systems have on groups as well as on individuals (Asif, 2010).	Organisational culture studies observe the evolution of social over time (Asif, 2010).
Ruiz-Moreno <i>et al.</i> , (2008 p. 511) identified dimensions of organisational climate which include: 1) Management support; 2)Workload pressures; 3) Cohesion; 4) Individual autonomy; 5) Involvement; 6) Organisational structure; 7) Organisational control; 8) Compensation; 9) Progress;	The most well-known dimensions of culture include (Ruiz-Moreno <i>et al.</i> , 2008 p. 511): 1) Orientation to the client; 2) Orientation to the employees; 3) The capacity for contributions; 4) Orientation to organisational results; 5) Orientation to cost;

<ul style="list-style-type: none"> <li>• Considerations and effect; and</li> <li>• Environmental comfort.</li> </ul>	6) Orientation to flexibility; and 7) Perceptions of support for innovation.
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### 3.4 Levels of climate

The definitions of climate by various researchers, as discussed, put forward the idea that climate exists at three different levels. According to Field and Abelson (1982), empirical evidence supports the notion that three levels of climate can be identified - organisational climate, group climate and psychological climate.

#### 3.4.1 Organisational climate

Field and Abelson (1982) postulate that organisational climate can be created through experimental manipulation. They believe that climate created in this manner is an attribute of the organisation because it is the result of a manipulation of organisational conditions. Organisational members perceive the climate created which, in turn, affects their motivation and behaviour.

#### 3.4.2 Group climate

According to Field and Abelson (1982), sub climates exist for different organisational groups because of differences relating to task relationships and job functions. They also postulate that a number of studies in the literature support the concept of group climate. Drexler's (1977) research found that climates differed across groups in the same organisation. Howe (cited in Field and Abelson, 1982) reports that climate responses can be seen as more of a group function than being caused by personal characteristics.

Schneider (1975) hold that group climate is a function of organisational hierarchy. The results of the above and other studies support the construct validity of organisational and group climate (Field and Abelson, 1982). The results also show that different climates correspond to different subgroups in an organisation. Organisational climate is used to describe climate differences between organisations, but it should be borne in mind that various subclimates may exist in one organisation as a result of the different practices and procedures relevant to the group's situation.

### 3.4.3 Psychological climate

The third level of climate is defined as psychological climate (Field and Abelson, 1982). Jones and James (1979) postulate that it is necessary to differentiate between climate that is regarded as an organisational attribute and climate that is considered an individual attribute. When it is regarded as an organisational attribute, it should be referred to as organisational climate and when it is as an individual attribute, as psychological climate.

Different theories about the development of organisational climate exist. Schneider and Reichers (1983) published an influential theory about how climate arises. In their opinion three sources are essential, which are (a) the common exposure of organisational members to the same objective structural characteristics, (b) attraction, selection and attrition of organisational members so that a homogenous staff develops and (c) social interaction leading to shared understanding of meanings. According to Schneider (1987) organisations choose those individuals as members who are compatible with the working environment and fit to the organisation's personality. Mismatches will lead to resignation and dismissal, thus in the end homogeneity in the staff exists. Since all members have similar personalities, perceptions, and assumptions and give similar meanings to organisational events, a shared climate develops. Through social interactions and specific introduction processes for newcomers this collective organisational climate is supported and held up. Anderson and West (1989) support this approach and state that a shared climate arises when (a) individuals interact, (b) common goals exist and (c) tasks are interdependent (Anderson and West, 1989).

### 3.5 Types of Climate

Burton *et al.*, (2004) identifies four organisational climate profiles by applying Koys and DeCotiis's three rules for dimensions of organisational climate to Zummuto and Krakower's model of competing values, initially developed by Quinn and Rohrbaugh (1983) which is used to examine criteria for organisational effectiveness, based on a framework of flexibility versus control and internal versus external view. He calls them group climate, developmental climate, rational goal climate, and internal process climate. The four climate types are based on their degree on the seven variables trust, moral, equity of rewards, resistance to change, leadership creditability and duty. In other words, the employees' perceptions about the extent to which every one of the seven

variables is present or absent within an organisation forms the building blocks of organisational climate. This research adopts the Burton's approach of the four climatic profiles because this approach has been proven to be a robust and reliable measurement instrument (Burton *et al.*, 2004). This fact is supported by findings of Zammuto and Krakower (1991) whose categorisation of organisational climate is in agreement with the one of Burton *et al.*,

*Group climate* scores high on trust and moral and is internally oriented while *Developmental climate* scores high on moral and trust as well, but is externally oriented. *Rational goal climate on the other hand* scores low on trust and moral and is externally oriented. *Internal process climate* scores low on trust and moral and is mechanical oriented.

However, there is some evidence that the dimensions co-vary within each cluster group, suggesting that there might be less variables necessary describing the different types of organisational climate (Burton, 2004). In addition there might be some co-variance between the four clusters as well. The scores of internal process climate and rational goal climate are similar except for resistance to change (Burton *et al.*, 2004). The same is true for group climate and developmental climate (Burton *et al.*, 2004). This fact might help to explain possible overlap.

### **3.6 Multiple organizational climates**

(MacCormick and Parker (2010) identified organizational climate as a multi-dimensional construct. Whereas early writing on organizational climate treated it as a uni-dimensional factor, later and more recent studies are quite univocal in adopting the multiple-climate perspective. The fact that organizational climate has many faces was advanced by the seminal work of Schneider (1975) and others that followed. For example, Schneider (1975) proposed that climate has to have a focus or target and that climate research has to be a climate for something. More specifically, studies have suggested that organizations do not have 'one climate', but encompass many climates, such as the service climate (Schneider, 1980), the human resource development climate (Biswajeet 2002), the safety climate (Probst, 2004), the innovation climate (Bare and Frese 2003), the ethical climate (Starratt, 1991), the political climate (Romm and Drory

1988; Drory 1993), the justice climate (Leventhal, 1980), the leadership climate (Chen and Bliese, 2002) and the participative climate (Tjosvold 1985; Tesluk *et al.*, 1999). This ‘climate-for-something’ approach has the advantage of being focused and therefore enhances predictability; however, at the same time not many studies allow for the possibility of multiple climates-for-something occurring in the same organization (Ostroff *et al.*, 2003; MacCormick and Parker, 2010).

### **3.7 Dimensions of Organisational Climate**

An initial assumption of theory and research in the area of organisational climate was that social environments could be characterised by a limited number of dimensions. For example, Campbell *et al.*, (1970) identified four dimensions common to a number of climate studies (individual autonomy; degree of structure imposed on the situation; reward orientation; and consideration, warmth, and support). James and his colleagues (James and James, 1989; James and McIntyre, 1996; James and Sells, 1981) describe four dimensions they identified across a number of different work contexts: (1) role stress and lack of harmony; (2) job challenge and autonomy; (3) leadership facilitation and support; and (4) work group cooperation, friendliness, and warmth. James suggested that individuals developed a global or holistic perception of their work environment (e.g., James and Jones, 1974), which could be applied to any number of contexts and industries. However, there has been an increase in the number of climate dimensions identified as targets of assessment over the years, this has added to confusion and slow theoretical progress. For example, Glick’s (1985) review of the field described an abbreviated list of climate dimensions including leader’s psychological distance (Payne and Mansfield, 1973), managerial trust and consideration (Gavin and Howe, 1975), communication flow (Drexler, 1977), open-mindedness (Payne and Mansfield, 1978), risk orientation (Lawler *et al.*, 1974), service quality (Schneider *et al.*, 1980); equity (James, 1982), and centrality (Joyce and Slocum, 1979). Since Glick’s review, the development of new climate scales has continued. For example, the Business Organisation Climate Index (Payne and Pheysey, 1971) was revised in 1992 with the addition of scales measuring concern for customer service, the impact of information quality, and ability to manage culture (Payne *et al.*, 1992). Schneider (1975, 1990, and 2000) discourages the use of general multidimensional measures of climate and argues for a facet-specific climate approach where climate has a focus and is tied to something of interest.

Schneider suggests that the dimensions of organisational climate will differ depending on the purpose of the investigation and the criterion of interest, and that general measure of organisational climate will contain dimensions that are not relevant for each specific study. This line of argument has encouraged the development of measures of several dimensions of climate such as service (Schneider, 1990) and innovation (Anderson and West, 1998; West, 1990).

Rather than considering the global and domain-specific approaches to organisational climate as opposite sides of one coin, it is worthwhile viewing both as a valid basis for the investigation of work environment perceptions. Which approach is favoured depends largely on the interests of the investigation. This research adopts a global approach to measuring organisational climate. The global approach is advantageous in terms of its provision of an overall snapshot of organisational functioning, allowing a view of the ways whole organisations operate (Ashkanasy *et al.*, 2000). A multidimensional global approach can also highlight subcultures and identify the effects of particular dimensions on specific outcome measures, such as organisational productivity or innovation (Ashkanasy *et al.*, 2000). The domain-specific approach contributes more precise and targeted information for use in areas such as the improvement of customer satisfaction and the improvement of company safety.

### **3.8 Classification of Organisational Climate**

An organisation's climate can be categorised into six distinct profiles of configurations in line with Halpin and Croft (1966). The six organisational climate profiles that are found in the organisations are: Open, Autonomous, Controlled, Familiar, Paternal and Closed.

#### **3.8.1 Open Climate**

An open climate is used to describe the openness and authenticity of interaction that exists between the super-ordinates and their subordinates. Hoy and Sabo (1998) state that "an open climate reflects the manager and subordinates' cooperative, supportive and receptive attitudes to each other's ideas and their commitment to work." The manager shows genuine concern for employees; s/he motivates and encourages staff members (high supportiveness). He/she gives the staff freedom to carry out their duties in the best

way they know (low directiveness). S/he does not allow routine duties to disrupt employees' operational responsibilities (low hindrance). Also, in an organisation characterized with open climate, employees are portrayed as tolerant, helpful and respectful professionals (low disengagement). They are caring and willing to assist customers when need be. Employees work hard so that customers succeed (high commitment). They care, respect and help one another as colleagues and even at personal level (high collegial relations). As a team they work for the success of customers. Both the management and low level employees are accessible and approachable they maintain close relationships with customers (Halpin, 1966).

### **3.8.2 Autonomous Climate**

This type of climate portrays an atmosphere where employees are given a good measure of freedom to operate within the organisation. The manager arouses enthusiasm and diligence .There is no external threat or influence. Employees have great desire and motivation to work. The close relationship between the management and staff members creates an autonomous climate in the institution (Halpin, 1966).

### **3.8.3 Controlled Climate**

The major characteristic of controlled climate is the diligence and hard work. Even though the manager may not model commitment, hard work is overemphasized to the extent that little or no time is given to social life. Nonetheless, employees are committed to their work and spend considerable time on paper work. Thus, in most cases, there is little time to interact with one another. The manager often employs a direct approach, keeps his/her distance from staff, in order to avoid familiarity. (Silver, 1983; Halpin, 1966).

### **3.8.4 Familiar Climate**

Familiar climate depicts a laissez-faire atmosphere. The manager is concerned about maintaining friendly atmosphere at the expense of task accomplishment. Thus, a considerable percentage of employees are not committed to their primary assignment. Some who are committed resent the way the manager runs the organisation: they do not share same views with the manager / supervisor. As a result, those who are not committed, form a clique because they are of the same attitude, they become friends.

### **3.8.5 Paternal Climate**

This type of climate depicts an atmosphere where the manger is very hardworking, but has no effect on the staff; to them hard work is not a popular term. There is a degree of

closeness between the manager and members of staff, but the manager's expectation from staff is rather impractical. All the same, he/she is considerate and energetic, but his/her leadership approach is benevolently autocratic. As a result, most employees prefer to maintain distance from the manager. (Costley and Todd, 1987).

### **3.8.6 Closed Climate**

The closed climate represents the 'antithesis of the open climate'. The main characteristic of this type of climate identified by Halpin (1966) is lack of commitment or unproductive disengagement. There is no commitment, especially on the part of the manager and staff. There is no emphasis on task accomplishment; rather the manager stresses on routine, trivial and unnecessary paper work to which staff minimally respond. The manager is strict and rigid in behaviour. He/she is inconsiderate, unsupportive and unresponsive. Consequently, most of the employees feel frustrated and dissatisfied. This makes the atmosphere tense. There is lack of respect among the staff and manager (Hoy and Sabo, 1998).

Some scholars like Hoy and Miskel (2001) assert that each organisation has its own unique climate. This is because organisations operate in different ways. The type of climate that prevails in an organisation is the blend of the behaviour of the managers, supervisors and customers in that organisation. Therefore, climate differs from organisation to organisation. Freiberg (1999) opines that climate is an ever-changing factor in organisations. This is because the manager may choose on specific occasions to adapt a different leadership style, which may have great impact on the climate that will lead to a change. Again, a new manager may bring some unfamiliar ideas that may change the existing climate. New employees in an organisation may equally have a noticeable effect on the prevailing climate of an organisation.

## **3.9 Measuring organisational climate**

Managers need to have a clear understanding of the organisation's climate, so that practices developed for and implemented by the organisation are in line with the organisation's goals. To gain this understanding, the climate must be measured. The methods used to measure organisational climate fall into four categories, namely field studies, experimental variation of organisational properties, observations of objective organisation properties and perceptions of organisational members. The last two



approaches, perceptual or subjective and objective methods, represent the primary methods used to measure organisational climate (Forehand and Gilmer, 1964).

Field studies involve the researcher observing the daily activities in the organisation and gathering information through various sources such as observing presentations and conferences, conducting interviews with participants, reviewing diaries, memos, emails and other correspondence, to name a few. Two approaches are followed in observing variation of climate, namely comparative studies and longitudinal studies. The high cost, skill and sensitivity of the observer, issues relating to sample size and the inherent subjectivity of the classifications are criticisms of these approaches (Forehand and Gilmer, 1964).

The majority of tools used to measure climate can be categorised into perceptual (subjective) or objective categories. According to Hellriegel and Slocum (1974), the main difference between these two methods is that the objective method does not depend on the individual's perception of the dimensions in the organisation, subsystems and/or the external environment. Researchers who focus on objective measures of organisational climate examine the objective properties of organisations such as organisational size, levels of authority, decision-making authority, degree of centralisation and rules and policies (Forehand and Gilmer, 1964). According to Hellriegel and Slocum (1974), even though objective methods tend to be more accurate and reliable, they have at least three limitations. Firstly, there is an abundance of variables that may be extremely specific, making interpretation difficult. Secondly, these methods do not consider how organisational properties are related to each other and to organisational functioning. The third limitation relates to the assumption that objective properties affect organisational members indirectly.

Researchers who prefer perceptual measures of organisational climate contend that the perceptions of organisational members should be measured because they provide a more encompassing description of the concept (Schnake, cited in Gerber 2003). The focus is on the active role the individual plays in perceiving organisational characteristics (Forehand and Gilmer, 1964). It is important to note that dimensions are descriptive and not affective or evaluative, which measures attitudes (Jones and James, 1979).

The lack of a theoretical basis for many climate instruments has resulted in much of the variation in climate dimensions employed in different measures. For example,

Wilderom *et al.*, (2000) located and summarized 10 studies relating climate to organisational performance. They reported that different aspects of climate emerged as important in different studies. This diffuse pattern of results is likely to be due, in part, to the variety of methods of assessment of climate employed in these studies.

The inability to draw clear research conclusions through a lack of theory and subsequent inconsistent operationalisation of climate is compounded by the fact that most climate instruments have not been validated. With the exception of some domain-specific climates such as Schneider's service climate (Schneider *et al.*, 1998), there are few measures with demonstrated reliability and validity. One of the best-known general measures of organisational climate is the Organisational Climate Questionnaire (OCQ) by Litwin and Stringer (1968). It comprises 50 items that assess nine dimensions of climate. A number of studies (Sims and LaFollette, 1975; Muchinsky, 1976) have suggested that a six-factor structure is more appropriate and pointed out that the existing nine scales showed poor split-half reliabilities. A review by Rogers *et al.*, (1980) showed that most studies had found six factors and that there was virtually no agreement among researchers regarding which items loaded best on the different factors. They concluded that the OCQ lacked validity and was not a consistent measurement device. Such measurement problems are not unusual in this area of research and prompted the development of the measure described here. A number of culture questionnaires have been published over the last 25 years, but they can also be seen as measures of climate as they tap the surface manifestations of underlying cultural assumptions (Schein, 2000). Again, these instruments suffer from a number of problems including a lack of a theoretical basis, little validity information (Ashkanasy *et al.*, 2000), little or no confirmatory studies and/ or small sample sizes used for their development.

A further methodological weakness of climate research is the vague or poorly specified descriptive level of items in many climate measures. Each climate questionnaire item should clearly focus on the specific collective unit which corresponds to the climate being studied (team, department, or organisation). Unfortunately, in many studies respondents have not been instructed to focus on a specific organisational unit, but rather to provide descriptions relating to their 'work environments' (Howe, 1977; Schneider and Reichers, 1983). This ambiguity in the frame of reference of climate items can lead to individuals describing perceptions of different parts of the

organisation, some assuming the questionnaire asks them to describe their department and others assuming the referent is the organisation (Rousseau, 1988). A related issue concerns the type of respondents included in studies of organisational climate.

Organisational climate is a characteristic of an entire organisation and, as Wilderom *et al.*, (2000) argue, 'it seems crucial that researchers investigate all sorts of organisational members, representative of all the various hierarchical, departmental, divisional and/or professional entities' (p. 207). However, investigations often focus only on managerial employees (Gordon and DiTomaso, 1992; Kotter and Heskett, 1992; Sheridan, 1992; Denison and Mishra, 1995; Weber, 1996; Denison, 2001). Clearly, for inclusiveness, measures of organisational climate that assess the experiences of employees throughout the workforce is needed. The content and wording of such measures should therefore be relevant and comprehensible to all organisational members.

Litwin and Stringer (1968) conducted the first comprehensive study on organisation climate that was based on theory developed by McClelland *et al.*, (1953) and focused on how climate affects human motives for achievement, power and affiliation. They developed the Litwin and Stringer Organisational Climate Questionnaire (LSOCQ), a theoretically based scale for measuring climate with the dimensions aimed at satisfying three management needs, namely accurately describe the situation, relating the dimensions to specific motivations and motivated behaviour, and enable management to measure changes in the situation. The dimensions and descriptions of this scale are listed in Table 3.2. below.

**Table 3.2 Dimensions of Litwin and Stringer organisational climate questionnaire**

Structure	The feeling that employees have about the constraints in the group and how many rules, regulations, procedures there are; the feeling that there is an emphasis on "red tape" and going through channels, or that there is a loose and informal atmosphere
Responsibility	The feeling of being your own boss; not having to double-check all your decisions; when you have a job to do, knowing that it is your job.
Reward	The feeling of being rewarded for a job well done, emphasizing positive rewards rather than punishments; the perceived fairness of the pay and promotion policies.
Risk	The sense of riskiness and challenge in the job and in the organisation; whether there is an emphasis on taking calculated risks, or that playing it safe is the best way to operate .
warmth	The feeling of good general fellowship that prevails in the work group atmosphere; the emphasis on being well-liked; the prevalence of friendly and informal social groups.
Support	The perceived helpfulness of the managers and other employees in the group; emphasis on mutual support from above and below.
Standards	The perceived importance of implicit and explicit goals and performance standards; the emphasis on doing a good job; the challenge represented in personal and group goals.
Conflict	The feeling that managers and other workers want to hear different opinions; the emphasis placed on getting problems out in the open, rather than smoothing them over or ignoring them.
Identity	The feeling that managers and other workers want to hear different opinions; the emphasis placed on getting problems out in the open, rather than smoothing them over or ignoring them.

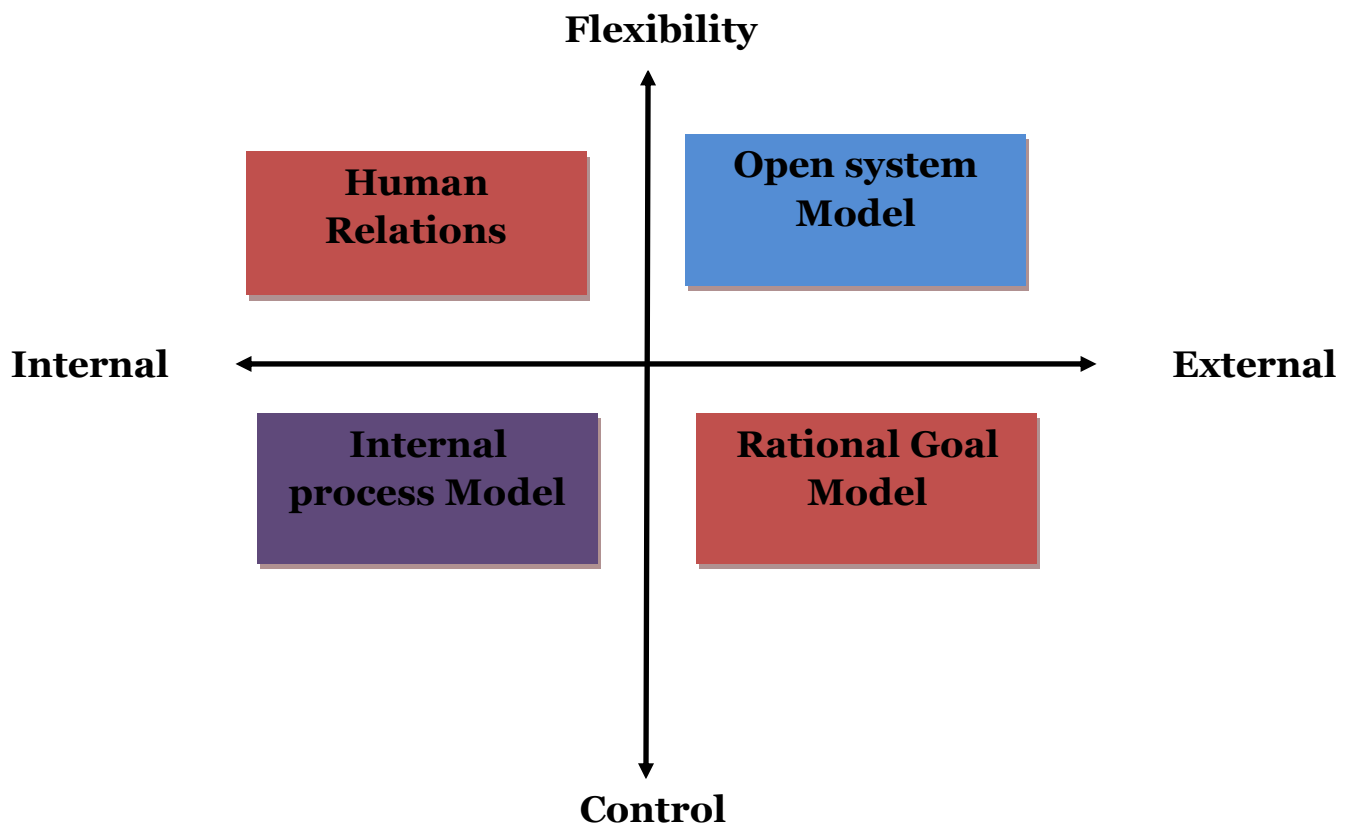
(Litwin and Stringer, 1968: 81-82)

Several studies cited in Patterson *et al.*, (2005), suggested that a six-factor structure is more appropriate and concluded that Litwin and Stringer's (1968) scales showed poor split-half reliabilities. Rogers *et al.*, (cited in Patterson *et al.*, 2005, p. 383), posited that the Litwin and Stringer organisational climate questionnaire lacked validity and was not a consistent measurement device. However, Brown and Brook (2002) argue that despite the problems associated with LSOCQ, research evidence exists that render the LSOCQ a useful indicator of perception about feelings of the work environment. Brown and Brooks (2002) conducted a qualitative study with the aim of identifying emotional climate dimensions. They used the LSOCQ dimensions as an initial framework to aid with data coding.

### **3.10 Organisational Climate Measurement - Patterson *et al.*, (2005)**

Patterson *et al.*, (2005) recently proposed a proprietary Organisational Climate Measure (OCM) that utilises Quinn and Rohrbaugh's (1983) Competing Values Framework (CVF). The aim of the OCM was to access a broad range of organisational attributes that make up the organisational context for the individual. According to Patterson *et al.*, (2005) the CVF offers a framework of values that underlie the concept of organisational climate. The CVF is rest on the concept of organisational effectiveness and organisational focus and organisational preference are its underlying dimensions. Each one of these dimensions is represented on a continuum ranging from one extreme to the other. The organisational focus dimension ranges from an internal emphasis on the well-being and development of employees to an external emphasis focusing on the well-being of the organisation itself. The organisational preference for the structure dimension differentiates between a preference for stability and control, and flexibility and change. Figure 3.1 represents the two dimensions on two axes forming four quadrants as defined by Quinn (1988). This is the measurement instrument adopted for this research.

**Figure 3.1: Competing Values Framework Quadrants**



Adapted from: Quinn and Rohrbaugh (1983) and Quinn, (1988)

Each quadrant in the figure above explains a wide area “valued outcomes and associated managerial ideologies about the means through which these outcomes may be achieved” (Patterson *et al.*, 2005, p. 384). Each of the quadrants is defined below:

**The Human Relations Model** has norms and values associated with belonging, trust, and cohesion, achieved through means such as training and human resource development. Coordination and control are accomplished through empowerment and participation, and interpersonal relations are supportive, cooperative, and trusting in nature. **The Internal Process Model** emphasises stability, where the effects of environmental uncertainty are ignored or minimized. Coordination and control are achieved by adherence to formal rules and procedures. **The Open Systems Model** emphasises readiness, change and innovation, where norms and values are associated with growth, resource acquisition, creativity and adaptation. **The Rational Goal Model** primarily emphasises the pursuit and attainment of well-defined objectives, where

norms and values are associated with productivity, efficiency, goal fulfilment, and performance feedback. Patterson *et al.*, (2005, pp. 385-386)

A summary of the focus of each of the four quadrants and its equivalent climate dimensions as proposed by Patterson *et al.*, (2005) is presented in the table below. The dimensions of organisational climate that constitute the quadrants are defined in Table 3.3. For the purpose of this study, the Patterson *et al.*, (2005) model is used for assessing organisational climate, as it assesses a broad range of organisational characteristics. The OCM® questionnaire and the qualitative interviews are intended to provide an all-encompassing view of the organisational climate.

**Table 3.3: OCM Dimension Definitions**

<b>Dimension</b>	<b>Definition</b>	<b>Source</b>
Autonomy	Job design in ways that give employees broad scope for work implementation	(Cherns,1976; Klein, 1991);
Participation	Employees have considerable influence over decision-making	( Miller and Monge, 1986; Hollander and Offerman, 1990);
Communication	The freedom of information sharing throughout the organisation	(Hargie and Tourish, 2000);
Welfare	The extent to which the organisation values and cares for employees	( Guest, 1998)
Formalization	A concern with formal rules and procedures	(Turner, 1968; Hall, 1991);
Supervisory support	The level of support and understanding experienced by employees from their immediate supervisor	(Cummins, 1990; Eisenberger <i>et al.</i> , 2002).
Integration	The level of interdepartmental trust and cooperation	(Lawrence and Lorsch, 1967; Nauta and Sanders, 2000);
Emphasis on training	A focus on developing employee skills	(Gattiker, 1995; Morrow, Jarrett, and Rupinski, 1997);

Reflexivity	A concern with reviewing and reflecting upon objectives, strategies, and work processes, in order to adapt to the wider environment	(West, 1996, 2000).
Outward focus	The extent to which the organisation is responsive to the needs of the customer and the marketplace in general	(Kiesler and Sproull, 1982; West and Farr, 1990);
Innovation	The extent of encouragement and support for new ideas and innovative approaches	(West and Farr, 1990);
Flexibility	An orientation toward change	(Garrahan and Stewart, 1992);
Tradition	The extent to which established ways of doing things are valued	(Coch and French ,1948);
Performance feedback	Job performance measurement and feedback	(Kopelmann, 1986).
Pressure to produce	The extent of pressure for employees to meet targets	(Taira, 1996);
Quality	The level of focus given to quality procedures	(Deming, 1986; Hackman and Wageman, 1995);
Efficiency	The degree of importance placed on employee efficiency and productivity at work	(Ostroff and Schmitt, 1993);
Effort	How hard people in organisations work towards achieving goals	(McCaol, Hinsz, and McCaol, 1987);
Clarity of organisational goals	A concern with clearly defining the goals of the organisation	(Locke, 1991);

### 3.11 Competing Values model

One of the major problems that confronted researchers in developing OC measurement instrument was the dimensions to include in a measure of organisational climate. One of the many benefits of the Competing Values Model (CVM) grounded a theoretical framework and measurement is anchored at the organisational level. The CVM is



capable of assessing a broad class of organisational, rather than psychological variables that constitute the organisational context for individual actions and that therefore enable comparative studies of organisational climate. (Quinn and Rohrbaugh, 1983; Quinn and McGrath, 1985; Gifford *et al.*, 2002). The CVM provides a framework of values that underlie organisational climates. The model represents broad managerial ideologies that have emerged over time. Building on Beyer's (1981) work on ideologies in organisations, Zammuto, *et al.*, (2000) argue that as managerial ideologies become institutionalised they form a common basis for the ideologies of individual organisations, imported via education, consultants, training, and management books. As a result, Western managers 'draw from a common, limited set of managerial ideologies that are the foundation for the assumptions, values, and beliefs on which individual organisations' cultures are based. Differences in which parts of these broad managerial ideologies are imported into organisations' ideologies lead to differences in organisational cultures' (Zammuto *et al.*, 2000, p. 264). The essential point is that an organisation's ideology and culture will shape decision-making and action in that organisation (Beyer, 1981; Zammuto *et al.*, 2000), and consequently will play an important role in the development of its climate. One of the major strength of this model is its root from four major schools of study of organisational effectiveness, reflecting long traditions in management and organisational psychology:

*Human relations approach* (internal focus and flexibility in relation to the environment) reflects the tradition derived from the socio-technical (Emery and Trist, 1965) and human relations schools (McGregor, 1960). This approach emphasizes the well-being, growth and commitment of the community of workers within an organisation.

*Internal process approach* (internal focus and tight control within the organisation) reflects a Tayloristic concern with formalisation and internal control of the system in order that resources are efficiently used.

*Open systems approach* (external focus and flexible relationships with the environment) emphasises the interaction and adaptation of the organisation in its environment, with managers seeking resources and innovating in response to environmental (or market) demands (Shipper and White, 1983).

*Rational goal approach* (external focus but with tight control within the organisation) reflects a rational economic model of organisational functioning in which the emphasis is upon productivity and goal achievement (Hall, 1980; Clinebell, 1984).

By combining these orientations into one model, Quinn and colleagues aimed to provide a broad conceptual map of the domains of theory in the field over the last 60 years. Such a map is useful in identifying the required topography of a climate measure, applicable to a wide range of organisations. The model is also useful in reflecting the means for implementing those values in terms of managerial practices, and the ends or outcomes which are emphasised or which compete in each domain. It is important, however, to recognise that the model does not suggest that organisations can be located predominantly in one quadrant but, reflecting the rich mix of competing views and perspectives in organisations, proposes that organisations will be active in, and give emphasis to, each domain, but with differing strengths. Quinn (1988) argued that a balance of competing organisational values is required for organisational effectiveness.

### 3.12 Combining CVM with climate dimensions

The Competing Values model and the climate scales which are attributed to each of the quadrants represented in the model is presented below.

***The Human Relations Model*** (internal focus, flexible orientations) has norms and values associated with belonging, trust, and cohesion, achieved through means such as training and human resource development. Coordination and control are accomplished through empowerment and participation, and interpersonal relations are supportive, cooperative, and trusting in nature. Climate dimensions which are identified as representing this quadrant are:

*Employee welfare*—the extent to which the organisation values and cares for employees (e.g., Robinson and Rousseau, 1994; Guest, 1998); *Autonomy*—designing jobs in ways which give employees wide scope to enact work (e.g., Cherns, 1976; Klein, 1991); *Participation*—employees have considerable influence over decision-making (e.g., Miller and Monge, 1986; Hollander and Offerman, 1990; Heller *et al.*, 1998); *Communication*—the free sharing of information throughout the organisation (e.g., Callan, 1993; Hargie and Tourish, 2000); *Emphasis on training*—a concern with

developing employee skills (e.g., Gattiker, 1995; Morrow *et al.*, 1997); *Integration*—the extent of interdepartmental trust and cooperation (e.g., Lawrence and Lorsch, 1967; Nauta and Sanders, 2000); *Supervisory support*—the extent to which employees experience support and understanding from their immediate supervisor (e.g., Cummins, 1990; Eisenberger *et al.*, 2002).

***Internal Process Model*** (internal focus, control orientation) the emphasis is on stability, where the effects of environmental uncertainty are ignored or minimized. Coordination and control are achieved by adherence to formal rules and procedures. The Internal Process Model represents the classic bureaucracy. Scales which reflect this model are: *Formalization*—a concern with *formal rules and procedures* (e.g., Pugh *et al.*, 1968; Hall, 1991); *Tradition*—the extent to which established ways of doing things are valued (e.g., Coch and French, 1948).

***Open Systems Model*** (external focus and flexible orientation) has emphasis on readiness, change and innovation, where norms and values are associated with growth, resource acquisition, creativity and adaptation. Climate dimensions which are likely to reflect this orientation are: *Flexibility*—an orientation toward change (e.g., Garrahan and Stewart, 1992; King and Anderson, 1995); *Innovation*—the extent of encouragement and support for new ideas and innovative approaches (e.g., West and Farr, 1990); *Outward focus*—the extent to which the organisation is responsive to the needs of the customer and the marketplace in general (Kiesler and Sproull, 1982; West and Farr, 1990); *Reflexivity*—a concern with reviewing and reflecting upon objectives, strategies, and work processes, in order to adapt to the wider environment (West, 1996, 2000).

***Rational Goal Model*** (external focus and control orientation) is on the pursuit and attainment of well-defined objectives, where norms and values are associated with productivity, efficiency, goal fulfilment, and performance feedback. Climate dimensions which might reflect this model are: *Clarity of organisational goals*—a concern with clearly defining the goals of the organisation (e.g., Locke, 1991); *Effort*—how hard people in organisations work towards achieving goals (e.g., McCaol, Hinsz, and McCaol, 1987); *Efficiency*—the degree of importance placed on employee efficiency and productivity at work (e.g., Ostroff and Schmitt, 1993); *Quality*—the emphasis given to quality procedures (e.g., Deming, 1986; Hackman and Wageman, 1995); *Pressure to*

*produce*—the extent of pressure for employees to meet targets (e.g., Taira, 1996); *Performance feedback*—the measurement and feedback of job performance (e.g., Annett, 1969; Kopelmann, 1986).

The competing values model is a good representation of the multi-dimensionality of organisational climate. The dimensions clearly illustrate that climate can be strongly linked to other business functions and is an important contributor to the overall effective functioning of an organisation. If managers are aware of these dimension they will be more equipped to ensure that employees are happy and that work is carried out effectively. This will contribute towards achieving the long-term objectives of the organisation and maintaining competitive advantage. Each dimension is evaluated by the individual employees and the perceptions they form influence the interactions between members of the organisation and their attitudes towards the organisation (Neal *et al.*, 2000; Nwankwo *et al.*, 2004). The competing values model clearly shows that regardless of the status or approach of the organisation, climate remains an important determinant of business success (Nwankwo *et al.*, 2004). It is also evident that the weight and importance of dimensions varies depending on the type of organisation and the nature of the circumstances.

This research investigates the relationship between organisational climate and performance and spotlight on some of the internal factors that influences organisational climate thereby influencing organisational performance (leadership styles, strategy, HRM practices and entrepreneurial orientation). The literature review provides insights and justification for investigating the influence of these internal organisational factors. These factors were selected based on the dominance and recurrence of these variables in multiple sources. The definition of organisational climate adopted for this research is: the perception of employees of organisation's policies, practices and procedures, these would include organisational strategy, practices in this case leadership styles / behaviour, and HRM practices. These constructs will be investigated, particularly paying attention to how it shapes organisational climate, and ultimately influence organisational performance. The next section will provide some discussions on influences of leadership styles, strategy, HRM practices and entrepreneurial orientation on organisational performance.

### 3.13. Organisational climate and Leadership

The role of leadership in formulation and modification of the climate is considered vital. Climate is the shared perception of the policies and procedures of the organisation and these policies and procedures are formulated and implemented by the organisational leaders (Wilson-Evered, *et al.*, 2001). Organisation creates its own climate with the help of leader's behaviour (Schien, 1990). Leaders influence the climate through their visible actions over time that subsequently becomes employees' perceptions.

Previous researches establish the role of leadership style in the climate formation (Mumord *et al.*, 2002). West (1990) found an explicit relationship between climate and leadership styles. The relationship between transformational leadership and organisational climate has also been explored by empirical studies (e.g., Haakonsson *et al.*, 2008; Jung *et al.*, 2003; Wilson-Evered *et al.*, 2001) finding significant and positive association between them.

It is widely recognised in literature that employees are potentially the highest value within organisations (Chien, 2004). Although the research domains of leadership and organisational climate are inherently interwoven (Kozlowski and Doherty, 1989), Hui *et al.*, (2007) found that some authors conceptualise leadership behaviour as a precursor to organisational climate (e.g. Litwin and Stringer, 1968; Dickson, *et al.*, 2001; Koene *et al.*, 2002). Momeni, (2009) found that more than 70% of employees' perceptions of organisational climate are shaped directly by their leader's style of leadership and behaviour.

Kozlowski and Doherty (1989) noted that early theorists (Blake and Mouton, 1964; Indik, 1968; Litwin and Stringer, 1968) regarded leadership as an important organisational factor that affected employees' perceptions of climate. Momeni (2009) concluded that a leader's behaviour has a great influence on employees' attitudes, behaviours, emotions, morale, and perceptions. Thus, it is perceived through the examination of the literature that a leader's behaviour can potentially lead to the creation and continual survival of a positive, thriving organisational climate.

Leadership is a two-sided interaction between leaders and employees to achieve a common goal (Eagly, 2005; Antelo *et al.*, 2010; Northouse, 2010). This engagement actuates leaders to influence their employees' behaviour while simultaneously

influencing their employees' perceptions. This leads to expectations of appropriate conduct that becomes embedded in the organisational climate (Grojean, *et al.*, 2004). Since the relationship between leadership and climate is being investigated in this section, therefore this definition of organisational climate by Ekvall is used to illustrate the relationship specifically. "Climate can be defined as the organisational phenomena through which leadership works" (Ekvall, 1987). This definition emphasise the strong influence of leadership on organisational climate that was confirmed in numerous studies ( $R^2 > .50$ ). Research also showed that different leadership styles cause different climates in organisations. Leaders are in a position to shape organisational climate and have the opportunity to either develop a good emotional climate or impede it. There is a general consensus by leadership researchers that a leader's primary task is to create a positive organisational climate.

### **3.13.1 Leadership Behaviour**

Yukl (2006) commented that, researchers have expended versed amount of energy on researching leadership behaviour than on any other aspect of leadership. Research in leadership behaviour falls into one of two categories: the first line of research examines how leaders spend their time throughout the day, their particular pattern of activities, and their job responsibilities. The second line of research focuses on identifying effective leadership behaviour. Despite the fact that there could potentially be numerous leadership behaviours, Farris (1988) identified two specific kinds of leadership behaviours: task-oriented behaviours and relations-oriented behaviours.

Another important aspect in leadership research is the amount of participation provided by the leader. Participation can be described as the involvement of subordinates in a manager or leader's decision making (Yukl, 1998). The lowest degree of participation is found in autocratic leadership since the leader makes all decisions on his or her own and tells the followers what to do. More participation is offered in the democratic leadership, because here leaders and followers discuss problems and makes all decisions that affect their work together. A democratic leader distributes responsibility, empowers subordinates and aids deliberation.

In 1978, Burns developed the initial ideas of transactional and transformational leadership. He read numerous biographies of political leaders and through qualitative

analysis he found out that they mainly used these two styles. Transactional leaders were described as those who attempt to satisfy the current needs of their followers by focusing attention on exchanges, whereas transformational leaders try to raise the needs of their followers and promote the changes of individuals, groups and organisations (Burns, 1978). Bass expanded this conceptualisation in 1985 by demonstrating that these two styles explains more variability in different organisational outcome measures like employees` effectiveness, effort and satisfaction, than only initiating structure and consideration (Bass and Seltzer, 1990). The different leadership styles are given more attention below.

### **3.13.2 Transactional leadership**

This is a leadership style that focuses on the social interactions or transactions between leaders and followers. Transactional leaders conduct their business by identifying the needs of their followers and bestowing rewards satisfying these needs for certain appropriate performances (Arnold, *et al.*, 1998). The leader's freedom to act is constrained by the followers` perception of him or her. Followers will only show the demanded behaviours when they experience a certain authority and ability in the leader as well as contingencies in rewards (Bass, 1985).

Transactional Leaders motivate their subordinates through observing their performances and reacting to errors and failures. They help their employees accomplish their goals by defining roles, establishing goals and methods of evaluations, giving directions, setting time lines, and showing how the goals are to be achieved. As a rule, task-oriented leaders use a one-way communication method to clarify what needs to be done, who is responsible for doing it, and how it needs to be done. Task-oriented leaders coordinate, plan, and schedule work-related activities. They provide their employees with the necessary motivation, equipment, supplies, and technical assistance for completing the task (Northouse, 2010). Task-oriented behaviours include clarifying roles and objectives, monitoring individual performance and operations, and short-term planning (Yukl, *et al.*, 2009). Clarifying behaviours include assigning tasks, explaining job responsibilities, and setting performance expectations. Monitoring behaviours include inspecting the progress and quality of work. Planning behaviours include determining staffing requirements and how to fittingly use them to reach the goals and objectives of the organisation.

Bass (1985) identified this leadership style as embodying these three theoretical components: *Contingent reward* – the leaders clarify what is expected from followers and what they will receive if they meet expected levels of performance.

*Active management-by-exceptions* – leaders focus on monitoring task execution for any problems that might arise and correcting those problems to maintain current performance levels. *Passive management-by-exceptions* – leaders tend to react only after problems have become serious to take corrective action, and often avoid making any decisions at all (Bass, 1985).

### **3.13.3 Transformational leadership**

Leaders that fall under this category work to change or transform their followers' needs and redirect their thinking. They create a vision of what the corporate culture can be and communicate it to their subordinates, stimulating them to develop their abilities while accepting feedback and suggestions. Leaders challenge and inspire followers with a sense of purpose and excitement with what can be accomplished. Relations-oriented leaders are more concerned with developing close, interpersonal relationships. They involve a two-way communication method to show social and emotional support while helping their employees feel comfortable about themselves, their co-workers, and their situations (Northouse, 2010). They demonstrate an understanding of their employees' problems and help to develop their employees' careers. They provide their employees with enough information to do the job, allow individual autonomy in work, and show appreciation.

Transformational Leaders are particularly effective as they engage in behaviours such as, articulating a captivating vision for the future, acting as charismatic role models, fostering the acceptance of common goals, setting high performance expectations, and providing individualized support and intellectual stimulation for followers (Bass, 1985; Podsakoff, *et al.*, 1990). Many studies show that these TFL behaviours inspire high levels of performance in followers (Podsakoff *et al.*, 1990; Lowe and Kroeck, 1996; Judge and Piccolo, 2004; Wang, *et al.*, 2005).

Relations-oriented leadership behaviours include supporting behaviours, developing behaviours, and recognizing behaviours. Supporting behaviours include showing



acceptance, concern, and confidence for the needs and feelings of others (Yukl, 2006). Developing behaviours provide potential benefits to new, inexperienced supervisors, colleagues, peers, or subordinates. Recognizing behaviours show praise and appreciation to others for effective performances, significant achievements, and important contributions to the organisation.

Burns defines transformational leadership as follows: “a transformational leader looks for potential motives in followers, seeks to satisfy higher needs, and engages the full person of the follower .... *Leaders develop a relationship of mutual stimulation and elevation that converts followers into leaders.*” (Burns, 1978, p.4). Thus transformational leadership can be viewed as relational and reciprocal. Bass (1985) elaborated this conceptualisation proposing that transformational leadership contains four different components:

***Inspirational Motivation*** – leaders articulate an appealing vision of the future, challenge followers with high standards, talk optimistically with enthusiasm and provide encouragement and meaning for what needs to be done. ***Idealised Influence*** – leaders display conviction, emphasise trust, take stands on difficult issues, present their most important values and emphasise the importance of purpose, commitment and the ethical consequences of decisions. Such leaders are admired as role models generating pride, loyalty, confidence and an alignment around a shared purpose. A subjective component of attributed charisma may spin off from idealised influence. ***Intellectual Stimulation*** – leaders question old assumptions, traditions and beliefs; stimulate other new perspectives and ways of doing things and encourage the expression of ideas and reasons. ***Individualised Consideration*** – leaders deal with others as individuals, consider their individual needs, abilities and aspirations, listen attentively, further subordinates` development, advise, teach and coach. (Bass, 1985)

To engage and commit the follower, the leader addresses the followers` sense of self-worth. Questioning and creativity are encouraged. The leader motivates the subordinates to extend and develop themselves and to become more innovative. Followers identify with the charismatic leader and believe in him or her, and as a consequence, commitment to the organisation rises. The values of transformational leaders are focused on collective welfare and equality, change orientation and moral values. The following statement about transformational leadership is credited to Yukl: “ The leader

transforms and motivates followers by (a) making them more aware of the importance of task outcomes (b) inducing them to transcend their own self-interests for the sake of the organisation, and (c) activating their higher-order needs.” (Yukl,1998, p.325).

**Table 3.4** summary of Task-oriented and Relations-oriented leadership behaviours.

<b>Task-oriented behaviours</b>	<b>Relations-oriented behaviours</b>
<i>Production emphasis</i> – applies pressure for productive output.	<i>Tolerance of freedom</i> – allows staff members scope for initiative, decision, and action.
<i>Initiation of structure</i> – clearly defines own role and lets followers know what is expected.	<i>Tolerance of uncertainty</i> – is able to tolerate uncertainty and postponement without anxiety or upset.
<i>Role assumption</i> – actively exercises the leadership role rather than surrendering leadership to others.	<i>Demand reconciliation</i> – reconciles conflicting demands and reduces disorder to system.
<i>Persuasion</i> – uses persuasion and argument effectively; exhibits strong convictions.	<i>Predictive accuracy</i> – exhibits foresight and ability to predict outcomes accurately.
<i>Superior orientation</i> – maintains cordial relations with superiors, has influence with them, and strives for higher status.	<i>Integration</i> – maintains a close-knit organisation and resolves inter member conflicts.

Adapted from “Preferred leadership style differences: Perceptions of defence industry labour and management,” by Lucas, *et al.*,(1992).

The concept of charismatic leadership shows some similarities with the transformational component of idealised influence. The charismatic style is characterised by a self-promoting personality, a high energy level, and willingness to take risks (Bryman, 1992). Charismatic leaders show high self-confidence, strong conviction in their own beliefs and ideals and a strong need to influence people. They articulate ideological goals and provide an appealing vision of what the future would be like (Yukl, 1998). The leaders have a dramatic, persuasive manner of speaking, which enables them to enunciate the hopes, ideals and fears of followers and inspire faith in their ability to lead them to victory, success or a better world. Charismatic leaders appear somewhat

mysterious and larger than life, persons that can be trusted to succeed where most people would fail (Bryman, 1992).

Charismatic leaders guide employees to make sense of their own work and use motivation to encourage commitment (Koene *et al.*, 2002). Charismatic leaders are also emotionally involved with employees, lead by example and have strong visionary qualities. Leaders making use of the charismatic leadership style try to give meaning to the employees' daily activities and share important information with subordinates by making use of effective communication. These actions help to motivate employees and increase their performance and commitment to the organisation (Koene *et al.*, 2002). research has shown that managers have more positive perceptions of organisational climate than those of their subordinates (Gould-Williams, 2007) Though making use of the correct leadership styles managers can improve the employees' organisational climate perceptions (Punia *et al.*, 2004).

Supportive leadership styles that encourage a climate of interaction between supervisor and subordinate are perceived positively by employees and contribute to the effectiveness of communication systems in the organisation (Ruiz-Moreno *et al.*, 2008). Leaders making use of a more supportive style also help employees to achieve their full potential, thus resulting in the empowerment of employees and high levels of job satisfaction (Schyns *et al.*, 2009). Leadership initiatives should be aimed at all levels of an organisation, specifically the individual, team and organisational levels, Schyns *et al.*, (2009) also state that when leaders interact with employees they should be aware of how individuals relate to other members in the organisation.

Punia *et al.*, (2004) conducted a study and found that when managers are perceived as being warm and responsible individuals who reward people fairly, resolve conflict quickly and are highly motivated, a more positive organisational climate is created. This study also concluded that organisational climate will be more positive when the organisational structure is more democratic than autocratic and when employees are encouraged to participate in setting both organisational and personal goals (Punia *et al.*, 2004). Managers should allow employees to take responsibilities for their own work.

A good way of ensuring more effective leadership is to implement training and mentoring programmes, specifically aimed at helping to identify issues before they arise and deal effectively with issues that cannot be avoided. According to Grojean *et al.*,

(2004) leaders can improve the climate of an organisation by making use of the following mechanisms:

- Making use of a supportive leadership style;
- Establishing good relationships with subordinates;
- Setting a good example and maintaining the norms of the organisation
- Establishing clear expectations, letting employees know what is expected of them and eliminating any uncertainties that they may have;
- Providing feedback, coaching and support
- Giving recognition where it is due and rewarding employees for behaving in the correct way;
- Being aware of individuals differences and diversity; and
- Improving their skills by means of leadership training programmes.



**Figure 3.2. A causal model of the influence of leadership style on performance.**

### **3.14 Organisational Strategy**

A firm's strategy plays an important role in the management of the firm. The strategy gives the direction a firm has in mind and implements the ways by which the management wants to achieve their goals (Gibcus and Kemp, 2003). Among others, Snow and Miles (1987) suggest that a strong and consistent strategy helps to outperform competitors who do not hold on to clear strategy.

The review of relevant literature reveals three different categories of typologies on organisational strategies: business matrix approach, empirical/statistical approach and theoretical approach (Gibcus and Kamp, 2004). Business matrix is more pragmatic and especially useful for problems concerning business growth. It places corporate activities on a two-dimensional matrix. The category of empirical-statistical approach addresses

organisational strategy measuring a relatively large number of variables. Strategy typologies are conducted by looking at clusters of the measured variables identified by factor analysis. The last category consists of typologies which are closely related to the strategy used in an organisation. Within this category, it is possible to differentiate between researchers who focus on the strategy itself (content perspective; Snow and Miles, 1987, Porter, 1989) and others who pay more attention to the type of organisation (process perspective; Minzberg, 1985). Within the process perspective, ideas derive from a normative model which seeks to describe what organisations need to do in order to formulate their strategies. In this case, strategy becomes a stream of decision.

One of the best typologies was developed by Miles and Snow (1978, p. 29) to describe strategic choice: it categorizes firms as defenders, prospectors, analysers, and reactors. Miles and Snow viewed their categories as being points on a scale going from defenders to prospectors, with analyzers being in between and reactors being outliers. To validate the Miles and Snow strategy typology empirically, researchers used cluster analysis, finding that the clusters are generally few in number and match the Miles and Snow typology remarkably well (Smith, *et al.*, 1989; Roth and Miller, 1990). Further, the relationship between the Miles and Snow approach and performance has been empirically analyzed with very good results (Doty *et al.*, 1993). Nicholson *et al.*, (1990) presented a typology that extended the Miles and Snow model by dividing the analyzers into two subgroups depending on their commitment to (or taste for) innovation. Based on this research, Burton and Obel (1998) adopted five categories: defenders, prospectors, analyzers without innovation, analyzers with innovation, and reactors.

**Defenders:** Organisations whose strategy is to produce efficiently a limited set of products directed at a narrow segment of the total potential market. **Prospectors:** Organisations whose strategy is to find and exploit new products and market opportunities. **Analyzers without Innovation:** Organisations whose strategy is to move into new products or new markets only after their viability has been shown, while maintaining an emphasis on ongoing products. Analyzers of this kind have limited innovation, mostly related to production process rather than to product. **Analysers with Innovation:** Organisations whose strategy is to combine aspects of the defender and the prospector. They move into production of a new product or enter a new market only after viability has been shown. However, unlike the analyzers described above, they are quick to innovate concurrently with their regular production. In other words, they have a

dual technology core. **Reactors**: Organisations whose strategy follows inconsistent and unstable patterns.

The Miles and Snow typology maps these strategies on a scale from effectiveness to efficiency. The prospector is on one end of the scale with respect to high effectiveness and low efficiency, the defender on the opposite end with low effectiveness and high efficiency. To clarify and capture these differences, Burton and Obel, (2002) measure strategy using five dimensions: capital requirement, product innovation, knowledge of production methods, concern for quality, and price level. These dimensions map onto the five categories. For example, a prospector has a high degree of product innovation, a high capital requirement, high concern for quality, and a high price. A defender has a low degree of product innovation, a great knowledge of production methods, a high capital requirement (usually), high concern for quality, and a low price. The analyzers are in between, while reactors have an imbalanced score on these dimensions and usually a low concern for quality (Burton and Obel, 1998).

#### **3.14.1 Organisational Climate and Strategy**

Research by Burton (2004) suggests that a fit between organisational climate and organisational strategy will result in increased overall performance because the perceptions of the employees about the organisation are aligned with the strategic objectives of the management. In contrast, a mismatch between the perceptions of the employees about the organisation and the organisational strategy results in negative effect on return on assets (Burton, 2004), and employees may not commit to organisational goals and objectives. The perceptions, feelings, attitudes and views of employees need to be aligned with an organisation's strategy in order to work on organisational objectives in a collaborative and highly effective manner. For this reason, the importance of the fit between organisational climate and strategy may not be underestimated.

An organisation's strategy has to be aligned with the views and feelings of those who implement it. Bluedorn and Lundgren (1993) were the first to incorporate the Miles and Snow strategy into the competing values context, showing, for example, that an internal process climate and a group climate, both being focused inwardly, are not very adaptive to the needs of a prospector or analyzer-with innovation strategy. In contrast, the

developmental climate is too experimental for the efficiency focus of the defender strategy.

The internal process climate is rules-oriented and inwardly focused, well suited for a defender strategy where the focus on process is important (Bluedorn and Lundgren, 1993; Burton and Obel, 1998), but such a climate does not change or adapt quickly, and is not necessarily aligned with the organisation's strategy. It makes for a particularly egregious misfit with innovative strategies and for prospectors (Bluedorn and Lundgren, 1993; Miles and Snow, 1978). At the same time, the group climate reinforces its own values and ways of doing things and is not very adaptive to external pressures (Burton and Obel, 1998). In contrast, the prospector strategy is an exploratory mode that requires an organisation to adjust quickly—so there is a misfit between the group climate and a prospector strategy.

A developmental climate, on the other hand, explores new opportunities readily and has low resistance to change (Bluedorn and Lundgren, 1993; Burton and Obel, 1998). Thus, there is a misfit between a developmental climate and any strategy with a low need for change but a high need for efficiency.

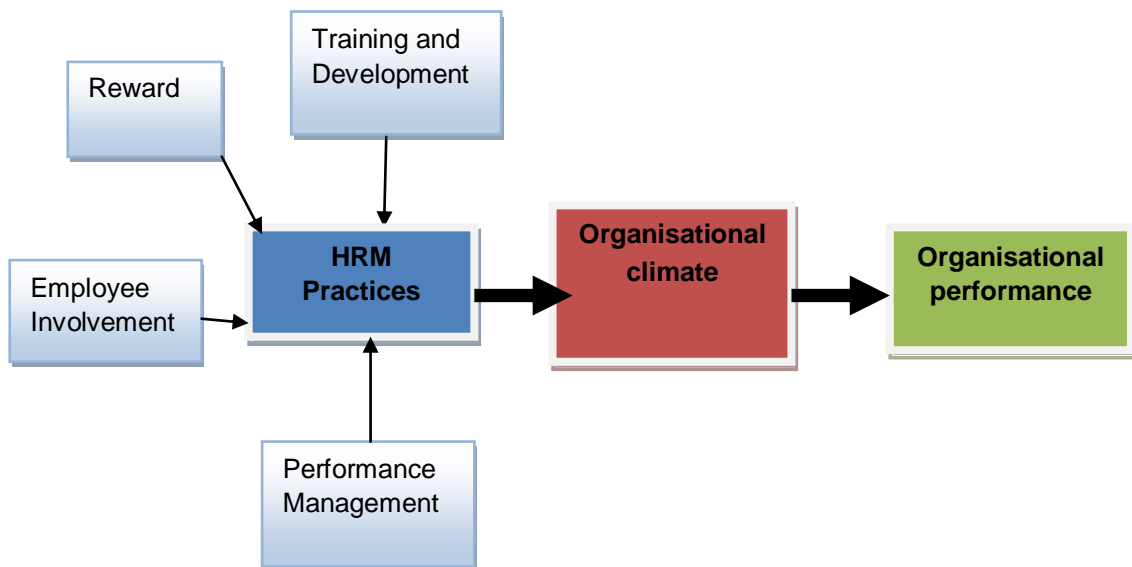
### **3.15 Organisational climate and HRM Practices**

There have been relatively few studies of the degree to which HR practices directly impact the climate or culture in an organisation. However, this notion is consistent with the attraction-selection-attrition hypothesis proposed by Schneider (1987) and reviewed by Schneider *et al.*, (1995). This theory proposes that attraction, selection, and attrition result in organisations containing people with distinct personalities that are responsible for “the unique structures, processes, and cultures that characterize organisations” (Schneider *et al.*, 1995, p. 751). Moreover, these authors also point to the importance of organisational leaders whose goals result in the “enactment of specific policies and practices to achieve these goals, and the combination of goals and resulting policies and practices yields an organisation characterized by unique structures, processes, and culture” (p. 753). Schneider *et al.*, (1995) then proceed to review a small body of anecdotal and case study data that support the role of organisational leadership in establishing organisational practices and the resultant organisational climate. Of primary

importance to the present research is the notion that various practices reflective of top organisational leaders' goals and personality produce an organisational climate.

Some empirical research provides support for the contention that HR practices are related to organisational climate. Bennett, et al., (1999) report a study in which they hypothesised that total quality training would be effective in changing employees' customer orientation only if the organisation's transfer climate defined as supervisor and co-worker support were positive. While this hypothesis indicates that climate would moderate the relationship between the HR practice, total quality training, and customer orientation, the analyses Bennett *et al.*, (1999) reported were more consistent with a mediator hypothesis.

**Figure 3.3-** mediating role of organisational climate in HRM and Organisational performance relationship



**Source:** Researcher.

### 3.16 Leadership and performance

The impact of leadership styles on organisational performance has generated research interest among academics and practitioners working in the area of leadership (Cannella and Rowe, 1995; Giambatista, 2004; Rowe *et al.*, 2005). One of the most prominent reasons for this interest is the widespread belief that leadership can affect the performance of organisations (Rowe *et al.*, 2005). The style of leadership adopted is



considered by some researchers (e.g. Awamleh, 1999; Conger, 1999; Dubinsky *et al.*, 1995; Yammarino *et al.*, 1993) to be particularly important in achieving organisational goals, and in evoking performance among subordinates (Barling *et al.*, 1996; Zacharatos *et al.*, 2000; Berson *et al.*, 2001).

It is widely believed that leadership creates the vital link between organisational effectiveness and people's performance at an organisational level (McGrath and MacMillan, 2000; Yukl, 2002; Judge, *et al.*, 2002a, 2002c; Judge and Piccolo, 2004; Purcell *et al.*, 2004; Keller, 2006). Several management scholars have debated the effectiveness of leadership styles and behaviours (Kakabadse *et al.*, 1999; Shamir and Howell, 1999; Yukl, 1999; Analoui, 1999; Avery, 2004; Drath, 2001).

It is pertinent to investigate the relationship between leadership and performance because today's intensive, dynamic markets feature innovation-based competition, price/performance rivalry and decreasing returns (Santora *et al.*, 1999; Venkataraman, 1997). Scholars and practitioners suggest that effective leadership behaviours can facilitate the improvement of performance when organisations face these new challenges (Teece, *et al.*, 1997; McGrath and MacMillan, 2000).

Understanding the effects of leadership on performance is also important because leadership is viewed by some researchers (Zhu *et al.*, 2005) as one of the key driving forces for improving a firm's performance. Effective leadership is seen as a potent source of management development and sustained competitive advantage for organisational performance improvement (Avolio, 1999; Rowe, 2001). For example, transactional leadership helps organisations achieve their current objectives more efficiently by linking job performance to valued rewards and by ensuring employees have the resources needed to get the job done (Zhu *et al.*, 2005). Visionary leaders create a strategic vision of some future state, communicate that vision through framing and use of metaphor, model the vision by acting consistently, and build commitment towards the vision.

According to Mehra *et al.*, (2006), when some organisations seek efficient ways to enable them to outperform others, a longstanding approach is to focus on the effects of leadership. These researchers (Yukl, 2002; Judge, *et al.*, 2002b; Judge and Piccolo,

2004; Purcell *et al.*, 2004; Keller, 2006) have started to explore the strategic role of leadership, and investigate how to employ leadership paradigms and use leadership behaviour to improve organisational performance. The reason for this is because intangible assets such as leadership styles, climate, skill and competences, and motivation are seen increasingly as key sources of strength in those firms that can combine people and processes and organisational performance (Purcell *et al.*, 2004, p.1). Previous research leads to the expectation that leadership paradigms will have direct effects on customer satisfaction, staff satisfaction, and financial performance.

The concept of transactional and transformational leadership style has a relatively strong impact on organisational outcomes like subordinates' effectiveness and satisfaction. Several studies confirmed that transformational leaders achieve the highest level of performance from their followers (Bass and Seltzer, 1990). Bryman (1992) demonstrated that the transformational components of idealised influence and inspirational motivation have the greatest impact on worker performance and effort. The transactional component of contingent reward is also associated with positive outcomes. *Individualised consideration* leads to more risk taking and higher levels of entrepreneurial activity (Bass and Seltzer, 1990). On the whole, transformational leadership tends to be more effective and satisfying than transactional leadership (Hater and Bass, 1988). Subordinates, when asked about ideals and implicit theories of leadership, mention more components of the transformational style. Transformational leaders are viewed more positively and seem to be more successful in their own careers. They have also better relationships with their supervisors and make more of a contribution to the organisation than do those who are only transactional. Supervisors rated high in transformational leadership behaviours are associated with higher perceived levels of mission, adaptability, involvement and consistency in the organisation compared to their transactional counterparts.

In many cases, effective leaders possess both a concern for the task while establishing an individual relationship with their employees. Since there is a relative direct connection between employees, their productivity, and the organisation's performance (Wang and Shyu, 2008), it is essential for leaders to maintain a positive work environment to maximize and enhance their employees' efforts to reach organisational efficacy. Kouzes and Posner (2010) found that a leader's behaviour explains nearly 25

percent of the reason that people feel productive, motivated, energised, effective, and committed in their workplaces.

Many studies have come to the conclusion that best leaders typically display both transactional and transformational leadership. Avolio and Bass (1999) indicated that transactional leaders are able to establish a sense of trust with followers through application of contingent rewards, thereby building the foundation upon which transformational leaders are able to encourage higher levels of commitment and performance. It is worth mentioning that transformational leadership does not replace transactional leadership, but builds on it and uses some of its components.

Effective leaders display both transactional and transformational leadership. Leaders exhibiting both leadership traits are found to be flexible, easily adapt and react to different situations and demands, thus personifying a balanced leadership style that contribute to the perception of organisational climate and aid the achievement of organisational goals and employee involvement and satisfaction. Balanced leadership style is not only about knowing what to do, but encapsulates knowing when and why to do it.

### **3.17 Strategy and performance**

A review of the literature about organisational strategy and firm's performance demonstrates that most authors use the typology of Miles and Snow or Porter's model of generic strategies (Gibcus and Kemp, 2003). For this reason, only these two typologies and the typology of Dess and Davis (1984) who have developed Porter's differentiation strategy further are discussed more in detail and contrasted. Most attention will be paid to the five distinct strategies which could be demonstrated by Gibcus and Kemp (2003) to be found within SMEs.

Extensive literature revealed that Miles and Snows' typology of organisational strategy has a lot of similarities with Porter's. This fact increases the validity of both typologies. Porter (1996) defines organisational strategy by its content which is represented by the unique connection of activities. According to Porter, this connection brings an organisation in an advanced position compared to concurrences (Gibcus and Kemp, 2003).

Miles and Snow (1978) define organisational strategy by investigating which people handle problems of entrepreneurial, technological and administrative nature. They focus on the different competences which are required to deal with these core problems. A competitive advantage will be reached by a complementing combination of these competences. In addition, both typologies differentiate between three types of strategies and identify a fourth one which is a failure to apply any of the other typologies. According to Miles and Snow (1984) they are called: prospector, defender, reactor, and analyser; Porter (1996) calls them: cost leadership, differentiation, focus, and 'stuck-in-the-middle'. Dess and Davis (1984) who has developed Porter's differentiation strategy further make a difference between innovation differentiation, marketing differentiation, service differentiation and process differentiation. Research by Gibcus and Kemp (2003) demonstrates that the organisational strategies cost leadership, innovation differentiation, marketing differentiation, service differentiation and process differentiation are the five distinct organisational strategies within SMEs.

The strategy of *cost leadership* aims to become the lowest-cost producers in its branch. It is comparable to the Miles and Snow's *defender* and Dess and Davis' (1984) *process differentiation* strategy which distinguishes the organisation by making manufacturing processes as effective and advanced as possible in order to outperform competitors (Gibcus and Kemp, 2004), because Miles (1987), as well, focuses on how to produce and distribute products as efficiently as possible. *Marketing differentiation* focuses on the creation of a product's perceptions of a target-customer group which needs to be distinctively different from those of competitors (Gibcus and Kemp, 2003). *Service Differentiation* pays most attention to customer service and satisfaction in the long-term in order to outperform competitors. *Innovation differentiation* focuses on the production and marketing of a new product (Gibcus and Kemp, 2003). It is the broadest differentiation strategy which combines the aspects of both, marketing differentiation and service differentiation.

There are two relevant typologies of organisational strategies; Miles and Snow, and Porter's model which has been developed further by Dess and Davis (1984). These typologies are comparable and therefore highly valid. Because research of Gibcus and Snow (2003) has identified cost leadership, differentiation, marketing, differentiation, service differentiation and process differentiation as the five distinct competitive

organisational strategies within SMEs, this research makes reference to it while explaining the relationships between organisational climate, HRM practices, organisational strategy and entrepreneurial orientation on organisational performance.

An effective strategy will provide sustainable competitive advantage to an organisation resulting in superior performance (Oosthuizen, 1997). However this can be achieved only if the strategy matches properly with the organisation's external environment and internal conditions (Thompson and Strickland, 1996) Organisations face significant constraints and contingencies from their external environments and their competitiveness depends on their ability to monitor the environments and adapt their strategies accordingly (Boyd and Fulk, 1996). Many authors have argued that a firm's strategy must be closely aligned with its structure (Van de Ven and Drazin, 1985; Jennings *et al.*, 2003).

### **3.18 Organisational climate and performance**

One of the most promising explanations about change and improvement in organizational performance builds on the contribution of the work environment and organizational climate. The organizational climate is a social structure that can either promote performance or impede it, and thus may be considered a buffer between individual skills and motivation and various work outcomes (Schneider, 1975). Studies have also found climate to be a meaningful intermediate element between employees' skills and motivation on the one hand and various performance-related variables on the other (Kopelman *et al.* 1990). Such variables include micro-level and individual-based work outcomes (i.e. job satisfaction, job commitment, creativity, supportive human relations, and Organizational Citizenship Behaviours) as well as macro-level performance variables (i.e. productivity, profit and quality of service).

Evidence abounds from literature review of the relationship between organisational climate and performance. Some of these researches has detailed a positive relationship between the two constructs. Schneider (1990) described Organisational climate as employees' shared perceptions of the types of behaviours and actions that are rewarded and supported by the organisation's policies, practices and procedures. With the insinuation of perceptual agreement between individual employees, therefore climate perceptions can be treated as an organisational level construct (Patterson *et al.*, 2005).

Research has suggested that climate perceptions are associated with a variety of important outcomes at the individual, group, and organisational levels. These include leader behaviour (Rousseau, 1988; Rentsch, 1990), job satisfaction (James and Jones, 1980; James and Tetrick, 1986; Mathieu *et al.*, 1993), and organisational performance (Lawler *et al.*, 1974; Patterson *et al.*, 2004).

Several authors (Burton *et al.*, 2004; Bowen and Ostroff, 2004; Neal *et al.*, 2005; West and Patterson, 2005). noted that organisational climate mediates the relationship between HRM practices and organisational performance. Ferris *et al.*, (1998) suggested that climate, culture, and political considerations mediate the relation between HR systems and organisational effectiveness. Specifically, their theoretical model asserts that “cultural values influence the types of HR system that are developed or adopted by an organisation and that these systems, in turn, determine the organisation’s climate. Climate, in turn, affects employee attitudes and behaviour, and ultimately, organisation effectiveness.” (Rogg *et al.*, 2001, p. 433). Gelade and Ivery (2003, p. 386), concluded that “a progressive HRM practices foster a positive work climate, which increases employee well being and motivation”, and this, in turn, leads to enhance organisational performance. Parker *et al.*, (2003) identified relationships between employees’ perceptions of their work environment and outcomes such as job satisfaction, job involvement, organisational citizenship behaviour and job performance. HRM systems can influence employee attitudes and behaviour, as well as organisational outcomes, through employee interpretation of the work climate (Bowen and Ostroff, 2004; Ericksen and Dyer, 2005). Organisational climate dimensions can “facilitate or inhibit the exhibition of certain behaviours” (Smith-Crowe *et al.*, 2003, p. 861). Many researchers tried to empirically demonstrate this mediating role of organisational climate and their findings supported the hypothesis (Rogg *et al.*, 2001, Gelade and Ivery, 2003, Smith-Crowe *et al.*, 2003, Neal *et al.*, 2005).

Research interest has grown in the last two decades in organisational climate and how it influence organisational performance (Schneider and Bowen, 1985). Researchers since 1970s realised many studies linking organisational climate to job performance (Meglino, 1976). Scholars examined different facet of organisational climate, such as climate for services (Schneider *et al.*, 2005), justice climate (Liao and Rupp, 2005) or ethical climate (Jaramillo *et al.*, 2006). Schneider (1980) carried out first seminal researches in service organisations. He studied the impact of climate in the banking

industry, and his findings showed that climate is crucial for business performance (Schneider, 1980). Schneider intended to underline that organisational dynamics, and particularly organisation climate, “have a direct impact on the people the organisation serves, as well as on employee performance and attitudes.” (Schneider, 1980, p.53). Other scholars succeeded in demonstrating the relationship between organisational climate and performance. Hansen and Wernerfelt (1989) examined three different models of firm profitability. The first model (economic model) considered the characteristics of the industry in which the firm competes and the quality or quantity of the firm’s resources; the second model (organisational model) included “measures ranging from employee satisfaction to shareholder wealth” (Hansen and Wernerfelt, 1989, p.400). The third model was an integration of the other two.

Hansen and Wernerfelt tested these models in a sample of “60 *Fortune* 1000 firms representing both dominant and lesser members of their respective industries” (Hansen and Wernerfelt, 1989, p.402). To measure firm performance they selected 5-years average return on asset, and to measure organisational factors, authors used the Survey of Organisations, a questionnaire which “captures many dimension of organisational factors including characteristics of communication flow, emphasis on human resources, decision-making practices, etc.” (Hansen and Wernerfelt, 1989, p. 404). Their findings for the three models showed that “the organisational model alone explains substantially more of the profit variance than the economic model alone”, particularly, it explains “about twice as much variance in firm profit rates as economic factors”; and also the integrated model of firm performance is highly significant (Hansen and Wernerfelt, 1989, p. 406). Therefore, this study suggests that “good organisational practices help a firm select good economic environments, or obtain relative advantage through the creation of intangible or invisible assets” (Hansen and Wernerfelt, 1989, p.408).

Denison (1990), in a study with 34 firms in different industries found that a climate that encourages employee involvement in company decision making predicts company financial success in subsequent years. Similarly, Johnson (1996) studied the relationship between service climate and organisational performance in the banking industry too and showed that service climate was correlated with nine different measures of customer satisfaction and, because customer satisfaction in service organisations is such a performance index, with performance (Rogg *et al.*, 2001, p. 436). In 2005, Schneider and colleagues conducted a study to understand the antecedents of service climate and

“focused on leadership that communicates a commitment to high levels of service quality”. They hypothesized that service leadership is “a proximal antecedent of service climate”, that in turn influence customer-focused organisational citizenship behaviour, which impact on customer satisfaction, that finally conduct to sales (Schneider *et al.*, 2005, p.1018).

Gelade and Ivery research (2003), revealed significant relationship between organisational climate and firm performance. They examined this linkage in 137 branch director groups. Their finding showed that general climate correlates positively with measures such as sales against target, staff retention, clerical accuracy, customer satisfaction, and overall performance. This confirms that “favourable perceptions of the work environment are associated with elevated decision-making units’ performance” (Gelade and Ivery, 2003: p. 393). Results also indicated “a direct relationship between climate and performance, which is independent of HRM decisions” (Gelade and Ivery, 2003: p. 400).

Patterson *et al.*, (2004) investigated the relationship between climate and performance, analysing a sample of 42 manufacturing companies in the United Kingdom. They measured not only organisational climate and organisational performance, but also job satisfaction and organisational commitment. Specifically, organisational climate was measured with 17 items questionnaire, because authors identified from prior researches 17 important climate dimension. Their findings showed that “five aspect of organisational climate were significantly correlated with subsequent productivity: concern for employee welfare, skill development, reflexivity, innovation and flexibility and performance feedback. Companies that were perceived by employees to place more emphasis in those domains were more productive than others in the following year”. “Company productivity was in addition predicted by supervisor support, effort, quality, and formalization; eight aspects of organisational climate were thus predictive after statistical control” (Patterson, *et al.*, 2004: p. 206). This current research represents a first trial to analyse the impact of organisational factors on climate and exploring the relationship between climate and performance.

From the review of literature, it is evident that there is a robust relationship between organisational climate and organisational performance indicators. Nevertheless, most of the studies present severe limitations. Many studies used only one company as source of



sample (Schneider, 1980; Schneider *et al.*, 2005; Potosky and Ramakrishna, 2002; Gelade and Ivery, 2003; Jaramillo *et al.*, 2006; Solomon, 2006). Other studies used several companies, but all part of the same industry (Schneider, 1980; Johnson, 1996; Gelade and Ivery, 2003; Schneider *et al.*, 2005). Some others were conducted at aggregate level below the firm level, such as business units or branches within a firm (decision making units) (Koys, 2001; Harter *et al.*, 2002; Gelade and Ivery, 2003). Other researchers found that the relationship between climate and performance was indirect and mediated by employees affect or job satisfaction (Koys, 2001; Harter *et al.*, 2002; Patterson *et al.*, 2004). This research will attempt to investigate the relationship between organisational climate and performance at the organisational level of analysis, using two high growth firms and including all levels of employee (managerial and non managerial)

### **3.20 HRM practices and performance**

Recently it has been proposed that organisational climate mediates the relationship between HRM practices and organisational performance (Burton *et al.*, 2004; Bowen and Ostroff, 2004; Neal *et al.*, 2005; West and Patterson, 2005). Ferris *et al.*, (1998) suggested that climate, culture, and political considerations mediate the relation between HR systems and organisational effectiveness. Specifically, their theoretical model asserts that “cultural values influence the types of HR system that are developed or adopted by an organisation and that these systems, in turn, determine the organisation’s climate. Climate, in turn, affects employee attitudes and behaviour, and ultimately, organisation effectiveness.” (Rogg, *et al.*, 2001, p. 433). “The conclusion here is that a progressive HRM practices foster a positive work climate, which increases employee well being and motivation”, and this, in turn, leads to enhanced organisational performance (Gelade and Ivery, 2003, p. 386).

In the last two decades the influence of organisational climate on organisational performance has yielded a robust result (Schneider and Bowen, 1985). Bowen and Ostroff, 2004 proposed a mediating role of organisational climate between HRM practices and organisational performance. HRM systems influence, as well as organisational outcomes, employee attitudes and behaviours, through employee interpretation of the work climate. If organisational climate is defined as the attitude of

individuals concerning the organisation and the perceptions of all HR policies and practices, it follows logically then to say that the HRM system plays a critical role in determining climate perceptions. Therefore, organisational climate is a mediating link between human resource management and performance (Burton, *et al.*, 2004). From empirical demonstration a good organisational climate is related to higher-level behaviours and, consequently, to organisational performance indicators, such as customer satisfaction, organisational effectiveness, total quality management outcomes and financial performance (Bowen and Ostroff, 2004).

Noe *et al.*, (2008) described Human Resource Management as the policies, practices, and systems that influence employees' behaviour, attitudes, and performance. HRM includes the practices of analyzing and designing work, determining human resource needs (HR planning), attracting potential employees (recruiting), choosing employees (selection), teaching employees how to perform their jobs and preparing them for the future (training and development), rewarding employees (compensation), evaluating their performance (performance management), and creating a positive work environment (employee relations). Tocher and Rutherford (2009, p. 457) describes human resource management practices (HRM) as “a set of distinct but interrelated activities, functions and processes that are directed at attracting, developing, and maintaining (or disposing of) a firm’s human resources”. Collins *et al.*, (2005) elucidate that HRM practices are primarily aimed at effectively managing people. They established a general process through which HRM practices impact on the performance of a firm as follows: effective employee management practices lead to positive employee outcomes or behaviour, which then results in positive firm performance (both operational and/or financial).

As cited further by Noe *et al.*, (2008), effective HRM has been shown to enhance company performance by contributing to employee and customer satisfaction, innovation, productivity, and development of a favourable reputation in the firm's community. A study by Fabling and Grimes (2007) showed that HRM practices positively affect a firm’s performance. Many other studies (Jarventaus 2007; Rizov and Croucher, 2008; Khan 2010) have also established a positive relationship between HRM practices and firm performance.

A number of studies have demonstrated that HRM practices, either individually or as a system, are associated with higher levels of productivity or profitability at the organisational level of analysis (Guest and Hoque, 1994; MacDuffie, 1995; Youndt, *et al.*, 1996; Hoque, 1999). One of the issues that has featured prominently in the HRM literature is the question of whether the relationship between HRM practices and indicators of organisational effectiveness, such as productivity, is universal or contingent. The universal, or “best practice,” view suggests that certain types of HRM practices are more effective than others (Pfeffer, 1994; Huselid, 1995). For example, firms that use valid selection procedures should typically have more highly skilled and motivated staff than firms that do not use valid selection procedures (Schmidt, *et al.*, 1979). The contingency view, on the other hand, suggests that some firms will gain greater benefits from these practices than others. Schuler and Jackson (1987), for example, argue that the effectiveness of HRM practices is contingent on the strategy that a firm uses to gain competitive advantage in the market. According to this argument, HRM practices that enhance the knowledge, skill, ability, and motivation of employees would have a greater impact on productivity if the firm is using a strategy that requires highly skilled and motivated employees.

The importance of HRM is recognised by scholars of Resource Based View theory, with the seminal studies of Penrose in 1959. Penrose recognized that firm resources are threats and opportunities for firm development. She proposed that: “the availability of unused productive services within it creates the productive opportunity of a given firm. Unused productive services are, for the enterprising firm, at the same time a challenge to innovate, an incentive to expand, and a source of competitive advantage” (1959; p.85). These “unused productive services” are knowledge, skills and people behaviours. In this perspective, firm is considered as a set of productive resources, either tangible or intangible, and resources are valuable when they enable firms to take advantage of market opportunities or deal well with market threats. Sustained competitive advantage accrues to firm as a result of the existence of idiosyncratic, rare, valuable, non substitutable and hard to imitate internal assets (Barney, 1991). This growing acceptance, in the last decades, of internal resources as sources of competitive advantage brought legitimacy to the assertion that people are strategically important to firm success (Wright *et al.*, 2001). Firms develop their competitive advantage by not only acquiring, but also developing, combining, and effectively deploying their

physical, human and organisational resources, in way that add unique value (Colbert, 2004).

Human resources could grant a potential source of sustainable competitive advantage, since they are path dependent, causally ambiguous, and actually difficult to imitate, because of the complexity of their value creation process (Wright *et al.*, 2001); the systemic interrelation of HRM policies and practices provides their inimitability (Becker and Huselid, 1998). Becker and Gerhart (1996, p.785) suggested that it is difficult to copy an HR system by hiring few top managers from a competitor “because the understanding of the system is an organisational capability that is spread across many (not just a few) people”. Human Capital and the Resource Based View of the firm formed the theoretical ground for researchers in the Strategic Human Resource Management (SHRM) area over the past decades.

Applebaum and Kamal (2000) considered SMEs to be more likely to survive and sustain a competitive advantage over larger firms by increasing employee satisfaction, which in turn minimizes personnel turnover, absenteeism and lost productivity costs. Klass *et al.*, (2002) concluded that the adoption of HRM programme or department in SME can be considered as a key element in increasing competitive advantage. According to Amankwah-Amoah and Debrah, (2011) human capital has become the bedrock on which firms can build to gain competitive advantage. Research by Hornsby and Kuratko (2003) has also revealed that a well-motivated, highly skilled workforce can be a determinant of organisations’ ability to remain competitive in the present business environment. Karami *et al.*, (2008) also opine in their research that the HR capability of a firm is a considerable resource that determines the competitive advantage of the firm.

For firms functioning in dynamic and complex competitive environments their human capital and the way in which it is managed is an important source of sustained competitive advantage (Barney, 1991). This competitive entrepreneurial performance refers to the ability to innovate, accept risk, and identify and exploit entrepreneurial opportunities (Hayton, 2003). Pfeffer (1998) suggests that there are seven HRM practices of successful businesses: employment security, selective hiring, decentralized work arrangements, performance-based pay, extensive employee training, reduced status differentials, and information sharing. De-Kok, *et al.*, (2006) also identifies five

primary HRM practice subscales with thirty-two items included in the subscales. In order to provide a source of competitive advantage the business' human resources should be "leveraged". This perspective, according to Wagner and Rondeau (2006) imply that the application and adoption of certain bundles of HRM work practices have the ability to positively impact business performance by creating powerful connections", or to detract from Performance when certain combinations of practices are inadvertently placed in the mix.

Behrends (2007), concludes that the availability of human resources constitutes an important factor for sustainable organisational success, which constitute growth and competitive ability. Reid and Adams (2001), recommends that employees should be regarded as value assets (through organisational HRM practices) and that there should be an emphasis on commitment, adaptability and consideration of employees as a source of competitive advantage. Extensive recruitment and training procedures, increased employment involvement and incentive compensation can also be associated with higher levels of turnover, higher productivity and better financial performance (Huselid, 1995). These actions consequently result in better competitiveness, growth and business success. Astachan and Kolenko (1994) found positive correlations between HRM practices and gross firm revenues. Their results also supported arguments for competitive advantage gained through effective use of HRM practices.

King- Kauanui *et al.*, (2006), in their study on HRM in SMEs in Vietnam, concluded that support was found for the importance of training, performance appraisal systems and incentive compensation on the overall performance of SMEs. These results complement the results of many studies in Western countries and also indicate that firms' performance in these areas can best be explained by HRM best practices.

It is obvious from the collection of studies reviewed above that the effective use of HRM practices positively contribute to the greater overall performance, survival and growth of any organisation. A selection of empirical studies showing the link between HR practices and organisational performance are listed below in table 3.5.

**Table 3.5.** Research outcomes on link Between HR And Organisational Performance

Study	Sample	Research outcome
Arthur (1990, 1992, 1994)	30 US mini steel mills	Firms with a high-commitment strategy had significantly higher levels of both productivity and quality than those with a control strategy
Huselid (1995)	968 US companies with 100+ staff; heterogeneous sample	Productivity is influenced by employee motivation; financial performance is influenced by employee skills, motivation and organisational structures.
MacDuffie (1995)	62 car assembly plants, worldwide	
Huselid and Becker (1996)	An index of HR systems in 740 firms was created to indicate the degree to which each firm adopted a high-performance work system.	Firms with high values on the index had economically and statistically higher levels of performance.
Becker <i>et al.</i> , (1997)	Outcomes of a number of research projects were analysed to assess the strategic impact on shareholder value of high performance work systems.	High performance systems make an impact as long as they are embedded in the management infrastructure.
Patterson <i>et al.</i> , (1997)	The research examined the link between business performance and organisation culture and the use of a number of HR practices	HR practices explained significant variations in profitability and productivity (19% and 18% respectively) two HR practices were particularly significant; (1) the acquisition and development of

		employee skills and (2) job design including flexibility, responsibility, variety and the use of formal teams.
Thompson (1998)	A study of the impact of high performance work practices such as teamworking, appraisal, job rotation, broad-banded grade structures and sharing of business information in 623 UK aerospace establishments.	The number of HR practices and the proportion of the workforce covered appeared to be the key differentiating factors between more and less successful firms.
The 1998 Workplace Employee Relations Survey	An analysis of the survey, which sampled 2,000 workplaces and obtained the views of about 28,000 employees.	A strong association exists between HRM and both employee attitudes and workplace performance.
The Future of Work Survey, Guest <i>et al.</i> , (2000)	835 private sector organisations were surveyed and interviews were carried out with 610 HR professionals and 462 chief executives.	A greater use of HR practices is associated with higher levels of employee commitment and contribution and is in turn linked to higher levels of productivity and quality of services.
Purcell <i>et al.</i> , (2003)	A university of Bath longitudinal study of 12 companies to establish how people management impacts on organisational performance.	The most successful companies had what the researchers called 'the big idea'. The companies had a clear vision and a set of integrated values which were embedded, enduring, collective, measured and managed. Clear evidence existed between positive

		attitudes towards HR policies and practices, levels of satisfaction, motivation and commitment, and operational performance.
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Source: Armstrong (2006).

There has been growing research interest in the area of entrepreneurship which is linked to the belief that entrepreneurship can lead to improved performance in both new and established organisations (Covin and Slevin, 1991). There is a need for entrepreneurial strategies due to the volatility of the current business environment, where both product and business model life cycles get shorter and future profits from existing operations are uncertain. (Hamel, 2000; Hitt *et al.*, 2003; Rauch *et al.*, 2009). Entrepreneurial strategies are regarded as being related to better firm performance (Kraus and Kauranen, 2009; Rauch *et al.*, 2009). Entrepreneurship scholars have attempted to explain performance by investigating a firm’s entrepreneurial orientation (EO). EO refers to a firm’s strategic orientation, capturing specific entrepreneurial aspects of decision-making styles, methods, and practices (Lumpkin and Dess, 1996). Given the importance of entrepreneurship to firm performance (McGrath *et al.*, 1996), EO could be an important measure of the way a firm is organised—one that enhances the performance advantage of a firm

### **3.21 Relationship between Entrepreneurial Orientation and Performance**

Several empirical studies find support for the view that entrepreneurial orientation has a positive impact on performance (Tarabishy *et al.*, 2005; Tang *et al.*, 2008; Keh *et al.*, 2007; Rauch *et al.*, 2009). In other words, entrepreneurial orientation plays an important role in organisational success and leads to better firm performance. Research has suggested that risk-oriented firms tend to seek new resources (Lumpkin and Dess, 1996; Hughes and Morgan, 2007) Proactive firms mainly focus on maintaining first-mover advantage in the short term and shape the direction of the market environment in the long term (Hughes and Morgan, 2007). Therefore, proactive firms seek specific and valuable resources to enhance their competitive advantage. Furthermore, to introduce new products and services, innovative firms are likely to explore unique resources and new possibilities to undermine their competitors.



Many researchers focused on three main dimensions such as (risk taking, innovativeness and proactiveness) to characterize Entrepreneurial orientation, whereas others such as (Lumpkin and Dess, 1996, 2001) argued that entrepreneurial orientation is best explained by five dimensions (risk-taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy). To study the relationship between Entrepreneurial orientation and organisational performance at the embryonic stage, (Hughes and Morgan, 2007) studied this relationship in young high-technology firms. Their random sample consisted of 1000 emerging young high-tech firms from the UK. They used the framework suggested by (Lumpkin and Dess, 1996) with its five dimensions for Entrepreneurial orientation. They found that only proactiveness and innovativeness are positively related to business performance at this stage while risk-taking has a negative relationship with business performance. Moreover, competitive aggressiveness and autonomy have no relationship with business performance at least at this stage.

Since innovation is the pillar in the field of entrepreneurship (Avlonitis and Salavou, 2007), there has been extensive researches in the literature to examine the relationship between innovation and organisational performance, researchers have examined this relationship from one hand and to explore its antecedents from the other. Garcia-Morales *et al.*, 2007 studied the relationship between the personal mastery and organisational performance through the organisational learning and innovation. Their data were collected from 410 Spanish firms. Using confirmatory factor analysis they found that: there is positive direct as well as indirect relationship between personal mastery and organisational performance through organisational learning and innovation; there is appositive relationship between organisational innovation and organisational performance; and organisational learning positively affect both directly and indirectly the organisational performance through organisational innovation.

Li *et al.*, (2009) examined the relationship between Entrepreneurial orientation and organisational performance. Using the data collected from 165 Taiwanese entrepreneurs in securities and future institutes, they tried to test the mediating role of knowledge creation process. Their empirical results supported the positive relation between EO and firms' performance. Moreover, knowledge creation process was found to mediate the relationship between Entrepreneurial orientation and organisational performance. Contributing to the same research stream, Avlonitis and Salavou (2007) tried to identify

EO profiles of SMEs to suggest the dimensions of product innovativeness for different performance potentials. They used the data obtained from 149 manufacturing companies and identified two opposite groups namely the active and passive entrepreneurs. They found that the two groups consisted of new products innovators. Moreover, they found that the entrepreneurial attitudes instilled in the active entrepreneurs group mirrored in new products. Antoncic and Prodan (2008) stated that corporate Entrepreneurship is very important for organisational performance. Moreover, they tried to develop a model for alliance-driven corporate technological Entrepreneurial and test its impact on organisational performance. They used the data collected from a sample 226 manufacturing firms in Slovenia. They found that strategic alliances involvement is very effective on corporate technology entrepreneurship and then on organisational performance.

As an attempt to explore the effects of Entrepreneurial Orientation on SMEs' performance, Keh *et al.*, (2007) tried to examine the effects of Entrepreneurial orientation and marketing information on the small and medium-sized companies in Singapore. They found that the Entrepreneurial orientation has influential role on information acquisition and utilisation of marketing information and consequently on organisational performance. Moreover, they found that the utilisation of marketing information affects firm performance and also partially mediates the Entrepreneurial orientation- organisational performance relationship.

### **3.22 Chapter summary**

Internal organisational factors (leadership styles, strategy, HRM practices and entrepreneurial orientation) shapes the perception of organisational climate by employees. Whilst transactional leadership style is effective in getting the work done, transformational style gets the work done through empowering the workforce and showing concern for employee welfare. Organisational strategy focus determines what the organisation does and how it goes about accomplishing set goals, but more importantly, there need to be a fit between strategy and organisational climate. HRM practices such as training and development, level of employee involvement, reward and performance management greatly influence employee perceptions of organisational climate, this may affect employee performance and ultimately organisational output. Entrepreneurial inclination of employees are predicated on their assessment of the organisational climate, if they perceive a climate that encourages autonomy, risk taking

pro-activity and encouragement of innovative tendencies, employees are more likely to exhibit entrepreneurial behaviour and these would have organisational performance implications.

The next chapter present discussions on organisational performance, its importance and relevance to SMEs and more importantly the different performance measures prevalent in most organisations.

## CHAPTER FOUR -ORGANISATIONAL PERFORMANCE

### 4.0 INTRODUCTION

This chapter present a review of relevant literature to Organisational performance and measurement. The literature review present discussions around background to Organisational Performance utilising the stakeholder's approach and possible facets of firm performance, the challenges of performance measurement is also examined . A review of Organisational Performance Measures is discussed and the selection and Implementation of Performance Measures are explored.

#### 4.1 Rationale for studying Organisational performance

Organisational performance has been used widely as the most important criterion in evaluating organisations. However, researchers often pay little attention to what performance is and how it is measured (Richard *et al.*, 2008). There are several challenges researchers must overcome when attempting to measure organisational performance. First, organisational performance is multidimensional which makes it difficult to effectively understand its structure, scale, and scope (Devinney *et al.*, 2005). Second, the relationship between variables of interest (such as Performance Measurement (PM) and performance can be influenced by other measures the organisation uses internally and how they alter managerial decisions and actions (Devinney *et al.*, 2005). Moreover, organisational performance varies over time and it is unclear which measures vary in which ways (Devinney *et al.*, 2005). In addition, there are practical issues concerning which measures should be used (e.g whether subjective vs. objective measures or financial vs. non-financial measures) (Devinney *et al.*, 2005). If several dimensions exist, a researcher should choose the dimensions most relevant to his or her research and judge the outcomes of this choice (Richard *et al.*, 2009).

Organisational Performance is of serious concern to both practitioners and researchers that there is little consensus on how firm performance should be measured. Richard *et al.*, (2009) report that over a three year period (2005-2007), 231 papers in five of the top business academic journals included measures of organisational performance. Within

these papers, 207 different performance measures were used. These results, which are comparable to those found by March and Sutton (1997) in their survey 10 years earlier, lead the authors to comment as follow: “Our review indicates that despite its recognized importance, researchers pay little theoretical attention to, or display methodological rigour about, the choice, construction and use of the plethora of performance measures available to them.” Similarly, Crook *et al.*, (2011), in an analysis of those papers in the top academic journals that study the human capital-performance relationship, identify 66 studies where 35 different performance measures were used.

#### **4.2 Organisational Performance versus Organisational Effectiveness**

Although organisational performance dominates the strategic management literature, not to mention economics, finance, and accounting, yet it has got some advantages and disadvantages. Hence, a distinction between organisational performance and organisational effectiveness is presented here (Venkatraman and Ramanujam, 1986). Organisational effectiveness is a broader construct that captures organisational performance, but with grounding in organisational theory that entertains alternate performance goals (Cameron and Whetten, 1983). Management research in general, and strategic management research more specifically, has taken a much more limited empirical view emphasizing the central role of accounting, financial and stock-market outcomes. Richard *et al.*, (2008) put forward some distinguishing factors between the domains of organisational effectiveness and organisational performance.

**Organisational performance** encompasses three specific areas of firm outcomes: (1) financial performance (profits, return on assets, return on investment, etc.); (2) market performance (sales, market share, etc.); and (3) shareholder return (total shareholder return, economic value added, etc.). **Organisational effectiveness** is broader and captures organisational performance plus the plethora of internal performance outcomes normally associated with more efficient or effective operations and other external measures that relate to considerations that are broader than those simply associated with economic valuation (either by the shareholders, managers or customers), such as reputation. Dess and Robinson (1984) assert that research involving organisational performance must address two basic issues: (1) selection of a conceptual framework from which organisational performance is defined and (2) identification of valid measures to operationalize organisational performance. This section will address these issues.

### 4.3 Conceptual Framework of Organisational Performance

In examining the construct of organisational performance, it is critical to define organisational performance and differentiate it from other closely-related constructs, such as organisational effectiveness. Venkatraman and Ramanujam (1986) depict the relationship between organisational performance and organisational effectiveness as shown in Figure 4.1. They argue that the narrowest concept of performance is financial performance such as sales growth or profitability (Venkatraman and Ramanujam, 1986). The broader notion adds the emphasis on non-financial performance such as product quality, marketing effectiveness, which they refer to as business performance (Venkatraman and Ramanujam, 1986). However, business performance still primarily focuses on factors that lead to the achievement of an organisation's financial goals. Only when multiple and conflicting goals concerning other stakeholders are included, then the term organisational effectiveness should be used (Venkatraman and Ramanujam, 1986). They argue that researchers should focus on the measurement domain identified by either financial or business performance (Venkatraman and Ramanujam, 1986). Following Venkatraman and Ramanujam (1986), this research defines organisational performance in a broader sense in which both financial and non-financial performance is included. For a clarification purpose, the former will be referred to as "Financial performance" and the latter will be simply referred to as "Non-financial performance".



**Figure 4.1 Circumscribing the Domain of Business Performance**

**Adapted from Venkatraman and Ramanujam (1986, p. 803)**

#### 4.4 Operationalization of Organisational Performance

In terms of measurement, there are three approaches generally used to operationalize organisational performance as a dependent variable (Devinney *et al.*, 2005). The first approach is using a single measure which is assumed to closely relate to organisational performance. The second approach is adopting several different measures but comparing them independently to the same independent variables. The third approach, the most common, is to use several different measures and aggregate them into a dependent variable (Devinney *et al.*, 2005). With regard to the third approach, Venkatraman and Ramanujam (1986) contend that there are numerous operationalizations and multi-dimensionality even within the financial performance and business performance domain; they, therefore, recommend that researchers should either “*explicitly test the dimensionality of their conception of business performance*” or use “*a priori classification which recognizes the dimensionality issue*” (p. 807). Combs *et al.*, (2005) assert that the last suggestion has not adequately been followed by current researchers. In their attempts to identify dimensionality of organisational performance, Combs *et al.*, (2005) found that operational performance and financial performance are distinct, and that financial performance can be further categorized into accounting returns, stock market, and growth measures. Further, they observe that operational performance has many dimensions and is an antecedent to financial performance (Combs *et al.*, 2005). Consequently, they advise against using measures that combine both operational and financial performance such as return on equity and earnings per share as the numerator is derived from financial performance while the denominator is capital structure which somewhat relates to operational performance (Combs *et al.*, 2005). Richard *et al.*, (2008) support that there is much empirical evidence which shows linkages between financial performance measures and non-financial measures. In fact, the concept of the strategy map or business model in the PM literature is also underpinned by this assumption.

In the PM literature, organisational performance has been studied, and operationalized, in a variety of ways. For example, Hoque and James (2000) measured organisational performance by evaluating return on investment (ROI), margin on sales, capacity utilization, customer satisfaction, and product quality. Similarly, Evans (2004) investigated the relationship between the categories of performance measures in the Baldrige Criteria for Performance Excellence (citation) and three organisational performance measures (customer satisfaction, market share, and financial performance)

as compared to competitors. Later, Hoque (2004) adapted a well-tested Govindarajan's (1984) questionnaire and assessed 12 dimensions of organisational performance (i.e., operating profits, ROI, sales growth rate, market share, cash flow from operation, new product development, market development, RandD, cost reduction programs, personnel development, workplace relations and employee health and safety) over a three-year period. Likewise, Schiemann and Lingle (1999) evaluated organisational performance from three-year ROI and executives' ratings of their organisation on three criteria: perceived as an industry leader over the past 3 years, reported to be financially ranked in the top third of their industry, and last major cultural or operational change judged to be very or moderately successful. There appears to be agreement in the literature that there is a need to operationalize organisational performance as a mix of financial and non-financial measures. In addition to the dimensionality issue, there are another two major research design issues that researchers need to pay close attention to when attempting to measure organisational performance: (1) source of data (i.e., primary or secondary sources) and (2) types of measures (objective or subjective measures).

#### **4.5 Source of Data**

Performance data can be obtained either from a primary source (i.e., collecting data directly from organisations) or from secondary sources (collecting data from publicly available records or databases) (Venkatraman and Ramanujam, 1986). Venkatraman and Ramanujam (1986) identified ten basic approaches that can be used for measuring organisational performance. This research obtains both operational and financial performance data directly from organisations.

Venkatraman and Ramanujam (1986) advise that researchers adopting this approach should (1) choose target respondents based on specific criteria (e.g., positions, functions, etc.); (2) measure performance relative to industry; (3) identify a priori dimensions of performance and empirically test the dimensionality; and (4) use multiple respondents to enable the evaluation of systematic bias and measurement error.

#### **4.6 Types of Organisational performance Measures**

There are three common approaches to organisational performance measurement seen in the literature. The first is where a single measure is adopted based on the belief in the relationship of that measure to performance (Hillman and Keim, 2001; Roberts and Dowling, 2002; Hawawini *et al.*, 2003; Spanos *et al.*, 2004). Ideally these beliefs are supported by theory and evidence. The second approach is where the researcher utilizes



several different measures to compare analyses with different dependent but identical independent variables (Baum and Wally, 2003; Contractor *et al.*, 2003; Miller, 2004; Peng, 2004). The third approach is where the researcher aggregates dependent variables, assuming convergent validity based on the correlation between the measures (Goerzin and Beamish 2003; Cho and Pucik, 2005). This is most common with subjective measures of performance where the investigator is seeking something akin to trait based psychometric validity (Varadarajan and Ramanujam, 1990). It is also not uncommon to see operational and market measures are also being aggregated (Rowe and Morrow, 1999). The justification of these approaches relies crucially on whether the specific measures used meet the assumptions made. The nature of these specific measures are discussed below by first examining the objective measures of performance—accounting and financial market measures, plus firm survival—followed by subjective and quasi subjective measures.

#### **4.6.1 Accounting Measures**

Accounting measures are the most common and readily available means of measuring organisational performance. The validity of their use is found in the extensive evidence showing that accounting and economic returns are related. For instance, Danielson and Press (2003) found that the correlation between accounting and economic rates of return was above 0.75, and Jacobson (1987) found that despite a weak R<sup>2</sup> of 0.2, ROI was able to distinguish performance between firms and over time. Nevertheless, researchers must still be careful, as these measures can be distorted by accounting policies, human error and deception.

The rules that accounting systems are based upon (such as GAAP standards) are not always consistent with the underlying logic of organisational performance. For instance, choices over depreciation schedules, inventory and booking expenses can undermine the ability to accurately tap the time dimension. To rigorously apply accounting measures one must understand the nature of the rules (equations) that define the measure of interest. However, researchers rarely have the inclination, time or data to achieve this. Another important limitation of accounting measures of performance is that they emphasize historic activity over future performance. Due to their reliance on auditable sources, accounting measures reflect what has happened and can be quite limited in revealing future performance, which can be both a negative, as in the case of Enron, or a

positive, as in the case of many early internet companies. Hence, the apparent predictability and validity of accounting measures as signals of economic returns may have less to do with their validity and more to do with the stationary properties of the environment in which the measurement is taking place.

The implication being that the more turbulent the environment is, the less clear the rules of performance are, and the more variable the regulatory and institutional environment in which firms are operating, the less valid and comparable are accounting measures as signals of economic returns. For instance, Jusoh and Parnell (2008) encountered difficulties applying Western accounting measures in the emerging Malaysian environment. Measures of organisational effectiveness such as customer and employee satisfaction were more robust. A case study on measurement in Vietnam also found accounting measures to be a biased reflection of performance (Luu *et al.*, 2008).

#### **4.6.2 Financial Market Measures**

Within the strategy, economics and finance literatures market value based measures are the preferred instrument for characterizing organisational performance. The greatest strength of these measures is that they are forward looking, in theory representing the discounted present value of future cash flows (Fisher and McGowan, 1982). They also incorporate intangible assets more effectively than accounting data (Lev, 2001), something of clear relevance to those interested in resource based and knowledge based views of the firm. However, the connection between market measures to the actual performance of the firm depends on how much of the rent generated from its activities flows to shareholders and the informational efficiency of the market. The usual justification of these measures is that firms are instruments of shareholders.

Empirical research in finance has shown that only a small proportion of share price movement is explained by systematic economic effects (Cutler *et al.*, 1989; Roll, 1988). Instead, share price movements are attributable to market volatility (Shiller, 1989), momentum (Chan *et al.*, 1996) and herding behaviour (Grinblatt *et al.*, 1995; Graham, 1999). A major limitation of the use of market data in management research is that it evaluates the organisation as a whole. For all but the few firms that have issued tracking stocks (Robinson, 2000), it is not possible to apportion market measures between activities (Jacobson, 1987). Therefore, although market value might be generally

recognized as the most appropriate measure of overall organisational performance, it is less useful for research focusing on performance where the dimensionality is defined in terms of a product or a strategic business unit (SBU). Several researchers have pointed out that the logic of having a bundle of business units traded as a block implies that measuring financial performance and risk at the business unit level will be flawed due to the failure to account for the synergy and cannibalization associated with the interaction of the units (Bulow *et al.*, 1985; Devinney and Stewart 1988). Hence, even if one was measuring business unit level performance, it is unlikely that this alone will account for the performance of that unit within the strategic context of the corporation as a whole.

#### **4.6.3 Mixed Market/Accounting Measures**

An advantage of mixed market/accounting measures is that they are better able to balance risk (largely ignored by accounting measures) against operational performance issues that are sometimes lost in market measures. One problem with the adoption of Tobin's q is that the replacement value of the firm's assets is almost always measured through its closely-related proxy, the book value of assets (Varaiya *et al.*, 1987). Despite the empirical similarity (a correlation between the two of over 0.9 has been observed, Perfect and Wiles 1992), the adoption of book value introduces scope for a number of accounting distortions. This is seen in the failure of empirical Tobin's q measures to include intangible assets in that replacement cost. Several authors have proposed formally measuring intangible assets, and particularly the intangible intellectual capital resident within software, patents and employees (Edvinsson and Malone, 1997; Sveiby, 1997). However, despite these calls to improve the accounting of intangible assets, and their inclusion in firm financial statements, most current FASB accounting measures ignore them. Other mixed measures such as Stern Stewart and Co.'s trademarked economic value added (EVA) have become increasingly popular (Stern *et al.*, 1995). Early research suggested that EVA, which is based on the return over the cost of equity, was a better predictor than EPS, EPS growth (Milunovich and Tseui, 1996) and ROA, ROS, and ROE (Lehn and Makhija, 1997). More recent studies have produced equivocal results, with accounting measures retaining incremental explanatory power (Chen and Dodd, 1997), and matching EVA (Biddle *et al.*, 1997; Chen and Dodd 2001).

#### 4.6.4 Survival

Survival is a common dependent variable in management research, particularly in organisational sociology and entrepreneurship where increasing attention given to ecological explanations of firm performance (Hannan and Freeman 1977). Many firms fail, making survival pertinent to researchers and managers (Dunne *et al.*, 1988). Moreover, survival and performance are closely related, with an examination of market performance finding that delisting firms underperformed the median performance of firms on the NYSE and AMEX by 48% (Baker and Kennedy, 2002). This is consistent with theory that suggests that adaptation and selection operate simultaneously, with the relative importance of each depending on the degree of organisational inertia, and the nature of the research in terms of the period of interest (Hannan and Freeman, 1977). Survival is generally measured by a categorical variable capturing the ongoing presence of the firm. A positive is that it is easier to obtain historical data on the existence of an SBU than its disaggregated financial performance. Mergers or being acquired suggest higher performance than bankruptcy, such that a categorical measure artificially limits variation. Indeed, being acquired generally results in shareholders of the target receiving a premium (Jarrell and Poulsen, 1987). The categorical measure provides only weak insight into the relative performance of heterogeneous firms, severely curtailing the dimensionality of performance.

#### 4.6.5 Subjective Measures of Organisational Performance

Subjective measures ask supposedly well informed respondents about organisational performance. This allows them to be strongly tailored to the dimensionality of the context of interest. Broadly speaking, subjective measures can be divided into two groups: those that are fully subjective and those that replicate objective measures, which we term as 'quasi-objective'. One prominent set of subjective measures of organisational performance is the *Fortune* and Reputation Institute reputation surveys (Chakravarthy, 1986; Fombrun and Shanley, 1990). Empirically, these reputation measures are strongly associated with past financial performance (Rowe *et al.*, 2003), with a weaker association with future performance (McGuire *et al.*, 1990).

Based on subjective evaluations by managers and stakeholders on a range of questions these measures contain explanatory power distinct from financial performance. Roberts and Dowling (2002) found that reputation included a clear 'financial reputation'

component that was related to earlier financial performance but that there was also a material 'residual reputation'. Residual reputation predicted future performance even though there was evidence that residual reputations were supported by factors (e.g., brand advertising) that actually weaken short-term profitability (Roberts and Dowling, 2002, p. 1090).

There has been increased attention given to measures of reputation, with corporate social performance now considered alongside financial performance in many applications (Orlitzky *et al.*, 2003). The popularity of triple bottom-line assessments has been influential in this shift. An alternative to the Fortune Reputation Index is the index constructed by the Kinder, Lydenberg and Domini (KLD). The KLD index assesses and indicators of corporate social performance based on social 'strengths' and 'concerns' relating to the environment, communities, diversity, employee relations, human rights, products, corporate governance, and whether a firm participates in qualitatively defined socially undesirable businesses like firearms, pornography or gambling.

The construction of these indexes is largely subjective, being based on a combination of objective and subjective assessments. The KLD index has been tested for construct validity (Sharfman, 1996). A recent analysis of the KLD index found that it was able to explain 69% of the variance in return on assets and 39% of the variance in earnings-per-share for a sample of 734 corporations in the period from 1997-2002 (Van der Laan *et al.*, 2008). Subjectivity introduces increased error, by allowing the imperfections of human cognition to play a greater role (Kahneman and Tversky, 2000; Gilovich *et al.*, 2002): the more objective the focal construct is, the less scope there is for bias. This has been supported by studies of the Fortune reputation index, where evaluator assessments of more specific dimensions were better at explaining performance than those on more abstract dimensions (McGuire *et al.*, 1990).

#### **4.6.6 Fully Subjective Measures**

Fully subjective self-report measures allow researchers to address latent performance constructs directly. Instead of asking for opinions on some objective measure, as in the case of quasi-objective measures, fully subjective self-report questions go directly to the underlying performance construct. An important aspect of this direct approach is that because these measures are not anchored to any definite object they are inherently

relative (March and Sutton, 1997). For instance, the respondent may be asked to compare the performance of the company to that of a rival or to some other benchmark. The lack of a fixed reference point also provides subjective methods with much flexibility. Researchers are able to define the content and anchoring of questions and so direct respondents to the dimensions of performance directly, either individually or in aggregate. However, this relativity can make fully subjective measures unreliable in the face of the highly variable aspirations of respondents. Fully subjective measures face challenges from psychological biases. For instance, the halo effect can materially impact perceptions of performance (Rosenzweig, 2007). Cognitive biases can substantially impact subjective measures, and particularly self-report measures from individuals who are part of the focal organisation. The dimensionality of such measures can be highly skewed by such biases. Evidence suggests that participants tend to view themselves positively (Taylor and Brown, 1988), construe external criteria in their favour (Stajkovic and Sommer, 2000) and rely on causal ambiguity to take credit for positive outcomes (Campbell and Sedikides, 1999). The quality of self-report is increased the closer collection is to the event (Arnold *et al.*, 2000; Mezas and Starbuck, 2003), and by selecting well informed respondents (winter, 2003).

Yet despite the obvious issues, the correlation between subjective and objective measures has been shown to be between 0.4 and 0.6 (Wall *et al.*, 2004), with higher correlations as high as 0.81 (Guthrie, 2001) achieved by using more specific subjective constructs. A specific definition is important in minimizing measurement error created by the differing aspirations of respondents (March and Sutton, 1997). This has been supported by studies of the *Fortune* reputation index, where assessments of more specific dimensions were better at explaining performance than those on more abstract dimensions (McGuire *et al.*, 1990). The correlation between subjective and objective profit or productivity measures was found to be significantly greater than those between these measures and their values for previous years. This result is all the more impressive given the well accepted autocorrelation of performance due to reputation. The measures were also found to display strong construct validity, in that they related to measures of other related constructs in a consistent way (Wall *et al.*, 2004). These empirical findings suggest that researchers should not view the choice of subjective measures as a second-best alternative, but instead should weigh the tradeoffs between subjective and objective measures against the research context in order to determine which is more favourable in the circumstances.

#### 4.6.7 Quasi-Objective Measures

Quasi-objective measures elicit specific objective performance information through self-report techniques; for instance, by asking a salesperson the level of sales or the CEO to estimate the market value of the firm. Venkatraman and Ramanujam (1986, 1987) distinguished these measures from objective values collected from secondary sources. However, this is a harsh distinction, as the vulnerabilities of accounting systems suggest that similar imperfections can attend both sources. Influential research has often treated these as equivalent to the fully objective measures they reflect. For instance, Dess and Robinson (1984) compared quasi-objective and fully subjective measures of ROA and sales growth in privately held firms. This review of performance measures indicates that although they share much variance, some variation remains between them. This is consistent with the dimensionality of performance itself.

For example, it would be very unlikely for a single organisational action to impact accounting, market, survival and subjective measures of performance equally. A single action like an asset sale might improve accounting performance while distorting market assessments. This suggests the need to select a measure of performance that is closely related to the research question under investigation. Unfortunately, what this implies is a tendency to select performance measures for which significant effects are either found or likely to be found rather than, more correctly, relating a series of theoretical antecedents to an overarching construct of performance for which some dimensions are relevant and others are not. Researchers need to maintain a broad measure of performance. One that accounts for its multidimensionality but also one that allows for the variation between measures.

For many areas of research there are no objective (subjective) market or accounting based measures, as would be the case with customer or employee satisfaction (not clear). In other cases, for example when measuring multinational subsidiary performance, there may be no objective accounting, market or financial measures available publicly and one must rely on subjective managerial estimates of accounting or market performance. However, even if we put these practical concerns aside, the main problem is the nature of the relationships between the various measures themselves.

The fusion between the review of dimensionality and the review of measures reveals that there is no singular measure of performance that is without limitations. Subjective measures are easily rejected by senior managers and academics as biased, yet the empirical evidence shows that they are not inherently erroneous and that similar criticism could be raised with respect to the limitations of objective measures.

## **4.7 Challenges of performance measurement**

Three key challenges associated with measuring organisational performance are: measurement complexity, measurement time span and measurement benchmarking. These challenges underpin the lack of consensus regarding business performance management.

### **4.7.1 Measurement Complexity**

Several factors mean that a single construct cannot be used satisfactorily to measure business performance. First, businesses have different stakeholders with diverse needs who use different performance dimensions to judge firm effectiveness. In addition, for a variety of reasons, the desirability of the different business performance outcomes varies across countries. Hence, in the U.S. and UK great importance is attached to shareholder returns, whereas in Japan and Germany the maintenance of employment is more highly valued (Devinney *et al.*, 2010). Second, the different business environments, strategies, capabilities and resources of firms lead them to focus on different performance dimensions. For instance, businesses seeking to establish a dominant position in newly emerging industries or to gain a strong base in an established industry (as in the case of Toyota when they entered the U.S. car market) may sacrifice short term profitability in order to build sales and gain market share. In contrast, firms in a very competitive market during a recession may let market share fall in order to boost cash flows. Hence, the inherently complex nature of business in the modern world means that it is not possible to gauge firm performance with a single metric. Several dimensions are required to adequately capture the performance of firms.



### 4.7.2 Measurement Time Span

Depending on the question of interest, practitioners and researchers apply very different time horizons when evaluating firm performance. Some shareholders adopt a relatively short timescale, while researchers have adopted ten-, twenty- or even fifty-year timescales to explore the maintenance of superior performance (Jacobsen, 1988; Maruyama and Odagiri, 2002). Therefore, when it comes to the measurement of firm performance, there is no standard time horizon of measurement.

### 4.7.3 Measurement Benchmarking

In market economies, firms compete against each other and try to dominate their peers by building competitive advantage. This enables sustained superior performance to be achieved for a period of time. Firms can build competitive advantage by moulding their industrial environment to their own advantage (Porter, 1980) and/or by building durable and distinctive firm capabilities and resources (Conner, 1991), or through innovation. This means that the performance of firms has to be judged through a process that compares them with their peers. However, the process of making peer comparisons between businesses is not straightforward because each firm has a unique mix of participation in different industries, market segments and countries, which sometimes makes the selection of peers for comparison difficult. Furthermore, the different systems of industry classification have strengths and weaknesses which impinge on, and affect the results of, the measurement process.

## 4.8 Selection and Implementation of Performance Measures

Having described a range of types of measures, the literature also discusses their appropriate selection and implementation (Ridgway 1956; Globerson 1985; Johnson and Kaplan 1987, pp. 253-262; Fortuin, 1988; Lea and Parker 1989; Kaplan and Norton 1992; Bititci *et al.*, 1997; Robson 2005; Hammer 2007, Purbey *et al.*, 2007), including a summary of existing work in the area (Neely, 1997). Table 1 summarises the literature concerned.

**Table 4.1: Advice for Effective Performance Measures in the Literature**

Publication	Recommendations for Effective Performance Measures	Description of Research Principles
<b>Hammer (2007)</b>	<ul style="list-style-type: none"> <li>• Decide what to measure</li> <li>• Measure the right way</li> <li>• Use metrics systematically</li> <li>• Create a measurement friendly culture</li> </ul>	Guidance to avoid ‘the 7 deadly sins of performance measurement’, enabling performance improvement
<b>Purbey <i>et al.</i>, (2007)</b>	<ul style="list-style-type: none"> <li>• Sensitivity to changes in internal and</li> <li>• External environment of organisation</li> <li>• Reviewing and reprioritising internal objectives when environmental changes are significant</li> <li>• Deploying changes to internal objectives and priorities to critical parts of the organisation</li> <li>• Ensuring that gains achieved through</li> <li>• Improvement programs are maintained</li> </ul>	Guidance for characteristics of a performance measurement system for healthcare processes
<b>Robson (2005)</b>	<ul style="list-style-type: none"> <li>• Measurement system must provide</li> <li>• Relevant graphical information at local level</li> <li>• Performance measurement information must be in a form that assists people in perceiving their control of performance as part of their job</li> <li>• Measurement system designed from the outset with psychological consequences in mind</li> </ul>	Examines how to implement a performance measurement system that creates a high performance culture
<b>Bititci <i>et al.</i>, (1997)</b>	<ul style="list-style-type: none"> <li>• System deploys corporate and stakeholder</li> <li>• Objectives throughout organisation</li> <li>• The system defines key competitive factors, position of the business within a competitive environment</li> <li>• Focus on key business processes</li> </ul>	Presents reference model for a performance measurement system, as a critical system embedded within performance management as a key

	<ul style="list-style-type: none"> <li>• Manage performance</li> <li>• A measurement methodology</li> <li>• differentiating between actuality,</li> <li>• capability and potentiality</li> <li>• Use of proactive rather than reactive measures</li> </ul>	business process
<b>Kaplan and Norton (1992)</b>	<ul style="list-style-type: none"> <li>• Use a broad based set of measures</li> <li>• Measures should have an associated goal</li> <li>• The opinions of a range of stakeholders should be taken into account</li> </ul>	Develops a practical tool consisting of a range of measures intended to avoid maximising performance in one area at the expense of another. Both financial and operational measures should be used, operational measures are the drivers of future financial performance
<b>Lea and Parker (1989)</b>	<ul style="list-style-type: none"> <li>• Simple to understand</li> <li>• Ensure visual impact</li> <li>• Improvement focussed rather than on variance</li> </ul>	Japanese operations management based work using lean principles.
<b>Fortuin (1988)</b>	<ul style="list-style-type: none"> <li>• Enable fast feedback</li> <li>• Provide information</li> <li>• Be exact and precise about what is being measured</li> <li>• Be objective not subjective</li> </ul>	Development of effective indicators, operations research numerical, objective bias.
<b>Johnson and Kaplan (1987 pp 253-262)</b>	<ul style="list-style-type: none"> <li>• Use broader range of operational performance measures rather than traditional accounting measures</li> </ul>	Describes the inadequacy of traditional management accounting system measures, advocating a broader, and operations

		based approach to measures.
<b>Globerson (1985)</b>	<ul style="list-style-type: none"> <li>• Be aligned with strategy</li> <li>• Provide timely and accurate feedback</li> <li>• Relate to specific, stretching but achievable goals</li> <li>• Based on quantities that can be influenced or controlled</li> <li>• Clearly defined</li> <li>• Be part of a closed management loop</li> <li>• Have an explicit purpose</li> <li>• Be based on an explicitly defined formula and source of data</li> <li>• Use ratios rather than absolute numbers</li> <li>• Use data which are automatically collected as part of a process where possible</li> </ul>	Effective performance measures must be developed as a basis for effective planning and control performance management. Emphasis on operational performance criteria.
<b>Ridgway (1956)</b>	<ul style="list-style-type: none"> <li>• Both qualitative and quantitative performance measures must be used to avoid dysfunctional consequences</li> <li>• Performance measures must be chosen to determine the right behavioural consequences</li> </ul>	Describes and gives suggestions for mitigating the effects of dysfunctional consequences of performance measures

A repeated theme across the various publications is the need for a broad range of both financial and non-financial measures, though there is some conflict as to how this should be achieved. Fortuin (1988) proposes objective measures, which is inconsistent with Johnson and Kaplan (1987 pp253-262) proposing use of behavioural measures. There is also a focus on performance measurement systems, rather than individual measures. Another theme is the need for following up performance measurement, Globerson (1985) discusses a closed management loop, Robson (2005) referring to use of performance measurement information in follow up action and Fortuin (1988)

describing the importance of feedback. In a similar vein Lea and Parker (1989) discusses performance improvement, alluding to some kind of feedback.

Thus far this chapter has evaluated the importance and relevance of organisational performance, and interrogated the literature to evaluate the different types of measures adopted as well as weighed the benefits and drawbacks of each of these measures.

#### **4.9 Justification for using subjective measure**

It was pertinent to investigate the different performance management measures, highlighting the benefits and weaknesses of each one to determine which is best suited to this research; these details have already been provided above. This research will adopt the fully subjective measure (FSM) of performance for the following reasons: 1) FSM allows the researcher to concentrate on underlying performance indicators directly; this research will be measuring organisational performance using performance outcomes such as quality, efficiency and profitability which will create employee productivity, customer satisfaction and customer retention. The performance outcomes subjective in nature, therefore well suited to this measure. 2) FSM make use of self-report questions that directly address the underlying performance construct; in measuring performance of the two case study organisations in this research, specific questions were posed to the respondents ( individuals holding senior management positions), asking them to comment on how organisational performance is measured and their assessment of the performance of their organisation. 3) Another benefit of FSM that makes it appropriate for this research is the fact that it is not attached to any definite object i.e. asset or profit, rather the focus of this performance measure is the rather subtle performance indicators such as employee productivity, customer satisfaction and customer retention.

#### **4.10 Proposed Research Framework**

HGSMEs have been identified as firms exhibiting some unique internal characteristics (see chapter 2). These internal factors are prerequisite to growth but more importantly the prevalent organisational climate can be an enabler or inhibitor to performance. A positive organisational climate is an important part of the performance matrix. Some of the internal characteristics of HGSMEs are properties of positive organisational climate (for example teamworking, communication, decentralised organisational practices –

autonomy, transformational leadership, involved workforce –employee involvement). With the identification of some form of similarities between the internal makeup of HGSMEs and organisational climate, the important thing is to ensure the facilitation of an alignment of the organisational factors in order to produce desired climate.

The contributory role of organisational factors (leadership, strategy, HRM practices and entrepreneurial orientation) in shaping organisational climate has been explored and the relationship between each of these constructs has been probed. However this research is proposing a holistic view of how all these factors together create a favourable and positive organisational climate which precipitates the achievement of a desirable organisational performance in Nigerian HGSME. This study posits that organisational climate may impact organisational performance either positively or negatively. A trawl of several literatures reveals that perception of positive organisational climate contributes to organisational performance. Therefore, based on our understanding of how these organisational factors influence the perception of a positive climate, our attention is then drawn to ensuring these factors are present and facilitate performance. A set of hypotheses are tested to confirm research propositions.

#### **4.11 Conclusion**

Organisational performance is important to scholars across the entire domain of management research. Strategy and accounting scholars seek to influence and measure organisational performance. Similarly, scholars in marketing, operations and human resource management seek to understand and improve performance, each adopting discipline-specific measures such as customer satisfaction, productivity and employee satisfaction (Chenall and Langfield-Smith, 2007). However, understanding how discipline-specific measures load onto the dimensions of organisational performance and the interrelationships between specialist measures is essential to understanding the relationships between multiple organisational actions. Understanding that just having better data will not help us understand performance better.

Even with better data, the multi-dimensionality of performance will imply that we need theory to help us understand how the dimensions go together. The link between the performance context and the measures is critical, it is important to understand how the specific performance measures used are influenced by the complex combination of context and actions over time. As it is unlikely that objective measures alone will

capture this, therefore more research is required to illuminate what combinations of subjective and objective measures best capture performance, over what time period fluctuations in performance appear, and most importantly a broader exploration of the paths that link heterogeneous environments, and firm characteristics, practices and strategies to overall organisational performance.

## CHAPTER FIVE - RESEARCH METHODOLOGY

### 5.0 INTRODUCTION

This chapter describes the ontological, epistemological and methodological philosophies adopted in the conduct of this research. These philosophies enabled the acquisition of empirical knowledge about the phenomenon of study (organisational climate and performance) within a chosen environment (Nigerian high-growth SMEs). Methodological philosophies are mired in ambiguity and inconsistencies. Goulding (1999, p.862) opined that methodological philosophies should benefit from clear definition and differentiation between and across them, with fixed set of principles and procedures. Wallendorf and Brucks (1993, p.355) concluded that, researchers must ensure that their chosen 'methods are carefully selected and carefully and conscientiously applied'. Therefore, the methodology for this research was cautiously selected to enable an in-depth enquiry into the impact of organisational climate (OC) on performance (unraveling the role of OC as a corporate performance predictor /mediator). Remenyi *et al.*, (1998) concludes that the research methodology should pilot the readers in distinguishing the procedural structure in which a research is carried out. The chosen methodology enabled sufficient flexibility to facilitate a thorough exploration of interdependencies between OC and corporate performance based on information elicited from SME employees, both managerial and non managerial staff (subjective and objective) information. This chapter also examines the research model and instruments, research methods and strategy, justification for the chosen strategy and a holistic view of the research framework/protocol.

Collis and Hussey (2009) identified methodology as the 'overall approach to the entire process of the research study'. Saunders *et al.*, (2009, p.600) defined research strategy as 'the general plan of how the researcher will go about answering the research questions'. On a similar note, Bryman (2008, p.698) identified research strategy as 'a general orientation to the conduct of research'. Research strategy, according to Remenyi *et al.*, (2003), provides the overall direction of the research including the process by which the research is conducted. Saunders *et al.*, (2009) mentioned that appropriate research strategy has to be selected based on research questions and objectives, the extent of existing knowledge on the subject area to be researched, the amount of time and resources available, and the philosophical underpinnings of the researcher. Based



on the above definitions; research methodology is focused around the problems to be investigated in a research study and hence is varied according to the problems to be investigated. Saunders *et al.*, (2009) presented the overall research methodology in the form of an “onion”, in which the thoughts with regard to the research problem lie in the centre and thus several layers have to be “peeled away” before coming to this central position. These layers are the important aspects to be considered in determining the research methodology for a particular research study. Accordingly, research philosophy, approach, strategy, choice, time horizon, and techniques were the layers identified. Whilst different classifications and definitions of these terms exist, classification put forward by Saunders *et al.*, (2009) is preferred here, as it provides an unambiguous overall framework for the complete research process.

Adopting a quite different approach, Yin (2003b) recommended that a particular research strategy has to be selected based on three (3) conditions; the type of research question, the extent of control an investigator has over actual behavioural events, and the degree of focus on contemporary or historical events. There are various different research strategies with distinctive characteristics available from which a researcher may select, based on the above criteria. Both Yin (2003b) and Saunders *et al.*, (2009) acknowledged that although various research strategies exist, there are large overlaps among them and hence the important consideration would be to select the most advantageous strategy for a particular research study. Some of the common research strategies used in business and management are experiment, survey, case study, action research, grounded theory, ethnography, archival research, cross sectional studies, longitudinal studies and participative enquiry (Easterby-Smith *et al.*, 2008; Collis and Hussey, 2009; Saunders *et al.*, 2009). From these various strategies, this research sought to adopt the case study research strategy as the appropriate strategy for research. Following sections briefly describe the case study strategy and justify its preference as opposed to other strategies.

## **5.1 THEORETICAL ASSUMPTIONS AND PARADIGM**

Educational psychology requires that a researcher become sensitive to the range of theoretical assumptions that might underpin their research (Creswell, 1998; Guba, 1990; Mayor and Blackmon, 2005). One of the major influential frameworks for identifying assumptions underlying research was given by Guba and Lincoln (1985). This framework identified four broad “inquiry paradigms” – positivism, post positivism,

critical theory, and constructivism. These paradigms differ in terms of ontology (views about nature of reality), epistemology (views about the relationship between the knower and what can be known), and methodology (how to go about studying a phenomena).

According to Guba and Lincoln (1985) ontology, epistemology and methodology are interdependent, such that ontological perspectives (e.g. reality as socially constructed) are linked to epistemological assumptions (what is the knowledge that requires a process of constructive meaning-making) and methodological frameworks (a belief that “individual constructions can be elicited and refined only through interaction between and among investigators and respondents).

Burrell and Morgan (1979, p.1) assert that research philosophies enlighten researchers about the complexities of organisational study and generate understanding about the impact of research paradigms on knowledge construction. In their words ‘all social scientists approach their subjects via explicit or implicit assumptions about the nature of the social world and the way in which it may be investigated’. This relating to: ontology of the phenomenon under investigation – whether the ‘reality’ being studied is external to the individual or a product of individual consciousness; and the epistemological assumptions ‘about how one might begin to understand the world and communicate this knowledge to fellow human beings’(Burrell and Morgan, 1979, p.1). Denzin and Lincoln (2000, p.18) affirm that the methodological choice of a research project is the result of ‘a set of ideas, a framework (theory, ontology) that specifies a set of questions (epistemology)’. These theoretical assumptions and their interdependencies are discussed in more detail in the following sections.

### **5.1.1 EPISTEMOLOGY**

The epistemology of this research is rooted in positivist and interpretivism paradigms. Epistemology considers views about the most appropriate ways of enquiring into the nature of the world (Easterby-Smith, Thorpe and Jackson, 2008) and ‘what is knowledge and what are the sources and limits of knowledge’ (Eriksson and Kovalainen, 2008). Questions of epistemology begin to consider the research method, and Eriksson and Kovalainen go on to discuss how epistemology defines how knowledge can be produced and argued for. Blaikie (1993) describes epistemology as ‘the theory or science of the method or grounds of knowledge’ expanding this into a set

of claims or assumptions about the ways in which it is possible to gain knowledge of reality, how what exists may be known, what can be known, and what criteria must be satisfied in order to be described as knowledge. Chia (2002) describes epistemology as ‘how and what is possible to know’ and the need to reflect on methods and standards through which reliable and verifiable knowledge is produced. Hatch and Cunliffe (2006) summaries epistemology as ‘knowing how you can know’ and expand this by asking how is knowledge generated, what criteria discriminate good knowledge from bad knowledge, and how should reality be represented or described. They also emphasize the inter-dependent relationship between epistemology and ontology, and how one both informs, and depends upon, the other. The epistemology of this research included all the methods, validity and scope of knowledge that were employed in the conduct of the study. It stood as the researcher’s investigation of what distinguishes belief from opinion. Epistemology allows the validity of conclusion as truth and not as an opinion

### **5.1.2 ONTOLOGY**

Ontology on the other hand is concerned with the ‘real world’ (the natural world) – it is concerned with how the ‘real world’ came to be, rather than an analysis of what it is. Collis and Hussey (2009) submit that ontological assumption relates to the nature of reality and how it is articulated differently in accordance to the philosophical orientations. It describes our view (whether claims or assumptions) on the nature of reality, and specifically, is this an objective reality that really exists, or only a subjective reality, created in our minds. According to Stenbacka (2001), ontology implies a study of existence based on the assumption of its absolute and metaphysical meaning, and not on its cognitive meaning.

The methods of validating the conclusions of this research are discussed in the subsequent sections. It is worth mentioning that both ontology and epistemology occupy a position, with ontology defining the research framework, and epistemology determining the sets of research questions/ objectives.

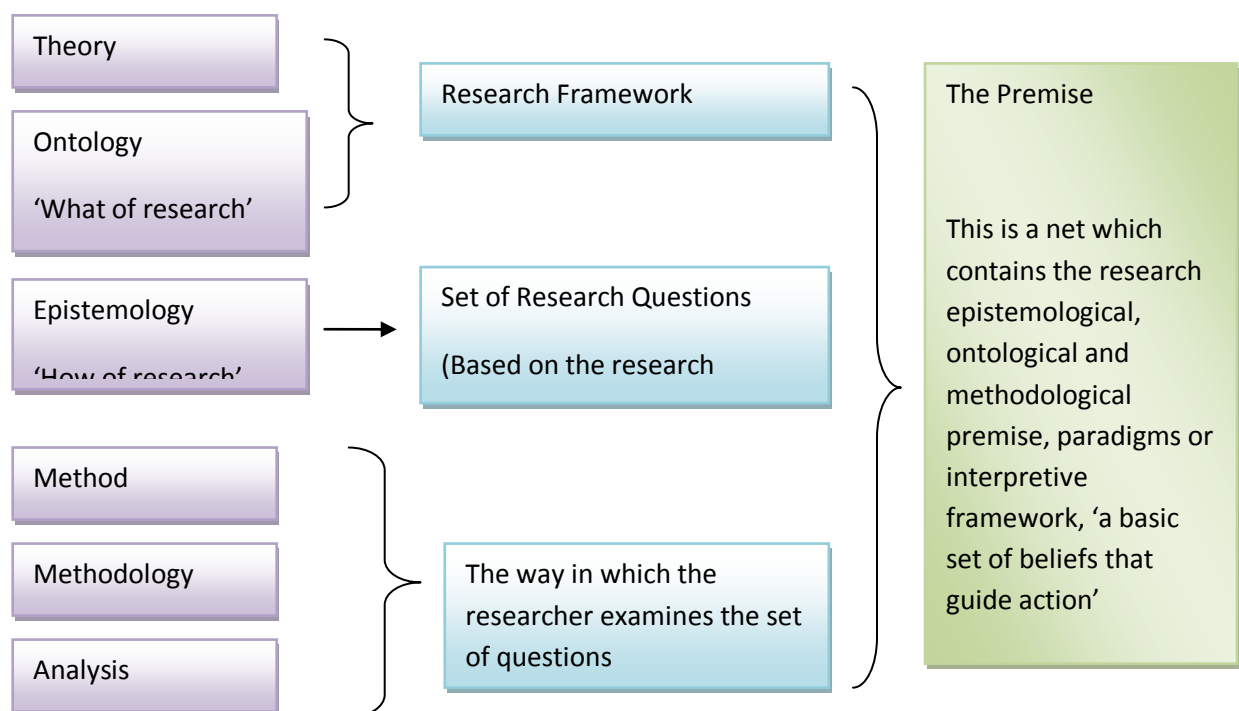
### **5.1.3 AXIOLOGY**

In considering Research Philosophy and approach, it is important to consider how the individual values of the researcher may play in each stage of the Research Process. Saunders *et al.*, (2007) cite Heron, who argues that our values are the guiding reason for

our action. Further, articulating their values as a basis for making judgments about the research topic and research approach are a demonstration of axiological skill. For example, using surveys rather than interviews would suggest that the rich personal interaction is not something that is valued as highly as the need to gather a large data set. It is argued that through understanding and being aware of your own values and transparently recognising and articulating these as part of research process will mean that your research is strengthened, in terms of transparency, the opportunity to minimise bias or in defending your choices, and the creation of a personal value statement is recommended.

Figure 5.1 below shows the interrelationship between methodology, epistemology and ontology using a generic qualitative research activity.

**Figure 5.1: Generic Research Activities**



**Source: Adapted from (Clarke, 1998)**

From the above diagram, it can be seen that ontology, epistemology and methodology form an all-encompassing system of interrelated practice and thinking that defines the nature of a researcher’s enquiry. Within the premise or paradigm of this study, ontology specifies the nature of the reality studied, (organisational climate and performance) and

what can be known about it (causal interdependencies). Epistemology specified the nature of the relationship between the researcher (knower) and what can be known. Methodology specified how the researcher may go about practically studying (rule focused procedures) what is believed can be known (causal interdependencies). Table 5.1 below presents a summary of different research philosophies and methods.

**Table 5.1 Research Philosophies**

Philosophy	Ontology	Epistemology	Methodology
Positivist	- stable, external reality - law-like	- objective - detached observer	- experimental - quantitative - hypothesis -testing
Interpretive	- Internal reality of subjective experience	- empathetic - observer inter-subjectivity	- interactional - interpretive - qualitative
Constructionist	- socially constructed reality - discourse	- suspicious - political - observer constructing versions	- deconstruction - textual analysis - discourse analysis

Source: (TerreBlanche and Durrheim, 1999).

These philosophies shown in the table 5.1 above represent different approaches to research. This research adopted the mixed method adopting the positivist and interpretive philosophies, which are discussed in the next section.

## **5.2 THE RESEARCH PHILOSOPHY**

As stated above, this research is grounded in the interpretive and positivist philosophy. Interpretive research focuses on what is being accomplished, under what conditions and out of what resources. Its special feature is that it relies on first-hand accounts, tries to describe what it sees in rich detail and presents its ‘finding’ in engaging and sometimes evocative language (Yin, 1994). The rationale for the choice of philosophy is the researcher’s belief that the reality to be studied lean towards inter-subjective and interactional epistemological stance.

Again the methods chosen for this research is in-depth interview and questionnaires. These methods agree with the research philosophy because it relies on a subjective relationship between the researcher and subject (Yin, 1994). It further elucidates the subjective reasons and meanings that lie behind the behavioral aspects of organisational climate. The research style is diverse as it utilises a blend of intertwined methods in order to tease out essential data pertinent to the implementation of the research aims.

### **5.2.1 Positivist**

The positivist position is derived from that of natural science and is characterised by the testing of hypothesis developed from existing theory (hence deductive or theory testing) through measurement of observable social realities. This position presumes the social world exists objectively and externally, that knowledge is valid only if it is based on observations of this external reality and that universal or general laws exist or that theoretical models can be developed that are generalisable, can explain cause and effect relationships, and which lend themselves to predicting outcomes. Positivism is based upon values of reason, truth and validity and there is a focus purely on facts, gathered through direct observation and experience and measured empirically using quantitative methods – surveys and experiments - and statistical analysis (Blaikie, 1993; Saunders, Lewis and Thornhill, 2007; Eriksson and Kovalainen, 2008; Easterby-Smith, Thorpe and Jackson, 2008; Hatch and Cunliffe, 2006). Hatch and Cunliffe (2006) relate this to the organisational context, stating that positivists assume that what truly happens in organisations can only be discovered through categorisation and scientific measurement of the behaviour of people and systems and that language is truly representative of the reality.

### **5.2.2 Interpretivist / constructivist**

Hatch and Cunliffe (2006) describe this position as anti-positivist and by Blaikie (1993) as post-positivist since it is contended that there is a fundamental difference between the subject matters of natural and social sciences. It is argued in the social world that individuals and groups make sense of situations based upon their individual experience, memories and expectations. Meaning therefore is constructed and (over time) constantly re-constructed through experience resulting in many differing interpretations. Under this paradigm, therefore, it is seen as important to discover and understand these meanings

and the contextual factors that influence, determine and affect the interpretations reached by different individuals. Interpretivists consider that there are multiple realities (Denzin and Lincoln, 2003). Since ‘all knowledge is relative to the knower’ interpretivists aim to work alongside others as they make sense of, draw meaning from and create their realities in order to understand their points of view, and to interpret these experiences in the context of the researchers academic experience (Hatch and Cunliffe, 2006), and hence is inductive or theory building. The focus of the researcher is on understanding the meanings and interpretations of ‘social actors’ and to understand their world from their point of view, is highly contextual and hence is not widely generalisable (Saunders *et al.*, 2007). Understanding what people are thinking and feeling, as well as how they communicate, verbally and non-verbally are considered important (Easterby-Smith, Thorpe and Jackson, 2008), and given the subjective nature of this paradigm, and the emphasis on language, it is associated with qualitative approaches to data gathering (Eriksson and Kovalainen, 2008). The close nature of the researcher and the researched in this paradigm, and the risk that any interpretation is framed within the mind of the researcher means that steps must be introduced to avoid bias. When considering the phenomena under study here, this position seems to provide the most appropriate frame.

### **5.3 STUDY APPROACH**

This study will adopt an Interpretivist and positivist position. Figure 1 (below) summaries the key aspects of this study, and will be discussed further in this chapter. The primary aim of this study is to inquire into what individual perceptions (experiences and opinion) exist across the organisation with respect to organisational climate and its influence on organisational performance, interpreting these findings in the context of the academic literature on Organisational climate and performance. Literature has been used to inform the study, and since this is predicated on testing causal relationships, this study set out to test pre-existing theory, through the use of hypotheses, therefore it will rely on quantitative data and also qualitative data, with rich, open interviews with six different organisational actors to discover and understand the individual and shared sense of meaning regarding organisational climate. The study is also interested in the climate variables that impact organisational performance and entrepreneurial orientations gathered from informants and survey respondents. This study is both deductive and inductive, as it is focused on theory building and testing.

### 5.3.1 Mixed Methods

The rationale for a mixed approach comes from Jick's (1983, p. 138) contention that '...the weakness in each single method will be compensated by the counter-balancing strengths of another'. Nau (1995) further argues that 'blending qualitative and quantitative methods can produce a final product which can highlight the significant contribution of both'. Stainback and Stainback (1988) also contend that the combination of qualitative and quantitative approaches provides the opportunity to combine discovery with verification, understanding with prediction and validity and reliability within the same research design. The most prominent concern about this approach according to Simon (1994) and Jick (1983) is that there is no universally agreed process for integrating these two methodologies into a research design.

Organisational climate and corporate performance have predominantly been studied from a functionalist behaviourist or quantitative perspective (Kangis *et al.*, 2000; Patterson *et al.*, 2004; Patterson *et al.*, 2005; Schyns *et al.*, 2009; Noordin *et al.*, 2010; Adenike, 2011). This traditional approach to theory building in organisational studies has generally produced valuable but incomplete views of organisational knowledge, primarily because it has been predicated predominantly on the doctrine of the quantitative paradigm (Kuhn, 1970). This perspective frequently produces quantitative data and has restricted possibilities. Such restrictions relate to the fact that this quantitative data does not go beyond the superficial aspects and symptoms of constructs such as organisational climate. Furthermore, it does not provide a broader understanding of the behavioural complexities associated with such constructs. On the other hand, a qualitative investigation allows for a broader and exploratory way of looking at behavioural constructs by facilitating the study of issues in both depth and detail. The researcher is the instrument in this process and approaches fieldwork without being constrained by a rigid questionnaire. This approach contributes to the depth, openness, and detail of qualitative inquiry. It differs from quantitative research that requires the use of standardized measures so that the varying perspectives and experiences of people can be fitted into a limited number of response categories (Patton, 2002).



This research will embrace both qualitative and quantitative methods, which makes it a mixed method strategy. The idea of mixed methods can and should be applied if, in combination, they provide the best opportunity to address a research problem-set (Creswell, 2003). This view was previously expressed by Cavana *et al.*, (2000) in their question, ‘Can qualitative and quantitative research be used together? ‘Of course and often they should be.... The important thing is to know what questions can best be answered by which method or combination of methods’. Bazeley (2010) defined mixed methods as broadly any study in which more than one paradigmatic or methodological approach, method of data collection, and/or type of analysis strategy is employed for a common purpose, regardless of whether those methods or approaches might be defined as quantitative, qualitative, a combination of, or somewhere in between approaches that might be classified as qualitative or quantitative. Mixed research involves ‘mixing or combining quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study’ (Johnson and Onwuegbuzie, 2004, p. 17).

According to Bazeley (2010) integration of methods involves, therefore:

a) Having more than one approach, method, source of data and/or strategy for data analysis, b) having a common purpose or goal, c) Interdependence of these different elements in reaching the goal, d) having a sum greater than the parts. Yin (2006, p.41) surmised that ‘in reality that there can be many different ‘mixes’ or combinations of methods’, and there need not be a clear differentiation between qualitative and quantitative methods or approaches to research (Bergman, 2008).

There are several justifications put forward for mixing or integrating methods (Caracelli and Greene, 1997; Tashakkori and Teddlie, 2003; 2010).

- It support in building stronger conclusions, as the strengths of one approach or method serve to compensate for the weaknesses of the other (Johnson and Onweugbuzie, 2004).
- Mixing methods is also considered to facilitate new understanding of the topic at hand (Caracelli and Greene, 1997).
- It is seen as a way of providing a more robust understanding, for example, of causal processes. (Maxwell, 2004; Maxwell and Mittapalli, 2010). Thus,

integration of component parts of the study will be shaped quite differently, depending on the rationale or purpose for the study.

The most obvious practical issues to impact on mixed methods research are that the use of multiple methods potentially increases the amount of time required to complete a study and the cost of conducting the study. A more critical practical problem relates to the breadth and level of researcher skills and knowledge available, and/or the ability for those with different perspectives to work together in a team. Onwuegbuzie and Combs (2010) used classical content analysis to review mixed research articles in which authors developed typologies for mixed analysis strategies. Their analysis revealed the following 13 criteria that authors have used to create their mixed analysis typologies:

1. rationale/purpose for conducting the mixed analysis
2. Philosophy underpinning the mixed analysis
3. Number of data types that will be analyzed
4. Number of data analysis types that will be used
5. Time sequence of the mixed analysis
6. Level of interaction between quantitative and qualitative analyses
7. Priority of analytical components
8. Number of analytical phases
9. Link to other design components
10. Phase of the research process when all analysis decisions are made
11. Type of generalization
12. Analysis orientation
13. cross-over nature of analysis

Five out of the thirteen criteria above informed the choice of mixed methodology for this research and these criteria are explained below:

#### **5.3.1.1 Rationale/Purpose for Conducting the Mixed Analysis**

Greene *et al.*, (1989) conceptualized a typology for mixed methods purposes/designs that involves the following five purposes: triangulation, complementarity, development, initiation, and expansion. Applying these to mixed analysis decisions, when triangulation is the rationale for conducting the mixed analysis, a comparison of

findings from the qualitative data with the quantitative results. If complementarity is noted as the purpose for the mixed analysis, then the researcher would seek elaboration, illustration, enhancement, and clarification of the findings from one analytical strand (e.g., qualitative) with results from the other analytical strand (quantitative). When development is identified as the purpose, then the researcher would use the results from one analytical strand to help inform the other analytical strand. With initiation as a rationale for performing a mixed analysis, the researcher would look for paradoxes and contradictions that emerge when findings from the two analytical strands are compared. Such contradictions might lead to new research questions. Finally, with expansion as a purpose, the researcher would attempt to expand the breadth and range of a study by using multiple analytical strands for different study phases. This research has adopted mixed methods in order to achieve both triangulation and complementarity.

#### **5.3.1.2 Number of Data Analysis Types that will be analysed**

When conducting a mixed analysis, at least one qualitative analysis and at least one quantitative analysis are needed to conduct a mixed analysis (Creswell and Tashakkori, 2007). Therefore, an additional question for mixed methods researchers to consider would be the number of qualitative analyses and quantitative analyses needed in the study. This research will utilise one qualitative analysis (thematic analysis) and one quantitative analysis (SPSS)

#### **5.3.1.3 Level of Interaction between Quantitative and Qualitative Analyses**

Another component in mixed analyses decisions involves the point at which the various analysis strands interact. Parallel mixed analysis is likely the most common mixed analysis technique (Teddlie and Tashakkori, 2009), which involves two separate processes, for example, a quantitative analysis of quantitative data and a qualitative analysis of qualitative data. According to Teddlie and Tashakkori (2009, p.266), ‘Although the two sets of analyses are independent, each provides an understanding of the phenomenon under investigation. These understandings are linked, combined, or integrated into meta-inferences’. Quantitative and qualitative data for this research will go through parallel mix, but there will be an amalgamation of findings in order to come to a seasoned conclusion.

#### 5.3.1.4 Type of Generalisation

The type of generalizations pertinent to the study can inform the mixed analysis design. Onwuegbuzie, Slate, *et al.*, (2009) have identified five major types of generalizations that researchers can make, as follows: (a) external (statistical) generalisations (i.e., making generalisations, inferences, or predictions on data obtained from a representative statistical (i.e., optimally random) sample to the population from which the sample was drawn), (b) internal (statistical) generalizations (i.e., making generalizations, inferences, or predictions on data obtained from one or more representative or elite participants [e.g., key informants, politically important cases, sub-sample members]), (c) analytic generalizations, i.e., “applied to wider theory on the basis of how selected cases ‘fit’ with general constructs” (Curtis *et al.*, 2000, p. 1002), (d) case-to-case transfer (i.e., making generalisations or inferences from one case to another (similar) case (Firestone, 1993; Kennedy, 1979; Miles and Huberman, 1994), and (e) naturalistic generalization (i.e., the readers of the article make generalisations entirely, or at least in part, from their personal or vicarious experiences [Stake, 2005], such that meanings arise from personal experience, and are adapted and reified by repeated encounter [Stake, 1980; Stake and Trumbull, 1982]). These researchers assert that mixed analysis involves data analysis that yields one or more of these five types of generalisations, and have named this as the fundamental principle of data analysis. This research is inclined to make internal generalization due to the fact that the in depth interview generated data from a few representative participants, in addition to that analytic generalizations will be made as a result of survey data collected on organisational climate which would help to contribute to climate theories.

#### 5.3.1.5 Analysis Orientation

Analysis orientation, conceptualized by Onwuegbuzie, Slate, *et al.*, (2009) and extending the work of Ragin (1989), is a typology for classifying mixed analysis techniques. The qualitative and quantitative analyses can be any combination of the following: case-oriented, variable-oriented analyses, and process/experience-oriented analyses. Case-oriented analyses focus on the selected case(s) to analyse and to interpret the meanings, experiences, perceptions, or beliefs of one or more individuals. Because case-oriented analyses aid in understanding phenomena pertaining to one or relatively few cases, they are more often used in qualitative analyses; however, case-oriented analyses can be used for any number of cases in quantitative research with techniques

such as single-subject analyses and descriptive analyses. Variable-oriented analyses are used to identify relationships among constructs (i.e., variables) and tend to yield external generalizations. Thus, variable-oriented analyses tend to be applied to quantitative analyses—although small samples also can be used to explore relationships among variables via qualitative analyses. Finally, process/experience-oriented analyses are used to evaluate processes or experiences relating to one or more cases over time, with processes tending to be associated with variables and experiences tending to be associated with cases. This research will employ a case oriented analysis (executives from three high growth Nigerian SMEs will be interviewed to share their perceptions and experiences of organisational climate and its impact on performance, and thematically analyzing the data. Variable oriented analyses will also be used to establish relationships between organisational climate and performance variables.

#### **5.4 RESEARCH METHODOLOGY**

Methodology is a system of organising principles underlying an area of study. It is also a form of standardisation or framework which allows findings to be replicated so as to validate them (Scott and Morrison 2006). Methodology also ensures that findings are as true to reality as they can be within a given school of thought. The researcher relied on the chosen methodology to interpret existing information, discuss ideas and concepts, and to discover new information on organisational climate and performance. The methodology of this research describes the philosophical approaches, theoretical models, operationalising concepts, and rules about designing and conducting meaningful study and how to collect /analyse data, and rules for writing up results.

The methodological interest in the design, process and findings of academic research requires that readers of research do more than draw conclusions on the basis of data that is provided as evidence, since it represents the researcher's interpretation of what is worth knowing, how to attain the knowable and then to interpret it, as the core aspect of what becomes known as 'truth'. To achieve this level of truth, the data interpretation has to be set in a variety of contexts that may be 'epistemic', cultural, historical, personal and even more importantly "methodological". This brings on the issues about the relationship between methodology, (how and why of knowledge) epistemology (knowledge) and ontology (the reality we seek to know) which was examined earlier in this chapter.

## 5.5 RESEARCH STRATEGY

Research strategy is ‘a general plan of how the researcher is going to answer the research questions’ (Saunders *et al.*, 2003). This research will use in-depth interview and survey strategy. As discussed above many researchers have used a combination of several methods so as to improve the result and quality of their research (Kaplan and Duchon, 1988; Guba, 1990; Atkinson and Hammersley, 1994; Creswell, 2003). In conducting this research therefore, the researcher has chosen the strategy which provides the best results for the study and ultimately achieves the research objectives. Although interview and questionnaires was adopted as the main methods for this research, it did not preclude the use of quantitative methods. This is because any study on organisational climate can combine both qualitative and quantitative techniques for assessing climate impact on work outcomes and corporate performance (Iqbal, 2008; Gupta, 2008; Raza, 2010). The strategy chosen for this research was based on the researcher’s understanding of the philosophical issues in choosing a research method in line with the research objectives. Hence the strategy was based on interpretive philosophy, using a descriptive research approach and a qualitative methodology. As drawn from the discussions above, the use of a combination of research approaches often gives a reliable and valid result (Cavana *et al.*, 2000; Galliers, 1992; Lee, 1989). According to Clarke (1989) the use of one approach may not be sufficient in all aspects of the research enquiry. He went further to state that “not only is it perfectly possible to combine approaches within the same piece of research, but it is often advantageous to do so”. Despite the fact that quantitative and qualitative methods are often seen as opposing views and distinct, they can and have been frequently used in conjunction (Proctor, 1998)

To overcome the possible distinctions of research philosophies and methods within this research, triangulation of methods which is common in current day research was identified as useful (Polit *et al.*, 2001). The possibility of using both methods and data triangulation did not preclude an in-depth understanding of all methods employed. All the methods used in Organisational climate and performance studies in the literature were duly reviewed by the researcher to understand their applicability and uniqueness. Clarke (1998) emphasized this point: *‘Though some distinction between methods is well placed ... it is being acknowledged that philosophically, the qualitative and quantitative paradigms are not as diverse or mutually incompatible as often conveyed. Staunch*

*identification of methods with particular paradigms may not be as accurate, or even as useful, an endeavour as past trends would indicate'* (Clarke, 1998). This research allows a scope to use mixed methods as required in order to meet the research objectives. The mix of methods expectedly increased validity, reliability and generalisability of the results while limiting data bias (Abernethy *et al.*, 1999; Clarke, 1998). It also allows for as much research views as possible to be collected.

## **5.6 RESEARCH METHODS**

The term method refers to the tools or techniques used to collect, analyze and interpret data in academic research. These methods are commonly described in terms of quantitative techniques that apply statistical calculations as well as qualitative techniques which apply interviews, naturalistic and systematic observation and focus group (Scott and Morrison, 2006). These methods also constitute of procedures that enable academic researchers to confirm that the knowledge they have created has reliability and validity. Scott and Morrison (2006) identified three types of rule-focused procedures for research which include:

- a. The rules for establishing the key elements of a research, like hypothesis, research questions, theories, postulations and concepts and objectives.
- b. The rules for data collection
- c. The rules for analyzing and interpreting data.

This research adopted these three rule-focused procedures defined by Scott and Morrison (2006); this choice was based on the applicability of the procedures to the research phenomena. The study was conducted using two research methods: in-depth interview and questionnaire.

### **5.6.1 In-depth-Interview**

The first part of data collection for this study involved the elicitation of information from executives working within the high growth Nigerian SMEs environment through in-depth interview. According to Hannabuss (1996), qualitative interviews have emerged as a popular option for practitioner and student research in social sciences, as it has distinct advantages in eliciting unique information and opinions from research settings. The interviews are geared towards gaining an understanding of how people make sense of and create meaning out of the objective aspects of organisations. Exposing this understanding by means of transcription of interviews allows for the

exposure of, what has up to then been tacit, hidden away, or merely been inferred from an actor's actions. These understandings may include perceptions, connotations to meanings, implicit consensus and intentions. Qualitative interviews were therefore chosen as the most appropriate means of gathering the data.

In a personal interview, the interviewer asks the respondent's questions in a face to face situation with already established general topics for investigation. Personal interviews differ in terms of their degree of structure and openness. Personal interviews, especially unstructured interviews, have an advantage over telephone interviews or postal surveys in that they have the highest response rates and helps the researcher to generate great wealth of meaningful data through using non verbal communications and visual aids (Neuman, 2007, p.190). This method also allow for the exploration of emergent themes and ideas rather than relying only on concepts and questions defined in advance of the interview (Easterby-Smith, 2005). Interview guide with set questions is utilised which poses the same questions to all respondents. The questions are asked in a similar order and format to make a form of comparison between answers possible. Another benefit of this method is that, it creates scope for pursuing and probing for novel, relevant information, through additional questions often noted as prompts on the schedule. The interviewer frequently has to formulate impromptu questions in order to follow up leads that emerge during the interview. The interviewer's role is engaged and encouraging but not personally involved. The interviewer facilitates the interviewees to talk about their views and experiences in depth but with limited reciprocal engagement or disclosure.

### **5.6.2 Interview Protocol**

Unstructured, face-to-face interviews lasting up to one hour was undertaken with each informant, conducted at the office of the respondent or an appropriate public location. These interviews was requested initially via email, and booked in advance. At the beginning of each interview, a brief outline clarifying the nature of the research, the interview approach (content, confidentiality, consent, and recording methods) and points regarding the onward use of the data was described. The informant had the opportunity to clarify any points and was asked to confirm that they are happy to proceed. All interviews were undertaken in private areas and with the informants'



permission, the interviews were tape recorded and notes taken, regarding informant responses or any potential issues with the interview protocol itself. Interviews utilised open ended questions to elicit stories and perceptions about the experiences of employees in the context of organisational climate. Interviews were conducted in English. Data were recorded in the form of field notes and tape recordings (clearance was obtained for the use of a tape recorder). The objective of this method was to promote 'story telling' through qualitative analysis of informant oral histories that resulted in a delineation of consistent and consensual meanings within the specialized context of organisational climate (Nwakwo, *et al.*, 2011). In addition, observations were made with respect to the informants' demeanour. The length of the interview was also noted. The interview was closed with a debrief which re-iterated the purpose of the study, how the interview content will be utilised and confidentiality retained regarding the identity of the interviewee, as well as thanking them for their time. A log was kept throughout the interview process, and any constraints or deviations from this standardised approach was noted. Interviews were allowed to overrun, and where this was the case, or where comments are made after the interview has formally completed, permission was sought to use these statements, and if granted, the additional information was included in the interview transcript.

Each interview was later transcribed by hand and captured in Microsoft Word. According to Sanders (1982), it is important for the phenomenological analysis that the interviews be transcribed as this provides a basis for the data to be analysed. Each informant was given a fictitious name, to maintain anonymity. A literature review was done prior to the interviews to provide the researcher with insight into the field being studied and to provide a framework for specific questions related to organisational climate and performance.

The Interview guide encapsulates the questions that formed the basis of the interview. The questions were intended to be general, neutral and exploratory, and this set of questions is a revised version of the questions used in the pilot study. Specific revisions have been included to accommodate the findings from the pilot study. It is proposed that a generic set of questions is used for all interviews. As well as a number of core questions, supplementary probes have also been included. In addition, general probes such as 'what do you mean by that?' and 'can you give me an example?' or 'is there

anything else you would like to add?’ will be used as needed. If interviewees provide information at earlier stages of the interview that address later questions, these questions may not be used, or may simply be used to clarify earlier points.

As part of the interview, each informant was asked whether they could provide any reference material. Each interview was transcribed, and with appropriate consideration towards confidentiality. These measures are aimed at strengthening the validity of the research design. Easterby-Smith, Thorpe and Jackson (2008) remind us that one common risk associated with the interpretivist approach is whether the study does ‘clearly gain access to the experiences of those in the research setting’ and that issues of validity can affect the generalisability of the findings. Each personal interview also exposed some other perspectives on organisational climate and performance of Nigerian high-growth SMEs, which the questionnaires did not capture but which has a lot of relevance on the performance and growth of this all-important subsector of the Nigerian economy. The interview guide is available in appendix B. See Appendix C for the introductory email used to solicit informants’ participation.

### 5.6.3 Survey Questionnaire

Questionnaires include different types of data collection in which each respondent is asked to answer the same set of questions in a predetermined order (Saunders, *et al.*, 2007). Questionnaires are a self reported method for gathering data from the respondents. There are two types of questionnaires: self administered questionnaires and interviewer questionnaires. Self-administered questionnaires are normally completed by the respondents using any of these three methods: internet (internet and intranet-mediated questionnaires), postal or mail questionnaires, and hand delivered to respondent and collect later (delivery and collection questionnaire). Interviewer questionnaires can be administered via telephone or through structured interviews (Saunders, *et al.*, 2009, p.363).

Considering the nature of the phenomenon under investigation, the industry being studied and the type of data required, a self administered questionnaire has been chosen as the best method for data collection, this involved the issue of questionnaire to non executives (since they have taken part in interviews), these are managers and non managerial staff. Organisational climate is a characteristic of an entire organisation and,

as Wilderom *et al.*, (2000, p. 207) argue, 'it is crucial that researchers investigate all sorts of organisational members, representative of all the various hierarchical, departmental, divisional and/or professional entities' (However, investigations often focus only on managerial employees (Gordon and DiTomaso, 1992; Kotter and Heskett, 1992; Sheridan, 1992; Denison and Mishra, 1995; Weber, 1996; Denison, 2001). Clearly, for inclusiveness, we need measures of organisational climate that assess the experiences of employees throughout the workforce. The content and wording of such measures should therefore be relevant and comprehensible to all organisational members.

Below are some other factors considered in making this decision:

- It was easy and feasible to distribute questionnaire via e-mail and post. Both SMEs included in the study could be approached via this method, which saved both time and cost.
- Respondents were able to complete the questionnaires in their own time. This was suitable because some of the respondents are busy senior managers who may not have time to attend to issues outside their core business. Again, completing the questionnaire at a time convenient and outside the office environment gave room for greater objectivity in their responses and limited the effects of 'group speaks'.
- The use of questionnaire enabled the use of standardized questions which were clear and straightforward, not having any leading questions. This factor was very important and ensured that a large portion of the questionnaire were answered adequately and returned accordingly.
- The use of questionnaire enabled more research ideas to be obtained; self addressed envelopes were included for mail questionnaires where personal administration and collection was not possible. This also increased the return rate of the questionnaires. The use of 'contact persons were more effective with questionnaire, where the identified 'contact person' collected questionnaires returned in the researcher's absence. This was a good way of over-coming the difficulties with most other methods of data collection like focus groups where the researcher must be present to conduct interviews and go away with recordings or notes.

The questionnaire was designed to fulfill the research objectives, with the questions being close-ended; where the respondents only selected an answer. Again, in order to

achieve high response rate, the questions were constructed in consideration of the respondents. This included:

- Ensuring that the questions were simple and understandable, to avoid tasking the respondents' memory and making them lose interest.
- Ensuring that the questions did not include leading or loaded questions
- Maintaining courtesy and clarity in all the questions and using conventional language.
- Ensuring that the questions concentrated on universal organisational climate concepts and not attached to SME-specific information or personal matters.
- Offering the results of the study to the respondents for review.
- Ensuring that interviewees were not linked to their responses to ensure confidentiality and anonymity.
- Allowing enough time for the completion and returning of the questionnaires
- Making no assumptions in the questions and including no double-barreled items.

The questionnaire consists of a demographics section (section A) and organisational climate section (section B). Respondents had to choose the degree to which they agreed with the statements. A five point Likert scale was used to assess the organisational climate and performance sections, respectively. The response categories ranged between strongly agree to strongly disagree. The questionnaire is contained in Appendix A. The overall goal of the quantitative phase of the research was to assess the relationship between organisational climate variables and performance. To assess each of these constructs, an existing organisational climate instrument was adopted as it was deemed fit for the purpose of this research. The instrument is discussed below

#### **5.6.4 Organisational Climate Measure® (OCM)**

Patterson *et al.*, (2005) developed the OCM using the Competing Value Framework (CVF) as a means of devising the different scales of the measure. Their final measure consisted of 17 scales (Involvement, Autonomy, Supervisory support, Integration, Welfare, Training, Reflexivity, Innovation and flexibility, Outward focus, Pressure to produce, Clarity of organisational goals, Performance feedback, Quality, Efficiency, Effort, Formalization, Tradition) with each of the scales relating back to a dimension of the Competing Value Framework (CVF), which are internal process, rational goal, open

systems and human relations. This view regards to organisational climate as a measure of organisational effectiveness. This instrument is adapted to include organisational performance variables with 8 scales (flexibility, acquisition of resources, planning, productivity and efficiency, availability of information, stability, cohesive workforce and skilled workforce).

### **5.6.5 Survey Questionnaire Format**

As stated earlier the questions were close - ended (fixed alternative questions). The main reasons for the choice of close –ended questions included the fact that:

- They usually do not require an interpreter or interviewer as they are self – explanatory
- They are usually time – saving and can be answered by the respondents in-between other duties and faster too.
- They require fewer instructions and will not bore the respondents when compared with other types of questions that will leave the respondents thinking of how to answer the question.
- Close-ended questions focus the attention of the respondents to specific aspects of the research issue.

They enable the researcher to create questions which respondents can answer without requiring the attention of the researcher.

### **5.6.6 The Scaling of the Responses**

The ordinal scale was chosen as the most appropriate scale for this research. Zikmund (1997) described ordinal scale as the most ideal scale for questionnaires where the viewpoints and attitude of individuals are solicited or requested. The likert – type ordinal scale was considered to be the best in terms of measuring the attitudes of respondents to determine their degree of agreement with the close –ended questions. This scale will vary from ‘strongly agree’ to ‘strongly disagree’. According to Zikmund (1997) likert measurement may include several scale items which will form an index, while a single item on a summated rating scale represent an ordinal scale. Based on this, each question was built to represent a specific point in an attitudinal / behavioral domain. The scaling required respondents to choose from four options, which were assigned numeric values from 1 to 4 as shown in the table 5.2 below. The most

favourable attitude on the question/ statement was indicated by strong agreement, with a corresponding value of (5) assigned to that particular response. However, were response to the question is negative or the least favorable; the value of (1) was assigned.

**Table 5.2: The Five Point Likert Type Scale for Measuring Responses**

Scale Value	Scale Description
5	<b>Strongly agree:</b> This point indicates that the statement is absolutely relevant, highly favoured, and highly important and in the respondents' views and experience.
4	<b>Agree:</b> This point indicates that the statement is relevant, very important and true to a high degree based on the respondents' views and experience.
3	<b>Undecided:</b> This point indicates that the statement could be relevant, important or partly true based on the respondents' views and experience
2	<b>Disagree:</b> This point indicates that the statement is of no relevance, unimportant or not implemented based on the respondents' views and experience.
1	<b>Strongly disagree:</b> This point indicates that the statement is highly untrue, unimportant based on the respondents' views and experience.

### 5.6.7 Questionnaire Pre-testing

The questionnaire for this research was pre-tested to determine its suitability in providing the required information towards achieving the research objectives. Piloting is a very useful aspect of questionnaire construction process usually referred to as pre testing. A pilot study is important and very useful in enabling researchers to re-define and re-focus data collection plans and procedures in terms of data content and what can be obtained. According to Gable (1994) pilot study enables the researcher to identify problems, issues and limitations which may re-direct his action or inaction. In this process, the research instrument was tested in conditions as similar as possible to the research conditions, but not in order to report the results but rather to check for glitches

in wording of the questions and clarity of instructions. According to Converse and Presser (1986) the pre-test should include a test of anything that could impede the instruments ability to collect data in an economical and systematic fashion.

The pre-test used in this research was ‘participating’ pre-test as against ‘undeclared’ pre-test. The respondents chosen for the pre-test were notified that the exercise is a pre-test and a practical run. The pre-test respondents were asked to fill out the questionnaire, and respondent’s opinions and reactions were solicited on layout of questions, wording and sequence. The aim of this pre-test was for the researcher to determine if;

- The wording of the questions will enable the achievement of desired results toward meeting the research objectives
- The questions have been placed in the best of order to enable a good understanding by all respondents.
- The instructions were adequate for respondents to understand the questions and whether some questions needed to be removed or adjusted.
- If the questions have covered sufficient aspects of organisational climate performance.

The pre-test was administered to thirty five employees ranging from managerial to non managerial staff representing 5% of the total respondents already identified for the research. These covered a broad representation of the designations and functions already decided on for the study. In summary, the questionnaire was pre tested specifically for question variations, meaning, task difficulty, respondents’ interest, attention, flow and timing.

#### **5.6.7.1 Pre-testing for Reliability and Validity**

Reliability refers to the consistency of measurement (Spector, 2000). A measuring instrument is therefore reliable when the same results are produced when the instrument is used in a different situation and administered to different groups at different times. An important reliability estimate to evaluate the reliability of scales is internal consistency. According to Cresswell (2003), this refers to whether items are consistent across different constructs. Santos (1999) holds that because items within a particular scale are interrelated, it is necessary to know how well the items relate to one another. In order to establish the reliability of items in each dimension, Cronbach’s alpha coefficient was calculated for each dimension to ensure that the items included all had indices that indicated internal consistency. Cronbach’s alpha coefficient is considered

an 'index of reliability associated with the variation accounted for the true score of the underlying construct' (Santos, 1999, p. 2). According to Nunnally (1978) and Spector (1997), an acceptable reliability coefficient is 0.70, however lower thresholds have been used in previous research. Cronbach's alpha coefficients range in value from 0 to 1 - the higher the score, the more reliable the scale is (Santos, 1999).

Reliability is a very crucial aspect of any research instrument. To be reliable, a questionnaire must be answered by respondents the same way each time. Reliability can also be assessed by comparing answers given by respondents in one pre-test with another' (Ackroyd, 1992). He further explains that the validity of a questionnaire is determined by how well it measures the concept/s it is intended to measure.

The whole idea of pre-testing for reliability and validity is to ensure that the study is being carried out within the stipulated research premise and that the measures being used to obtain data towards the stipulated research are consistent (Bradburn and Sudman, 1979). Norland (1990) explained that reliability refers to random error in measurement and It indicates the accuracy or precision of the measuring instrument. There are several types of reliability measures which have been found relevant in research, these include:

- Test-Retest
- Split Half
- Alternate Form
- Internal Consistency

According to Norland (1990), internal consistency is appropriate to assess reliability of any questionnaire built on measure of interval or ratio scales, but to assess the reliability of knowledge questions, test –retest or split-half is appropriate.

This research utilised the internal consistency method to test the questionnaire for reliability. This method was chosen because the questionnaire assessed respondents experience and perception. Again, the questionnaires were administered on the respondents only once, due to time limitations which could not allow a follow-up exercise as a pre-requisite for the test-retest method.



### 5.6.7.2 Establishing Validity of the Measure

Validity determines if the current research instrument actually and truly measures that which it was intended to measure or how truthful the research results are. In other words, has the research instrument enabled the achievement of the research objectives? Validity as a concept is described by Winter (2000) as a 'contingent construct, grounded in the processes and intentions of particular research methodologies and projects'. Despite the fact that some qualitative researchers have argued that the concept of validity does not apply to qualitative research (Glesne and Peshkin, 1992) they recognized the need for some level of qualification in order to ensure the quality of their research measure. Creswell and Miller (2000) argued that the researcher's perception of validity and choice of paradigm affects the validity of his research. Therefore several researchers have developed their own concepts of validity and have often considered different terms as more appropriate to use than the word validity. These words include quality, rigor and trustworthiness (Davies and Dodd, 2002; Lincoln and Guba, 1985; Seale, 1999; Stenbacka, 2001). A study is internally valid if it describes the true state of affairs within its own setting. It is externally valid if it describes the true state of affairs outside its own setting.

According to Norland (1990) 'validity is the amount of systematic or built –in- error in measurement'. He stated further that validity of an instrument can be established using a panel of experts and a field test. According to him, there are four main types of validity which can be measured in a research, these include:

- Construct validity: seeks agreement between a theoretical concept and a specific measuring device or procedure. It also determines whether all important aspects of the construct have been covered.
- Content Validity: based on the extent to which a measurement reflects the specific intended domain of content.
- Criterion Validity/Predictive Validity: whether scores on the questionnaire successfully predict a specific criterion
- Face Validity: whether at face value, the questions appear to be measuring the construct.
- Concurrent Validity: whether results of a new questionnaire are consistent with results of established measures.

The best validity to test in a research depends on the objectives of the research. The most suitable validity measured in this research was the content validity. This was chosen in consideration of the fact that the questionnaires were to measure perception and opinions of individuals on a phenomenon (organisational climate). As stated by Carmines and Zeller (1991) content validity should be based on the extent to which a measure reflects the specific intended domain of content. This type of validity chosen was utilized by the researcher in addressing questions like:

- Does the questionnaire represent the appropriate contents?
- Is the questionnaire appropriate for the identified population?
- Is the questionnaire comprehensive enough to collect all the needed information to achieve the aim and objectives of the research?

As stated by Schmitt and Klimoski (1991), content validity refers to the degree to which the responses required by the test items are a representative sample of the knowledge to be exhibited in the domain about which inferences need to be made. Meanwhile, Huyasamen (1994) added that content validity should be evaluated by experts in the field involved in the study. According to him, their task is to evaluate whether the chosen items adequately represent the tasks in the universe as defined by the test constructor (researcher), and whether the written items indeed require the execution of those tasks. The content validity of the test is then deemed satisfactory to the extent that such experts agree that the two requirements have been met accordingly.

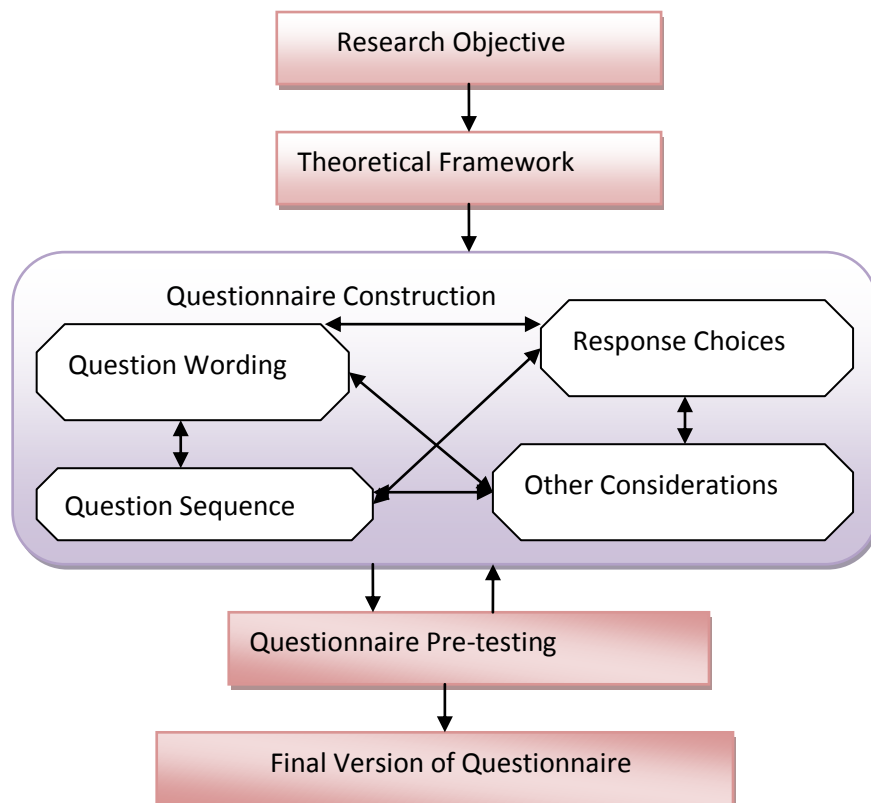
The above construction of validity by Huyasamen (1994) was adopted in this research and the pre-testing of the questionnaire was conducted using a representative group of fifteen employees representing 5% of the already identified respondents described earlier. This group was specifically made up of:

- Departmental managers- 7
- Supervisors - 8
- Non managerial staff – 20

In the pre-testing, the questionnaires were administered to the respondents alongside a diagnostic questionnaire, specifically designed to assess content validity. At the end of the questionnaire pre-testing, a final version of the questionnaire was produced which was administered for the main research, having been adjusted for any changes that may be necessary as a result of the pre-testing. Figure 5.2, below shows the stages which the

questionnaire went through in order to get to the final stage of actual administration to the respondents.

**Figure 5.2 Stages of Questionnaire Design**



Source: Adapted from Synodinos (2003)

## 5.7 UNIT OF ANALYSIS

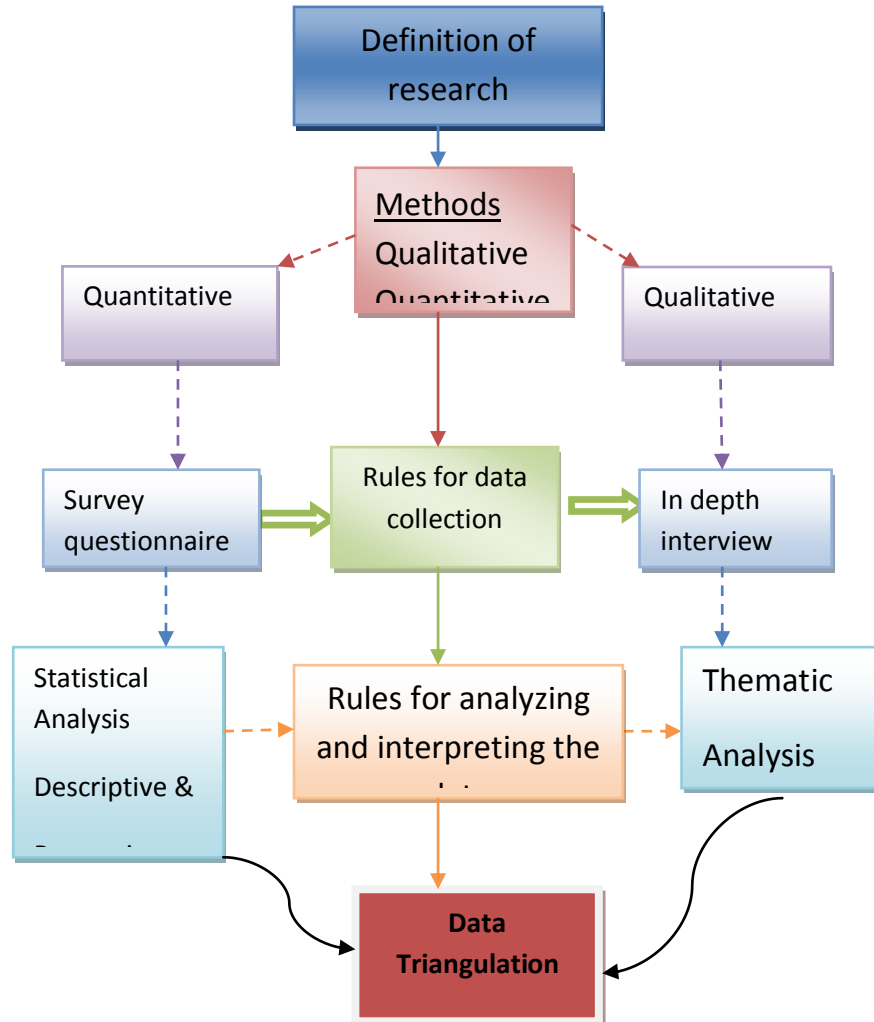
According to Yin (1994) the unit of analysis in research is related to the way the initial research question have been defined. Typical units of analysis include the business organisation or the research environment (society). For the purpose of this study, the unit of analysis included, but not exclusive to the persons to be interviewed within the selected organisations. This is because, although it is their interaction and experiences within the organisation that defines their perceptions of organisational climate and performance, the research is concerned with aggregate organisational climate perception

not individual or departmental climate. Therefore, the unit of analysis is the 'organisation'.

It was not possible to use the functions within the organisations as the units of analysis because the managers, and non managerial staff selected within the population were drawn from a variety of departments. It is worth reminding the reader that the focus of the research is on how organisational climate is perceived and not perception of departmental/unit climate.

The research procedure has been summarized in figure 5.2 below, in order to show the fitting of the study within the process. The methodologies which describe the philosophical and epistemological frameworks within which the rules and techniques are applied in the conduct of a research were discussed in the preceding sections. According to Scott and Morrison (2006) it is the relationship between methodology and method that gives any piece of research study its intellectual credibility and legitimacy.

**Figure: 5.3 Summary of the Research Procedure**



**Source: developed by the researcher**

## **5.8 TARGET POPULATION and SAMPLING**

According to Zikmund (1997) 'target population' is the complete group of specific population elements relevant to a research project. For the purpose of this research, the target population comprised of Nigerian high growth SMEs listed in the database of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and National Association of Small and Medium Enterprises (NASME). Usually, the population is too large for the researcher to attempt to survey all of its members. A small, but carefully chosen sample can be used to represent the population. The sample reflects the characteristics of the population from which it is drawn.

Mouton (1996, p.132) refers to sampling as 'the sampling procedures which involve some form of random selection of elements from the target population' with the aim of producing a representative selection of the population. Sampling methods are classified as either probability or nonprobability. In probability samples, each member of the population has a known non-zero probability of being selected. Probability methods include random sampling, systematic sampling, and stratified sampling. In nonprobability sampling, members are selected from the population in some nonrandom manner. These include convenience sampling, judgment sampling, quota sampling, and snowball sampling. The advantage of probability sampling is that sampling error can be calculated. Sampling error is the degree to which a sample might differ from the population. When inferring to the population, results are reported plus or minus the sampling error. In nonprobability sampling, the degree to which the sample differs from the population remains unknown.

Random sampling is the purest form of probability sampling. Each member of the population has an equal and known chance of being selected. When there are very large populations, it is often difficult or impossible to identify every member of the population, so the pool of available subjects becomes biased.

Systematic sampling is often used instead of random sampling. It is also called an Nth name selection technique. After the required sample size has been calculated, every Nth record is selected from a list of population members. As long as the list does not contain any hidden order, this sampling method is as good as the random sampling method. Its only advantage over the random sampling technique is simplicity.

Stratified sampling is commonly used probability method that is superior to random sampling because it reduces sampling error. A stratum is a subset of the population that share at least one common characteristic. Examples of strata might be males and females, or managers and non-managers. The researcher first identifies the relevant strata and their actual representation in the population. Random sampling is then used to select a sufficient number of subjects from each stratum. "Sufficient" refers to a sample size large enough for us to be reasonably confident that the stratum represents the population. Stratified sampling is often used when one or more of the strata in the population have a low incidence relative to the other strata.

Convenience sampling is used in exploratory research where the researcher is interested in getting an inexpensive approximation of the truth. As the name implies, the sample is selected because they are convenient.

Judgment sampling is a common nonprobability method. The researcher selects the sample based on judgment. This is usually an extension of convenience sampling. For example, a researcher may decide to draw the entire sample from one "representative" city, even though the population includes all cities. When using this method, the researcher must be confident that the chosen sample is truly representative of the entire population.

Quota sampling is the nonprobability equivalent of stratified sampling. Like stratified sampling, the researcher first identifies the strata and their proportions as they are represented in the population. Then convenience or judgment sampling is used to select the required number of subjects from each stratum. This differs from stratified sampling, where the strata are filled by random sampling. Snowball sampling is a special nonprobability method used when the desired sample characteristic is rare. It may be extremely difficult or cost prohibitive to locate respondents in these situations.

### **5.8.1 Qualitative Sampling**

The qualitative sampling of this study used purposive non-random sampling strategy. According to Patton (1990, p.169) qualitative inquiry typically focuses in-depth on relatively small samples that are ‘purposefully’ selected. The rationale of purposeful sampling lies in selecting ‘information-rich’ cases for study in depth. Information-rich cases provide an opportunity to learn about issues of innermost importance to the purpose of the research. This strategy sees the number of people interviewed as less important than the criteria used to select them.

In purposive sampling participants are chosen because they exhibit particular features or experiences, that will enable detailed understanding of the central themes and puzzles the researcher wishes to study. It is also described as ‘judgement’ sampling (Marshall, 1996) or ‘criterion based’ sampling (Mason, 2002). Patton (1990) states that: ‘the logic and power of purposeful sampling lies in selecting information-rich cases. In-depth information-rich cases are those from which one can learn a great deal about issues of central importance to the purpose of the research, thus the term purposeful sampling’ (1990, p.169).

While saturation determines the majority of qualitative sample size, there are other factors that can dictate how quickly or slowly this is achieved in a qualitative study. Charmaz (2006, p.114) suggests that the aims of the study are the ultimate driver of the project design, and therefore the sample size. She suggests that a small study with ‘modest claims’ might achieve saturation quicker than a study that is aiming to describe a process that spans disciplines. As the aim of this research is to interrogate the relationship between organisational climate and performance, this fits in the description of small study, therefore small sample size has been chosen for this reason.

### **5.8.2 Sampling Criteria**

According to Patton (1990), purposive sampling criteria can be a combination of several criteria and is not mutually exclusive. The sample size depends on the purpose of the study, its usefulness, credibility, and available resources. The sampling strategy allows for a small number of “information-rich” cases. Patton (1990, p.184-185) suggests that ‘the validity, meaningfulness, and insights generated from qualitative inquiry have more to do with the information-richness of the cases selected and the observational/analytical capabilities of the researcher than with sample size’. The

participants were carefully selected from various departments of identified organisations in order to obtain a general overview regarding the impact of organisational climate on performance. The informants in the research were senior executives who had been with the organisation for longer than ten years. This tenure was assumed to be ample time for this category of employees to create perceptions about various objective aspects of the organisation, and it was assumed that these participants would contribute meaningfully to the research.

### **5.8.3 Quantitative sampling**

The dearth and paucity of credible and reliable MSME database is one of the main constraints to evolving a strategic action plan towards an efficient and sustainable MSME sector (SMEDAN report 2010). Consequently, the small medium enterprise development agency of Nigeria and the national Bureau of Statistics undertook a collaborative survey in May 2012 to produce a national Micro and Small Medium Enterprise (MSME) database to aid planning and decision making. This database provides a listing of all MSME in Nigeria. Selection of the sample for this research was done by interrogating the SMEDAN & NASME database, specifically looking at Total Number of Small and Medium Enterprises by Sector and Small and Medium Enterprises by growth. From the clustering, a filter was carried out by the researcher for the sectors of interest and relevance to this research (Service and publishing). Finally, SMEs that fit in to the high-growth cluster are those with more than 100 employees and more than 10% growth rate in the first 3 years.

A non probability convenience sampling was employed in selecting the sample of the two high growth SMEs used in the study, this decision was informed by the fact that these organisations are among the top players in their sector, easy access and their willingness to take part in the research. Organisation A is a media concern, with staff strength of 450. It has been in business since 1982 and recording yearly business growth of up to 10%. Organisation B is in the publishing sector, specifically printing cheques for most Nigerian banks. The business was registered in 1996, and has staff strength of over 250. Out of the 400 questionnaires given out to employees in organisation A, 180 was returned fully completed this represent a 45% return rate, which is highly significant. 250 questionnaires was administered at Organisation B, 130 was returned, this represent a 52% return rate, but 10 out of this were not fully completed, Therefore,



120 fully completed questionnaire were used and 10 partially completed questionnaire were not included in the final data analysis.

With a focus on the number of functions and designations covered within the two organisations a total of six hundred and fifty questionnaires were handed out and three hundred questionnaires were fully completed. The questionnaires were personally administered between 01/06/2012 and 31/06/2012 accompanied with a covering letter specifying the researcher's commitment to privacy and confidentiality of information. There were self - addressed envelopes attached and handed out to respondents with the questionnaires, which encouraged participants to take the questionnaires away and complete them in their own time if they find it difficult to do it at work or require privacy. An e-mail account was created and pasted at the end of the questionnaire in case any of the respondents' preferred to e-mail a scanned copy of the questionnaire. An on-line version of the questionnaire was also made available to any respondent wishing to complete and send the questionnaires online. All these were done to increase the interest of the respondents in participating in the study.

Several follow up strategies were used to follow up with participants to ensure that they completed the questionnaire, e.g. telephone calls, and personal visits. Completed questionnaires were picked up from respondents directly. The responses to the questionnaires were complemented with personal interviews (in form of informal chats). These together with the library and desk research provided a clearer picture of some of the responses to the questions in the questionnaires as well as some comments and remarks made on them.

## **5.9 FORMULATION OF HYPOTHESIS**

Research hypotheses had to be formulated on the relationship between organisational climate and Organisational performance in order to allow for the empirical testing of the relationship between these two variables. The following research hypotheses address the objectives of this study:

### **Hypothesis 1:**

H<sub>0</sub>: There is correlation between organisational climate and entrepreneurial orientation.

### **Hypothesis 2:**

H<sub>0</sub>: There is positive relationship between organisational climate and performance.

**Hypothesis 3**

H<sub>0</sub>: There is positive relationship between employee training and quality

**Hypothesis 4**

H<sub>0</sub>: There is positive relationship between employee training and Efficiency.

**Hypothesis 5**

H<sub>0</sub>: There is positive relationship between involvement and Quality.

**Hypothesis 6**

H<sub>0</sub>: There is positive relationship between involvement and efficiency

**5.10 QUANTITATIVE DATA ANALYSIS**

According to Reid (1987) statistical techniques may aid a researcher in three important respects which include: measurement, comparison and control of uncertainty. The applicability of these techniques therefore depends on what the researcher intends to achieve and the content of the research. Therefore statistics according to Zikmund (1997) can be applied in research in two main forms:

- a. Descriptive statistics- which are used to describe the basic features of a data set collected in a study. Descriptive statistics utilises graphical analysis to provide summaries about a sample and the measures in a clear and understandable way.
- b. Inferential statistics- here the researcher strives to reach conclusions beyond the immediate data collected.

There are a number of factors which a researcher must consider in determining the most appropriate statistical technique in analysing and interpreting data (Zikmund, 1997). These include: the type of question being investigated, the number of variables, which can be univariate, bivariate or multivariate and also the scale of measurement. According to him, the scale and type of measurement used in data collection should be considered in favouring any statistical technique or empirical operation. He went further to give a summary of indicative measures of central tendencies and dispersion permissible with each type of measurement. This has been represented in table 5.3 below:

Table: 5.3 Indicative measures of central tendencies and dispersion permissible with each type of measurement

Scale of Measurement	Measure of Central Tendency	Measure of Dispersion
Nominal	Mode	None
Ordinal	Median	Percentile
Interval or Ratio	Mean	Standard Deviation

Source: (Zikmund, 1997)

There are two broad categories of statistical inference; these are parametric and non parametric inferences (Bolch and Huang, 1974). Many researchers have referred to the parametric inference as a more ‘powerful’ technique when the assumptions which underpin the model are satisfied (Simons, 1980). The nonparametric inferences utilize less strict assumptions about specific configuration of the research population (Simons, 1980). According to him, non parametric techniques have a good advantage built in their ability to handle problems when the measurement level is behavioural, based only on a nominal or ordinal scale. This claim has been confirmed by Hayslett (1995) who also stated that nonparametric tests are very advantageous given the fact that they do not require too many assumptions and are relatively easy and quick to apply, with minimal computations. Non parametric measures have also been widely favoured because they do not require stringent assumptions about population distribution and are very useful with nominal and ordinal measures (Cooper and Emroy, 1995).

### 5.10.1 Data Analysis

Data was analysed using SPSS statistical package. Descriptive statistics was performed on the demographic variables as a means of describing the respondents. The data was tested for internal consistency by calculating the Cronbach’s alpha coefficients for the different subscales of each measuring instrument. Correlation and regression analysis was used as a means of testing the hypotheses.

Correlation analysis between the organisational climate variables, and organisational performance variables was performed to establish whether any significant correlations existed. Regression analysis between selected organisational climate variables and organisational performance (Quality & Efficiency) variables was performed to establish the degree to which the organisational climate facets predict the different organisational

performance facets. Given the nature of the data, in particular the responses (N=300) and the number of predictor variables.

### 5.10.2 Statistical Analysis

The statistical analysis includes the following:

- Descriptive statistics on the demographic variables
- Reliability testing using Cronbach alpha coefficients for the measurement instrument
- Regression analysis to establish whether there are relationships between the two main constructs of the research (organisational climate and organisational performance) and what the nature of the relationship between the two constructs is.

### 5.11 Qualitative Analysis

Qualitative approaches are incredibly diverse, complex and nuanced (Holloway and Todres, 2003), and thematic analysis should be considered as a foundational method for qualitative analysis. According to Braun and Clark (2006) 'It is the first qualitative method of analysis that researchers should learn, as it provides core skills that will be useful for conducting many other forms of qualitative analysis'. Shannon (2005, p.12) defined qualitative content analysis as '*a research method for the subjectivist interpretation of text and data through the systematic classification process of coding and indentifying themes or patterns*'. Mayring (2000, p.23) concluded that qualitative content analysis is: '*an approach of empirical, methodological controlled analysis of texts within their context of communication, following content analytic rules and step-by-step models, without rash quantification*'. Zhang and Wildenmuth (2009) maintained that the goal of qualitative content analysis is to identify the important themes or categories within a body of content and provide a rich description of the social reality created by those themes and categories. Qualitative content analysis allows researchers to understand social reality in a subjective, yet scientific manner; explore the meanings underlying physical messages; and is inductive, grounding the examination of topics and themes, as well as inferences drawn from them, in data (Kaid, 1989; Patton, 2002; Zhang and Wildenmuth, 2009). Holloway and Todres (2003, p.347) identify 'thematising meanings' as one of a few shared generic skills across qualitative

analysis. Therefore, Boyatzis (1998) typifies it not as a specific method but as a tool to use across different methods. Similarly, Ryan and Bernard (2000) locate thematic coding as a process performed within ‘major’ analytic traditions (such as grounded theory), rather than a specific approach in its own right.

Researchers use qualitative content analysis to illustrate the range of meanings of phenomena, describe the characteristics of message content, and identify themes or categories within a body of text. Qualitative content analysis pays attention to the unique themes that illustrate the range of the meanings of phenomena, rather than the statistical significance of the occurrence of particular concepts or texts (Berg, 2001; Krippendorff, 2004; Bryman, 2008; Zhang and Wildenmuth, 2009). Bryman (2008) maintained that qualitative content analysis comprises a searching out of underlying themes in the texts being analysed by researchers.

Qualitative analytic methods can be roughly divided into two groups. Braun and Clark (2006) concluded that *‘in the first category belonging to or relating to a particular theoretical or epistemological position are conversation analysis CA and interpretative phenomenological analysis IPA – in this camp, there is limited inconsistency in how the method is applied, within that framework. For others of these – such as grounded theory, discourse analysis or narrative analysis - there are different manifestations of the method, from within the broad theoretical framework’*. Second, there are methods that are essentially independent of theory and epistemology, and can be applied across a range of theoretical and epistemological approaches.

Thematic analysis is a method for identifying, analysing, and reporting patterns (themes) within data. It simply organises and describes data set in (rich) detail. It also often goes further than this, and interprets various aspects of the research topic (Boyatzis, 1998). Thematic analysis is widely used, but there is no consensus about what thematic analysis is and how you go about doing it (Boyatzis, 1998; Attride-Stirling, 2001; Tuckett, 2005). It can be seen as a very poorly ‘branded’ method, in that it does not specifically appear as a ‘named’ analysis in the same way that other methods do (e.g., narrative analysis, grounded theory). Consequently, it is often not explicitly claimed as the method of analysis, when, in actuality, a lot of analysis is essentially thematic - but is either declared as something else (such as discourse analysis, or even content analysis (e.g. Meehan *et al.*, 2000) or not linked to any particular method at all (Braun and Wilkinson, 2003:30). Attride-Stirling (2001) reported that insufficient detail is often given to reporting the process and detail of analysis. Rubin and Rubin (1995,

p.226) claim that analysis is exciting because ‘you discover themes and concepts embedded throughout your interviews’. An account of themes ‘emerging’ or being ‘discovered’ is a passive account of the process of analysis, and it denies the active role the researcher always plays in identifying patterns/themes, selecting which are of interest, and reporting them to the readers (Taylor and Ussher, 2001).

Thematic analysis differs from other analytic methods that seek to describe patterns across qualitative data – such as ‘thematic’ discourse analysis, thematic decomposition analysis, IPA and grounded theory. Both IPA and grounded theory seek patterns in the data, but are theoretically bounded. The term thematic discourse analysis is used to refer to a wide range of pattern-type analysis of data, ranging from thematic analysis within a social constructionist epistemology (i.e., where patterns are identified as socially produced, but no discursive analysis is conducted), to forms of analysis very much akin to the interpretative repertoire form of DA (Clarke, 2005). Thematic decomposition analysis (e.g., Stenner, 1993; Ussher and Mooney-Somers, 2000), is a specifically-named form of ‘thematic’ discourse analysis which identifies patterns (themes, stories) within data, and theorises language as constitutive of meaning and meaning as social.

These different methods share a search for certain themes or patterns across an (entire) data set, rather than *within* a data item, such as an individual interview or interviews from one person, as in the case of biographical or case-study forms of analysis such as narrative analysis (Riessman, 1993; Murray, 2003).

### 5.11.1 What is a Theme?

A theme represents something important about the data in relation to the research question, and signifies some level of *patterned* response or meaning within the data set. An important question to address in terms of coding is what counts as a pattern/theme, or what ‘size’ does a theme need to be? Ideally there will be a number of instances of the theme across the data set, but more instances do not *necessarily* mean the theme itself is more crucial. A theme might be given considerable space in some data items, and little or none in others, or it might appear in relatively little of the data set. So researcher judgement is necessary to determine what a theme is. Flexibility is a key part of the process, and rigid rules really do not work.

### 5.11.2 Inductive vs. theoretical thematic analysis

Frith and Gleeson (2004) identified that themes or patterns within data can be identified in one of two primary ways in thematic analysis: in an inductive or ‘bottom up’ way, or in a theoretical or deductive or ‘top down’ way. According to Patton (1990), an inductive approach means the themes identified are strongly linked to the data themselves, (per se, this form of thematic analysis bears some resemblance to grounded theory). In this approach, if the data have been collected specifically for the research (e.g., via interview or focus group) the themes identified may bear little relationship to the specific question that were asked of the participants. They would also not be driven by the researcher’s theoretical interest in the area or topic. Inductive analysis is therefore a process of coding the data *without* trying to fit it into a pre-existing coding frame, or the researcher’s analytic preconceptions. In this sense, this form of thematic analysis is data-driven. It is important to note, that researchers cannot divorce themselves of their theoretical and epistemological obligations, consequently data are not coded in an epistemological vacuum.

In contrast, a ‘theoretical’ thematic analysis would tend to be driven by the researcher’s theoretical or analytic interest in the area, and is thus more explicitly analyst-driven. This form of thematic analysis tends to provide less a rich description of the data overall, and more a detailed analysis of some aspect of the data. The choice between inductive and theoretical thematic analysis maps onto how and why you are coding the data as well. You can either code for a quite specific research question (which maps onto the more theoretical approach) or the specific research question can evolve through the coding process (which maps onto the inductive approach).

### 5.11.3 Semantic or latent themes

Boyatzis (1998) suggested that a researcher need to make the decision around the ‘level’ at which themes are to be identified, either at a semantic or explicit level, or at a latent or interpretative level. A thematic analysis typically focuses primarily on one level. With a semantic approach, the themes are identified within the explicit or surface meanings of the data and the analyst is not looking for anything *beyond* what a participant has said or what has been written. Ideally, the analytic process involves a progression from *description*, where the data have simply been organised to show patterns in semantic content, and summarised, to *interpretation*, where there is an

attempt to theorise the significance of the patterns and their broader meanings and implications (Patton, 1990).

In contrast, a thematic analysis at the latent level goes beyond the semantic content of the data, and starts to identify or examine the *underlying* ideas, assumptions, and conceptualisations – and ideologies - that are theorised as shaping or informing the semantic content of the data. Burr (1995) concluded that analysis within the latent level tends to come from a constructionist paradigm, and in this form, thematic analysis overlaps with some forms of ‘discourse analysis’ (which are sometimes specifically referred to as ‘thematic discourse analysis’ (e.g., Singer and Hunter, 1999; Taylor and Ussher, 2001), where broader assumptions, structures and/or meanings are theorised as underpinning what is actually articulated in the data.

#### **5.11.4 Epistemology: Essentialist/Realist vs. Constructionist Thematic Analysis**

Thematic analysis can be conducted within both realist/essentialist and constructionist paradigms, although the outcome and focus will be different from each. The question of epistemology is usually determined when a research project is being conceptualised, although epistemology may also surface again during analysis, when the research focus may shift to an interest in different aspects of the data. The research epistemology guides what you can say about your data, and informs how you theorise meaning. For instance, with an essentialist/realist approach, you can theorise motivations, experience, and meaning in a straight-forward way, because a simple, largely unidirectional relationship is assumed between meaning and experience and language (language reflects and enables us to articulate meaning and experience) (Potter and Wetherell, 1987; Widdicombe and Wooffitt, 1995).

In contrast, from a constructionist perspective, meaning and experience are socially produced and reproduced, rather than inhering within individuals (Burr, 1995). Therefore, thematic analysis conducted within a constructionist framework cannot and does not seek to focus on motivation or individual psychologies, but instead seeks to theorise the socio-cultural contexts, and structural conditions, that enable the individual accounts that are provided. Thematic analysis that focuses on ‘latent’ themes tends to be more constructionist, and it also tends to start to overlap with thematic discourse analysis at this point. However, not all ‘latent’ thematic analysis is constructionist.



In conclusion, thematic analysis involves the searching *across* a data set, which could be a number of interviews or focus groups, or a range of texts to find repeated patterns of meaning. The exact form and product of thematic analysis varies, as mentioned above, and so it is important that the questions outlined above are considered before and during thematic analyses. Those approaches which consider *specific* aspects, latent themes and are constructionist tend to often cluster together, while those that consider meanings across the whole data set, semantic themes, and are realist often cluster together. Nevertheless, no rigid rule applies in relation to this, and different combinations are possible.

There are different positions regarding when you should engage with the literature relevant to your analysis – with some arguing that early reading can narrow your analytic field of vision, leading you to focus on some aspects of the data at the expense of other potential crucial aspects. Tuckett (2005) argues that engagement with the literature can enhance analysis by sensitising you to more subtle features of the data. Therefore, there is no one right way to proceed with reading, for thematic analysis, although a more inductive approach would be enhanced by not engaging with literature in the early stages of analysis, whereas a theoretical approach requires engagement with the literature prior to analysis.

The different phases involved in thematic analysis are summarised in Table 5.4. It is important to recognise that qualitative analysis guidelines are not rules, and, following the basic precepts, will need to be applied with flexibility to fit the research questions and data (Patton, 1990). Ely *et al.*, (1997) posited that, analysis is not a *linear* process where you simply move from one phase to the next. Instead, it is more *recursive* process, where you move back and forth as needed, throughout the phases. It is also a process that develops over time, and should not be rushed. This study will follow the theoretical thematic analysis at the semantic level.

**Table 5.4 – six phases of Thematic Analysis**

<b>Phase</b>	<b>Description of the process</b>
1. Familiarising yourself with your data:	Transcribing data (if necessary), reading and re-reading the data, noting down initial ideas.
2. Generating initial codes:	Coding interesting features of the data in a systematic fashion across the entire data set, collating data relevant to each code.
3. Searching for themes:	Collating codes into potential themes, gathering all data relevant to each potential theme.
4. Reviewing themes:	Checking in the themes work in relation to the coded extracts (Level 1) and the entire data set (Level 2), generating a thematic ‘map’ of the analysis.
5. Defining and naming themes:	Ongoing analysis to refine the specifics of each theme, and the overall story the analysis tells; generating clear definitions and names for each theme.
6. Producing the report:	The final opportunity for analysis. Selection of vivid, compelling extract examples, final analysis of selected extracts, relating back of the analysis to the research question and literature, producing a scholarly report of the analysis.

Source: Braun and Clarke 2006

## **5.12 RESEARCH ACCESS**

The relevant organisations that meet the research criteria were selected from the databases of two major SME agencies. Following the identification of the organisations

to be used for the study, efforts were made to make initial contact with the organisations. Altinay and Wang (2009) posit that research access is a crucial element of research design for every study. It is also very important to carefully plan well ahead of time, what data to collect, where to locate the data and how much time might be needed for the process (Altinay and Wang, 2009). Buchanan *et al.*, (1998) suggested that it is important to be aware of the phases of “getting in,” “getting on,” “getting out,” and “getting back “ stages as these steps bring about reflexivity in the research process. Thus, through personal contacts and gatekeepers from individual organisations appropriate respondents within the organisations were selected. A detailed presentation was also made to the organisations on the need for this study which further enabled access and willingness to participate.

### **5.13 LIMITATIONS OF THE RESEARCH DESIGN**

The data collection for this research mainly concentrated on a cluster of the Nigerian SMEs (high-growth), this means that findings may not apply to other clusters within the SME subsector. Not only that, data was collected from just two industry sectors (Media and publishing) of the high-growth SMEs, this could also make generalisability of research findings impossible.

### **5.14 ETHICAL CONSIDERATION**

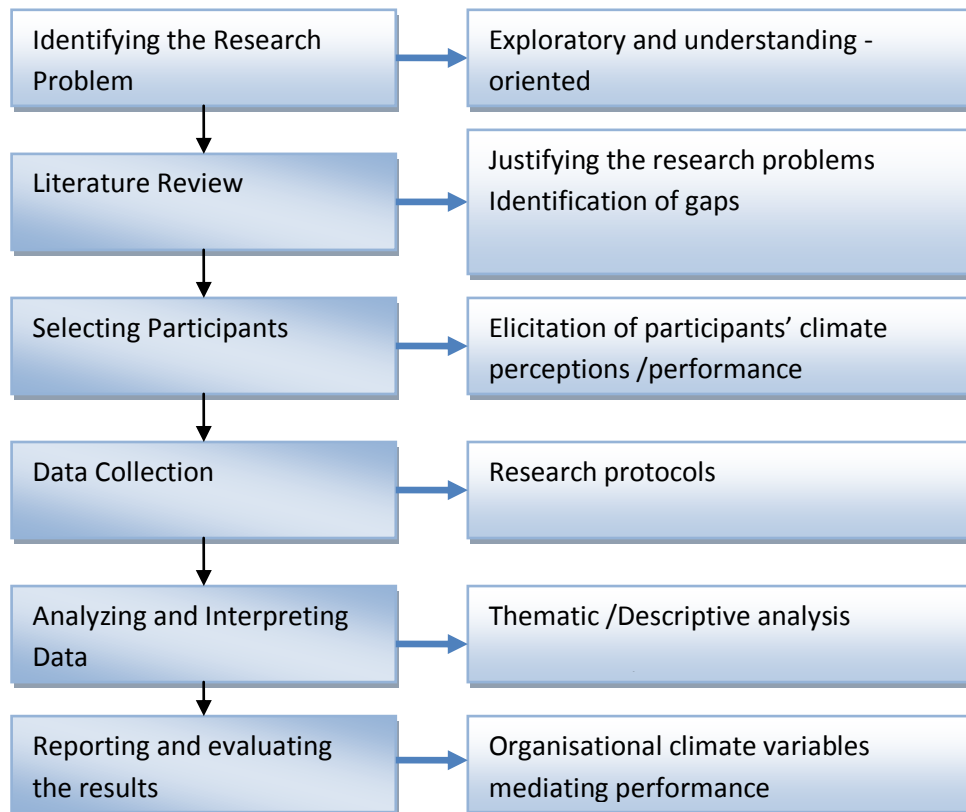
According to Benbasat *et al.*, (1987) researchers need to address two main issues in order to obtain co-operation with respondents. These are confidentiality and definition of the benefits which an organisation will derive from their proposed research. The research was conducted in an ethical manner. The identities of all those who gave information during the data collection exercise were protected and kept confidential. All information and data collected during the research were used only for academic purposes and handled confidentially. All the University’s code of ethics for research was strictly adhered to throughout the period of this research.

### **5.15 SUMMARY**

This chapter has presented a detailed account of the philosophy, strategy and methodology which has been followed in the conduct of this research. This research was aligned with the interpretive and positivist paradigms using survey questionnaire and in-depth interviews as the main data collection methods. A question guide and questionnaire was designed based on the theoretical discussion given in the previous

sections, which was used to obtain data on the research problem. The questionnaire was piloted in order to test for content validity and reliability. The choice of research methodology was justified and the research protocol was discussed, explaining the sources of data and analysis techniques utilized. Figure 5.5 below is a summary of the steps in the research process.

**Figure 5.4. The steps in the research process**



The next chapter focuses on the presentation of findings both from the qualitative and quantitative prisms. A more detailed profiling of study population and the case study organisations is provided as well as justification for study population and choice of case organisations.

## CHAPTER SIX - PRESENTATION OF FINDINGS

### 6.0. INTRODUCTION

To rearticulate, the overarching aim of this research is to explore the perceptions of organisational climate through the employee lens with a view to gaining situated understandings of how climate factors impact the performance of SMEs, using Nigeria as a context. There are two angles to the treatment of data: (a) qualitative and (b) quantitative. The mixed method strategy was employed in order to answer the research questions. The first part, the qualitative section, provided answers to the research questions: (1) How does organisational climate mediate entrepreneurial orientation and (2) “How does the ‘climate variable’ impact the performance and sustainability of high-growth SMEs. The second part, quantitative analysis, explored the relationship between organisational climate and organisational performance by testing the hypotheses of the research.

This chapter presents the findings of both the qualitative and quantitative research. The qualitative section will adopt a fully subjective measure of organisational performance by discussing themes identified through in-depth interviews whilst the quantitative part of this research investigates employee’s perception of organisational climate by utilising Patterson *et al.*, 2005 Organisational Climate Questionnaire (OCM) instrument. This instrument is used to measure how employee’s perceptions of their organisation impact on organisational performance. A correlation and regression analyses were carried out on the research data and findings presented.

This instrument (OCM) is adopted for this research for the following reasons: First, it is relatively comprehensive, offering researchers the advantage of being able to assess employees’ experience over many fundamental dimensions of climate. Secondly, it is considered to have sound psychometric properties and provide researchers with a robust means for assessing 17 dimensions of employee perceptions of their work environments. Thirdly, the OCM was developed from a theoretical base, the Competing Values model, itself reflecting considerable prior theoretical development and pertinent

to this research because of its human relations focus. Patterson *et al.*, (2005) developed the OCM as a response to the inconsistencies in organisational climate measurements. The OCM is a more thoroughly validated questionnaire that would measure the global organizational climate. OCM is argued to be a comprehensive and general model of organizational efficiency, and is therefore said to be a valid model across sectors and countries (Bernstrøm *et al.*, 2011; Patterson *et al.*, 2005). The original focus of OCM was to provide a measure which would be useful for a broad range of research interests, enabling researchers to test central theoretical propositions about relationships, such as those between climate and organizational effectiveness and the possibilities for testing theory.

### **6.1 Justification for using subjective performance measures**

Chow and Van der Stede (2006) criticised periodic financial measures as being too aggregated, too late, and too backward-looking to help managers understand the root causes of performance problems, initiate timely corrective actions, encourage cross-functional decision making, and focus on strategic issues. Authors such as Kaplan (1990), Howell and Saucy (1987b), Vollman (1990) and Dent (1990) for example, have argued that financial measures lack relevance in the new manufacturing environment in that they do not reflect, and are inconsistent with, the customer-focus factors of quality, flexibility and dependability which have now become critical to firm success. Merchant *et al.*, (2009) assert that financial measures are objective, simple and easy to understand and compute, but in most cases, they suffer from being historical and are not readily available in the public domain. They opine that a possible way forward is to apply the non-financial measures, though subjective in nature, as supplements to the financial measures (Sandberg and Hofer, 1987; Begley and Boyd 1987; Covin and Slevin 1989; Kunkel and Hofer, 1993). They went further to assert that, subjectivity can be used to compensate for measures that, because they are inappropriate or incomplete, might cause agents to take actions that will not increase long term firm value. It can be used to take into consideration other hard-to-quantify information to make the evaluation conclusions more complete and accurate, and it can be used to filter out the effects of some uncontrollable factors. Furthermore, evaluators can exploit new, relevant information that becomes apparent during the measurement period.

These authors (Baker *et al.*, 1988; Gibbs *et al.*, 2004; Moers, 2005; Van der Stede *et al.*, 2006; Rajan and Reichelstein 2006; Nisar, 2007; Bol, 2008) concluded that evaluating performance subjectively is one possible solution to the performance measurement problems. Evidence suggests that subjective performance evaluations are actually even more common than those involving objective measurement (Bol, 2008). An important aspect of this direct approach is that because these measures are not anchored to any definite object they are inherently relative (March and Sutton, 1997). The lack of a fixed reference point also provides subjective methods with much flexibility. Researchers are able to define the content and anchoring of questions and so direct respondents to the dimensions of performance directly, either individually or in aggregate.

Dess and Robinson (1984) assert that subjective measures can be useful to operationalise organizational performance when accurate objective measures are unavailable and when the alternative is to remove the consideration of performance from the research design (p. 271). Ketokivi and Schroeder (2004) examine the association between objective and subjective measures by looking at the use of multiple dimensions of performance and multiple informants. Their MTMM-CFA analysis results reveal high reliability and moderate validity of the subjective measures; therefore, they conclude that the use of subjective measures is justified (Ketokivi and Schroeder, 2004).

## **6.2 Justification for interviewees /population**

Lee *et al.*, (2002) suggest that studies that use more than one method require fewer participants, as do studies that use multiple (very in-depth) interviews with the same participant (e.g. longitudinal or panel studies). Cresswell (1998, p.64) recommend 5 - 25 participants, while Morse (1994, p.225) suggest at least six.

Target population for the interview was senior management team (SMT) within Nigerian High-growth SMEs, such as board members, directors and senior managers, as suggested by Venkatraman and Ramanujan (1987). These high-level executives were presumed to know organizational performance goals and to be responsible for defining or helping to define organizations' strategies. Venkatraman and Ramanujam (1987) argue that in general, respondents of subjective measures are often senior managers who

can be thought of as representatives of the organization. Wall *et al.*, (2004) adds that these target respondents often have their view of organizational performance influenced by facts or figures contained in the objective performance measures. In addition, there is empirical evidence suggesting that subjective measures display strong construct validity, as well as moderate convergent validity and discriminant validity (Wall *et al.*, 2004). Furthermore, one meta-study shows that the relationship between objective and subjective performance holds regardless of the measurement approach: overall vs. composite or relative vs. absolute (Bommer *et al.*, 1995 cited in Wall *et al.*, 2004)

Managerial perceptions are used as the basis of the interview, as they shape to a significant degree the strategic behaviour of the firm. This is consistent with Chattopadhyay *et al.*, (1999) and Spanos and Lioukas (2001). Gioia and Chittipeddi (1991, p.434) state: ‘the C.E.O. is portrayed as someone who has primary responsibility for setting strategic directions and plans for the organization, as well as responsibility for guiding actions that will realise those plans’. In a review of the literature, Westphal and Frederickson (2001) found that top management has a significant impact on strategic direction and change. This research chose to use senior management as respondents in this study as they are seen as having a wide breadth of knowledge of all the organizations functions, activities and operating environment (Hillman and Keim, 2001; Frost *et al.*, 2002).

### **6.3 Organisation profile**

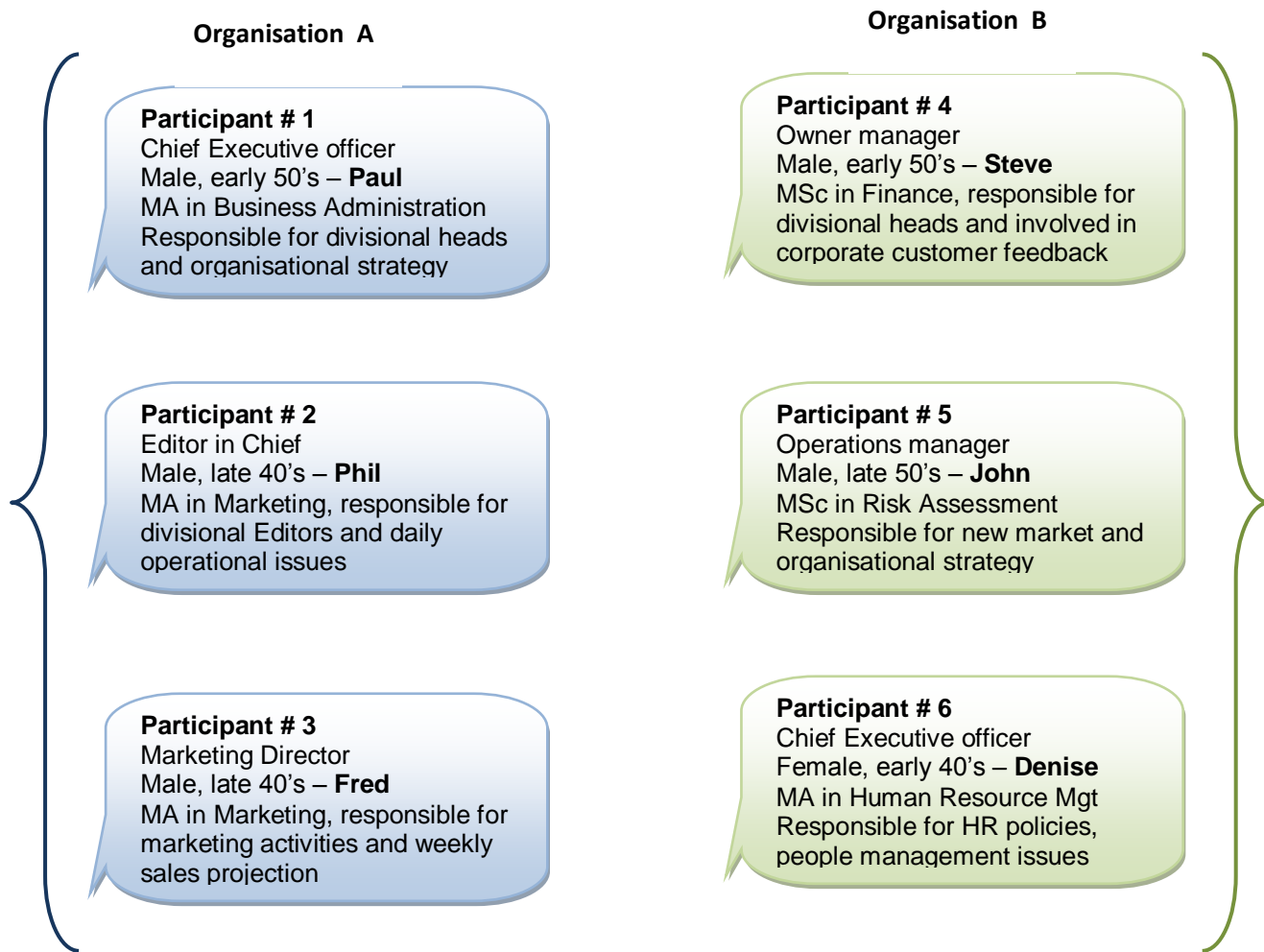
The two organisations used for this research are both high growth SMEs in Nigeria, they have both been in operation for more than 10years. A high-growth firm is a firm with employment or turnover growth of greater than 20% per year over a 3 year period (Autio, 2007).

Organisation A: Guardian Newspapers Limited is a subsidiary of Guardian Press Limited (GPL). In 1982, Guardian Press Limited set up its office at Rutam on February 27, 1983, the first test run edition of The Guardian as a weekly publication rolled out of the press and the newspaper went daily on July 4, 1983. It started with staff strength of 20 and currently has about 450 employees. The newspaper is currently available in the UK, USA and most African countries.



Organisation B: Superflux is the preferred supplier of cheques to major banks in Nigeria. It also provide secure and communication print solutions to a wide range of clients spanning the manufacturing, entertainment, education sectors as well as Government agencies in Nigeria and across several African countries. The organisation has a reputation of unparalleled emphasis on quality, reliability and customer care. They provide a wide array specialised print services for their quality conscious clientele base and have continued to enjoy great commendation and patronage from their customers. With over 350 employees, Superflux currently operates from a 12,000 square metre purpose-built security printing facility, serving several countries in Africa in printing security documents.

**Figure 6.1: Interview Participant Profile**



## 6.4 Qualitative Analysis

### 6.4.1 Presentation of Qualitative Findings

Interviews were analysed using Thematic Content Analysis (TCA) (Braun and Clarke 2006). It was the manifest content of the data that was of interest with the first process of analysis (Kvale, 1996), and the label thematic content analysis was chosen to reflect the search for themes across the data set on the basis of the content (as opposed to form). Prefacing *content* with *thematic* also served to distinguish this method from other types of content analysis that typically focus on counting frequencies of words or other utterances (Miles and Huberman, 1994; Hsieh and Shannon, 2005). The complete data set was included in this analysis (i.e., the entire transcripts of all 6 interviews). The primary purpose of the analysis was to understand, and explore the respondent's experiences of organisational climate. In addition it aimed, to evaluate the impact of climate perceptions on organisational performance.

The data collected from all the participants was transcribed. During this process, initial thoughts and ideas were noted down as this is considered an essential stage in analysis (Riessman, 1993). The transcribed data was then read and re-read several times and, in addition, the recordings were listened to several times to ensure the accuracy of the transcription and to identify emerging codes and categories. This process of "repeated reading" (Braun and Clarke, 2006) and the use of the recordings to listen to the data, results in data immersion and refers to the researcher's closeness with the data. This involved a process of breaking the text down to small units and organizing according to category, thus creating a large mass of data segments and annotations (McLeod, 2001). It is acknowledged that the categories identified did not stem just from the data but were influenced by the literature and background reading, the researchers' experience and values (Ryan and Bernard, 2000). Although it is recognized that these factors contribute to the conceptualizing process, care was taken to ensure that the categories reflected the data and that the categories fit the data rather than forcing the data to fit in with the categories. Following on from this initial stage and building on the notes and ideas generated through transcription and data immersion is the coding phase. These codes identified features of the data that are considered pertinent to the research questions.

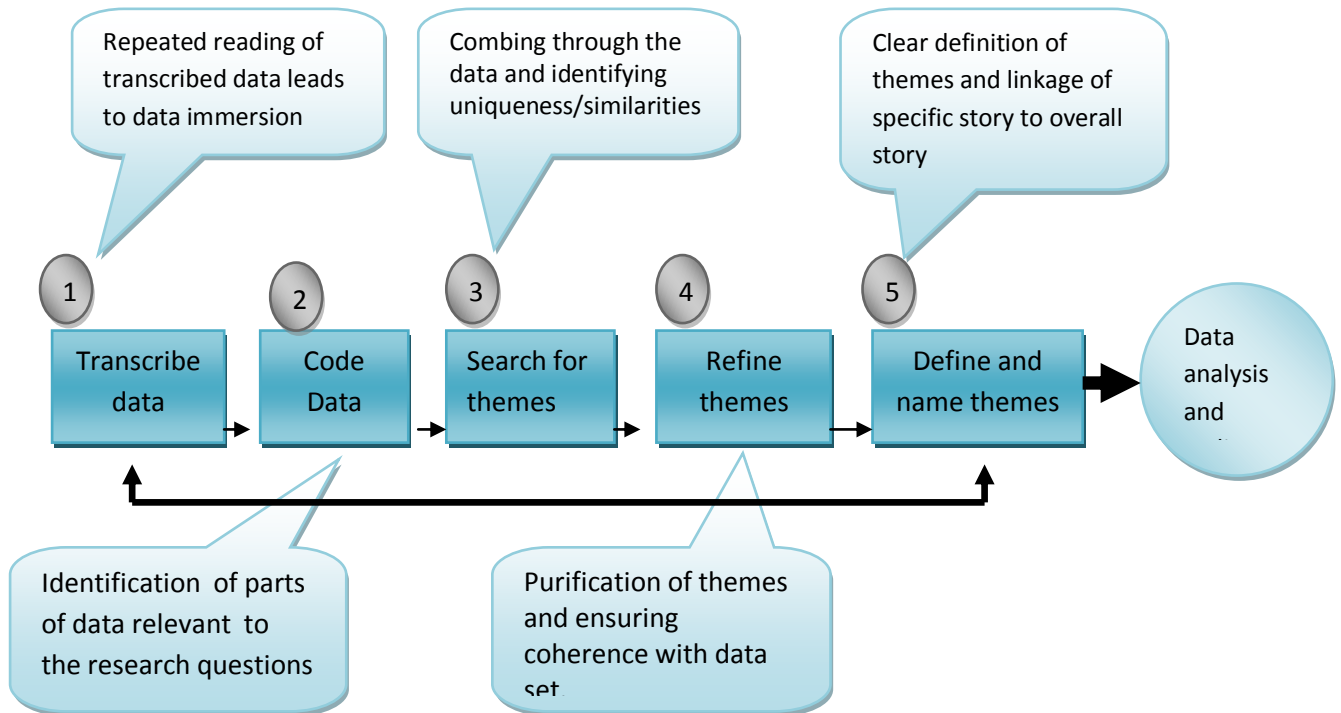
Furthermore, as is intrinsic to the method, the whole data set was given equal attention so that full consideration could be given to repeated patterns within the data. The third stage involved searching for themes; these explained larger sections of the data by combining different codes that may have been very similar or may have been considered the same aspect within the data. The coding system was generated (framework) based on one of these categories to be derived either from the data itself (this is known as a 'bottom-up' approach) or from the prior theoretical framework of the researcher (this is known as a 'top-down' approach, and requires prior familiarity with the literature on the topic under investigation in order to derive the categories) (Wilkinson, 2003). From the data 12 categories were derived ('bottom-up' approach), which was later amalgamated into four main categories. These categories led to the reduction of interview data as shown in the Table 6.1 below.

All initial codes relevant to the research questions were incorporated into a theme. Braun and Clarke (2006) also suggest the development of thematic maps to aid the generation of themes. These helped to visualise and consider the links and relationships between themes. At this point any themes that did not have enough data to support them or were too diverse were discarded. This refinement of the themes took place on two levels, primarily with the coded data ensuring they formed a coherent pattern, secondly once a coherent pattern was formed the themes were considered in relation to the data set as a whole. This ensured the themes accurately reflected what was evident in the data set as a whole (Braun and Clarke, 2006).

Further coding also took place at this stage to ensure no codes had been missed in the earlier stages. Once a clear idea of the various themes and how they fitted together emerged, analysis moved to phase five. This involves defining and naming the themes, each theme need to be clearly defined and accompanied by a detailed analysis. Considerations were made not only of the story told within individual themes but how these related to the overall story that was evident within the data. In addition, it was highly important to develop short but punchy names that conveyed an immediate indication of the essence of the theme. The final stage of the report production involved choosing examples of transcript to illustrate elements of the themes. These extracts clearly identified issues within the theme and presented a lucid example of the point

being made. The data analysis and coding process is represented diagrammatically below in figure 6.2.

**Fig 6.2 – Data analysis and coding process**



#### **6.4.2 Findings from the thematic content analysis**

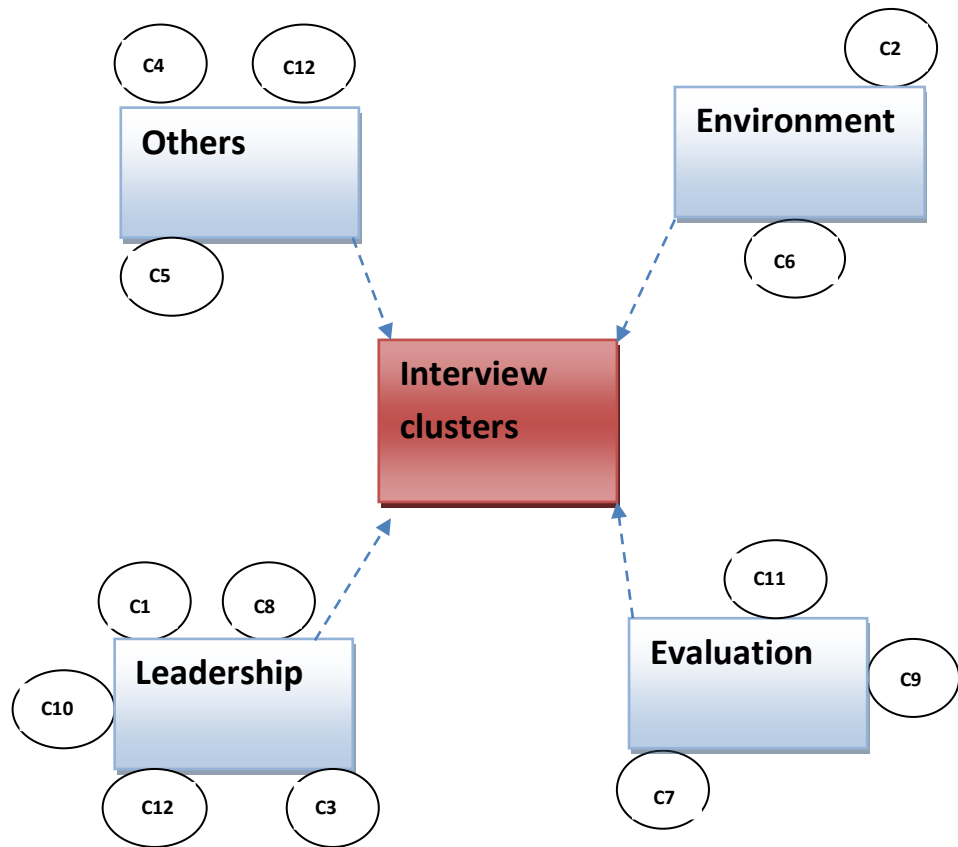
The thematic analysis process that was applied to the transcripts elicited key concepts that were evident in the data. These themes are viewed as essential in determining the understandings of all the participants. These categories have been labelled as “Leadership,” “Evaluation”, and “Environment,”. There are of course aspects of the participants’ understandings that overlap across these categories. This, however, should be viewed as a good interpretation of understandings and attitudes in general, which are never made up of isolated concepts but are all relative to each other.

**Table 6.1 Framework- Code Categories**

No cat	Factors
C1	Supportive climate
C2	HRM practices
C3	Employee autonomy
C4	Quality and Efficiency mediate performance
C5	Customer focus leading business focus
C6	Strategy
C7	Performance feedback
C8	Employee collaboration / collegiate environment
C9	Communication
C10	Employee involvement
C11	Performance measurement
C12	Others (innovativeness, risk taking and pro-activeness)

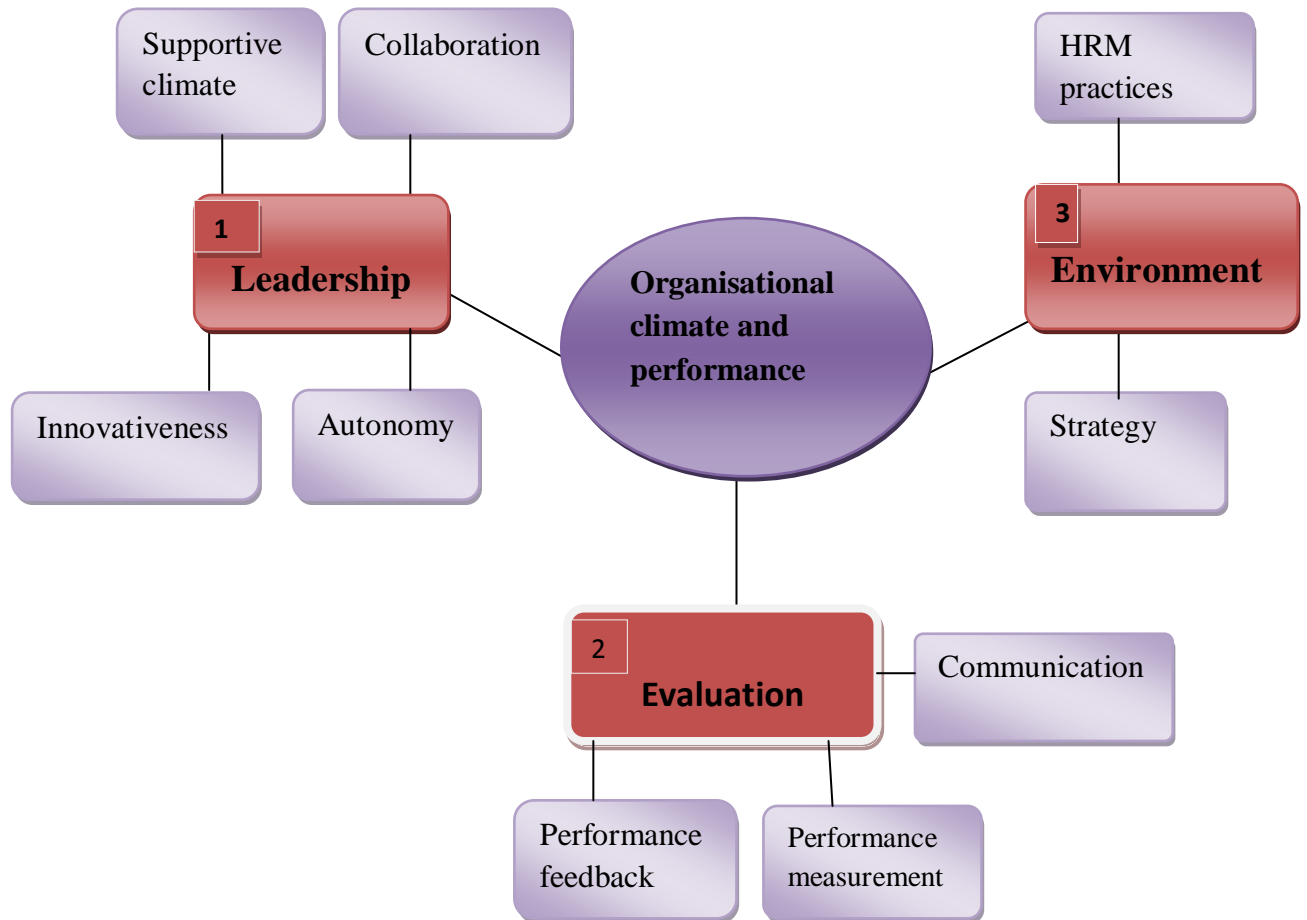
Themes were identified through collating codes into potential themes, and gathering all data relevant to each potential theme. Also, an initial thematic map was designed showing four themes as shown in figure 6.3, which later merged to three main clusters with themes as depicted in figure 6.4

**Fig 6.3 - Initial thematic map, showing four main clusters**



These themes were then organized in a thematic analysis network (Attride-Stirling, 2001; Braun and Clarke, 2006), illustrated in a diagram of the themes in a coherent manner (See Figure 6.4 below). Three major areas were identified under which the themes clustered. These are: 1) **Leadership**, which included supportive climate, collaboration, autonomy and innovativeness 2) **Evaluation** - includes performance measurement, communication and performance feedback and 3) **Environment** - which includes HRM practices and strategy. Each of these clusters is given fuller description below.

**Fig 6.4 - Thematic Analysis Network - showing 12 categories grouped into 3 main clusters.**



## Findings

### 6.5 Discussion of Themes

#### 6.5.1 Leadership

The main theme of the leadership cluster is to do with the environment created by the leadership style. These include having a supportive climate (as identified by most of the respondents) that promotes collaboration and empower staff by giving them the autonomy to take decisions and providing timely and regular performance feedback to employees which facilitate professional and personal development. Kouzes and Posner (2010) submit that a leader’s behaviour explains nearly 25 percent of the reason that



people feel productive, motivated, energized, effective, and committed in their workplaces. Momeni (2009) found that more than 70% of employees' perceptions of organizational climate are shaped directly by their leader's style of leadership and behaviour.

#### **6.5.1.2 Supportive climate**

There was general consensus from the interviewees on the importance of creating an open, warm and supportive climate through the leadership style and how it contributes to organisational performance. Respondents commented on the importance of having open and authentic interaction between the leader and the subordinates. An open climate reflects senior management and junior staffs' cooperative, supportive and receptive attitudes to each other's ideas and their commitment to work. According to Avery (2004), leaders can affect followers and performance indirectly by actions such as creating an environment in which employees can work effectively, developing an appropriate climate that helps employees build commitment to organizational goals, and formulating strategy. Griffith (2006) concluded that a warm and supportive climate increases employees' job satisfaction and performance at the organizational level.

*“Being a senior executive, I understand the importance of maintaining a positive work environment to maximize and enhance employees' efforts in order to achieve organizational goals. I have to show genuine concern for staff; by motivating and encouraging them, getting them fully involved in decisions related to their job role and giving them freedom to carry out their duties in the best way they know.”* **Paul**

One of the respondent observed that the prevalent climate within an organisation is shaped either positively or negatively by the leadership style, he added that in order to create a supportive environment, a leader need to demonstrate an understanding of employees' problems. In his words:

*“showing acceptance, concern, and confidence for the needs and feelings of subordinates, creates the perception of a positive and supportive environment.”*  
**-John**

*Providing much needed support for inexperienced supervisors, colleagues, or subordinates and recognising outstanding behaviours by showing praise and appreciation for effective performances, significant achievements, and important contributions to the organization. - Fred*

*Being an HR professional myself, I think, “leaders should be keen on building relationships with their employees this helps to improve cohesion within the organization, which limits the staff turnover rate and reduces the number of days absent from work.” Denise*

*Another respondent commented that: “Having a positive climate creates warm and friendly atmosphere where friendly attitudes and perceptions prevail.” Phil*

It was evident from all the respondents that having a supportive climate created an environment that engendered confidence of the junior staff in the leadership. They also stress the importance of junior staff perceiving a climate of joint and participative leadership. Participative leadership has often been regarded as a way to empower employees by senior managers. Having a participative leadership influences the performance of employees. A climate of supportive leadership is one where members of the organization perceive that the leadership is equally highly supportive of them and particularly encourages their empowerment and development (Whitener *et al.*, 1998). It was noted in the response of most of the respondents that trustworthy behaviour on the part of management is core to the development of such perceptions.

*“This engenders collaboration and support for corporate vision which ultimately lead to good performance”. Steve*

### **6.5.1.2 Collaboration**

This is one very important thread that emerged from most of the interviews.

*“Creating an environment of team work and collaboration, where there is healthy competition going on, this is germane to the success of the organisation”. Phil*

*“As a team (management and non managerial staff) we work for the success of the organisation, there is a collaborative environment”. - Steve*

*“Collegiate environment is an environment where brainstorming and sharing of good practice is the norm and knowledge sharing is encouraged. There is interdependence of teams as completing the production cycle spans more than 3 departments - John*

### **6.5.1.3 Autonomy**

Autonomy is the independent action by a team or individual to bring forth a vision or idea and then see it through to completion (Lumpkin and Dess, 1996). Respondents linked having an autonomous climate to supportive climate, free of strict organisational traditions and strategic norms.

*“This type of climate portrays an environment where employees are given a good measure of freedom to operate, the leader arouses enthusiasm and diligence from the subordinates, which promote innovative behaviour” - Phil.*

Autonomy is one of Entrepreneurial orientation dimensions which is used to predict organisational outcome. “Autonomy has been found to encourage innovation, increase the competitiveness and effectiveness of a firm, and promote the launching of new ventures” Certo *et al.*, (2009)

*... I think its imperative to create processes and systems that allow employees to develop independent thinking; this is something we promote as an organisation.” Fred*

*“In this environment we encourage individuals and teams and give them the freedom to champion new ideas”. Paul*

Innovativeness encourages creative thinking. Another important strand that came out under leadership is the relationship between organisational climate and innovation.

Innovativeness is described as the proclivity of a firm to engage in and support novelty, new ideas, creative processes, and experimentation which lead to new products, services, or technological processes (Lumpkin and Dess, 1996). In the literature organizational climate and leadership are also found to significantly influence innovation (Axtell *et al.*, 2000; Shin and Zhou, 2003). The climate within an organisation has also been found to be an essential factor in an employee's innovative behaviour (Solomon *et al.*, 2004). Getz and Robinson (2003) assert that 80% of ideas are initiated by employees and only 20% are the result of planned innovation activities that is through strategy or structure. For example John, described the influence of twin factor of climate and leadership on innovativeness ....

*“When you send out a strong signal that trying something new is not only supported, but encouraged, and make it clear that getting it wrong is better than not trying at all. This generates an avalanche of interesting ideas, which is what we want, these ideas often times lead to new ventures and sometimes they may not”. Fred*

Organizational climate has been proven to have the capability to develop innovative work behaviour of employees (Amabile, 1996; Stringer, 2002; Montes *et al.*, 2003, Hunter *et al.*, 2007). There is a convergence of conclusion by these authors (West *et al.*, 1998, Patterson, *et al.*, 2005, Ekvall, 2010) that “support” is an important dimension that can create organizational climate for innovative work behaviour. They contend that Support for innovation comes from the managerial or supervisory level, where the ideas thrown by employees are being accepted by appraising and giving rewards. Whereas, the behaviour of giving appraisal and rewards may lead to innovative work behaviour (De Jong and Den Hartog, 2007) as it increases intrinsic motivation of the employees (Amabile, 1996; and Montes, 2003).

Previous research suggests that climate can positively affect performance, although the components of climate vary across studies. Koene *et al.*, (2002), concludes that climate includes leader-member communication, that is, the provision of information by the manager; organizational efficiency; clarity of tasks; and how much the readiness to innovate or find new approaches is encouraged in the unit. He points out that a supportive climate will positively affect both employee satisfaction and firm performance.

Researches of Quinn and Rohrbaugh (1983) establish that individual subordinates, perceiving the organizational climate as open to change and providing sufficient resources as time, personal and financial support recognize the climate as being supportive for change and innovation and take more calculated risks and accept challenging assignments. Their study, for instance, has provided evidence for the organization's group climate and developmental climate to engender innovative behaviour.

Nearly all respondents identified a strong relationship between autonomy and risk taking. It was generally felt that autonomy, trust in management and innovation on the part of the employees are fundamental but also encouraging risk taking. Risk taking refers to a firm's tendency to engage in high-risk projects and managerial preferences for bold versus cautious actions in order to achieve firm objectives (Miller, 1983). This is how one of the respondents sums it up:

*“Ours is a risk taking environment where we make it clear that the reason for not commencing a project will not be the risks, as we stop at nothing to ensure any project takes off, however risky it might appear.” - Fred*

*“We support individuals demonstrating an ability to seek out new projects with uncertain outcomes, as some of such projects have delivered unprecedented results and learnt invaluable lessons from some with undesirable outcomes” - Steve*

### **6.5.2 Evaluation**

The main theme of the evaluation cluster is measurement of organisational performance. Sub-themes in this area includes what represent good performance to the organisation, the role of product quality and efficiency in organisational performance, performance measurement used by the organisation and how organisational performance is communicated to employees.

### **6.5.2.1 Performance measurement**

The good performance of the organisation was attributed to non financial measures (customer focus) such as market share, time to fill customer orders, delivery performance, and time to respond to customer problems, product flexibility, customer satisfaction, new customer acquisition and retention. It was reported by all respondents from both organisations that the major performance index is their customers. Being able to resolve customer complaints, acquire and retain customers. According to Chow and Stede (2006), as compared to financial measures, nonfinancial measures are seen by the manufacturing managers as providing the greatest encouragement for risk taking and innovation and also are more effective at curtailing short-termism.

There was a general and frequent reference to quality and efficiency by the respondents. It came out very strongly from all the respondents that not compromising quality of their products is not unrelated to the good performance experienced by the organisation. One of the respondents referred to the quality checks their products go through before getting the quality approval seal.

*“...the quality checks that products go through are very rigorous and thorough...” work is done in a timely manner and resources (material and human) are utilised effectively, thereby creating an efficient environment. Phil.*

*“When I meet with our biggest customers (especially those who have kept their orders at the same level /declining orders), I probe them to find out if their order level is due to any problem with our products or something to do with their”.*  
*Steve*

### **6.5.2.2 Performance feedback and Communication**

This communication concerns the distribution of performance information, decisions and actions subsequent to the performance review to facilitate the integration and coordination of business activities within or across organizational levels. Sharing of performance information to the employees in a simple format by using both verbal and non-verbal communication channel (e.g., newsletters, reports, etc.) to provide better understanding of organizational performance and performance measures and to promote

buy-in from employees (Franco and Bourne, 2003; Franco-Santos and Bourne, 2005). Choe (2004) indicate that through high interaction and communication, the provision of performance information can lead to effective organizational learning and improved production performance.

It was also gathered from the respondents the importance of having a transparent environment where information is freely shared. There was also reference to the weekly departmental meetings which is a forum for sharing new development either relevant to the department or organisation as a whole. At such gathering there is usually the reinforcement of agreed departmental goals or dissemination of any new agenda. Making the organisational/departmental goal common knowledge encourages buy-in and maximum support from the employees. It was felt that employees understanding of what constitute the key performance indicators are fundamental to their performance.

Communicative leadership was identified as a success factor in a study carried out by (Julien, 2000). The study stressed the importance of staff motivation and how this depends on the quality of leadership and of communications between management and the staff. The study identified 76% of owner-managers as saying that they were very concerned about communications with staff, either formally at weekly or monthly meetings, or informally.

Moynihan and Pandey (2008) identified a strong positive correlation between positive feelings about communication within the organization and positive feelings regarding the organizational climate. The effectiveness of internal communication can be instrumental in the improvement of workgroups, group coherence, and energizes the work teams; and the organizations that lack in quality of internal communication experience failure (Lunenburg and Ornstein, 1991).

### **6.5.3 Environment**

The environment cluster present some of the factors identified by the respondents as contributing to organisational climate and the performance of the organisation: strategy orientation and HRM practices.

### 6.5.3.1 HRM practices

Human Resource practices have been recognised as a source of competitive advantage due to its uniqueness and difficulty to imitate (Neal *et al.*, 2005). There is also considerable evidence that desirable performance outcomes are achieved when organizations use HR practices that signal willingness to invest in employees as well as recognise their individual contributions (Huselid, 1995; Wayne *et al.*, 1997). When asked about climate variables that shape strategy there was some agreement from the respondents on having a strong workforce development focus through HR strategy. *Attention to skills development through a structured programme of training and development for employees was highlighted, encouraging employee involvement through autonomous working pattern, rewarding good performance and managing performance by providing performance feedback was mentioned among others.*

Tzafrir (2005) affirm that training and employee involvement were HRM practices that contributed to organisational performance. Huang (2000) concluded that staffing, performance appraisal, compensation and training and development had a positive impact on firm performance. Boselie *et al.*, (2005) contend that there is little consensus on what HR practices should be classified in the ‘high commitment’ bundle, but there is some evidence in the literature that the following HR practices feature prominently: (1) employee involvement schemes; (2) communication programmes; (3) training and personal development programmes; (4) team-working activities; and (5) performance contingent reward packages (Batt, 2002; Guest *et al.*, 2003). Both organisations not only have very excellent performance reward package but also invest heavily in up-skilling their workforce. A collection of comments from respondents on HR practices are presented below:

*“... We understand the principal influence on the organisation’s performance is the quality of the workforce at all levels of the organisation, so we take positive action towards developing the staff and review our performance reward package. Denise*

*“Our primary source of competitive advantage is derived from our human resources, so employee’s welfare and skills development receives prime attention and budget. Managers show concern for the welfare of their line staff and ensure that they have the required skills to accomplish tasks”. Fred*



*“It is important to recognise that ultimately it is the performance of the employees that culminates in the achievement of organisational goals, therefore rewarding high performance and developing the workforce is ingrained in our environment here”. Phil*

*“I believe one of the best ways to get good performance from our employees is having a good welfare package, investing in knowledge and skills development and placing a high premium on rewarding good performance through reward schemes. Having these practices in place will stimulate positive work behaviour and the feeling of a good place to work to employees”. John*

### **6.5.3.2 Strategy**

Strategic orientation is concerned with the direction and thrust of the firm and is based on the perceptions, motivations and desires that precede and guide the strategy formulation and deployment processes (Miller, 1987). One of the characteristics of high-growth firms are their flexible approach to strategic planning (Julien, 2000), making the alignment and adaptation of strategy to its environment a high priority. However, as Risseew and Masurel (1994) observed, it does not necessarily need to be formal. The strategy introduced by management of high growth firm is essentially one of differentiation, and is usually either proactive or active in nature (with elements of cost reduction and niche positioning). Sandberg and Hoffer (1987) and Steiner and Solem (1988) had already shown the importance of this type of strategy in supporting strong performances by small firms.

Discussion around strategy and environment alignment was infused with a lot more interest and passion as most of the respondents have many years of management experience and education in business management. When the respondents were asked about factors that shape organisational climate, it was important to check their understanding of what organisational climate was. Their description of the construct was not too far from those put forward in academic literature, which was not unexpected because of the level of education of the respondents. When it came to actual explanation of factors that shape climate, it was quite revealing and interesting in the way the responses were presented from a business standpoint.

*“The climate of the organisation will be very much affected by management focus (employee, customers or emphasis on product quality) in terms of strategy, what employees perceive in terms of their well being and the general camaraderie within workgroup”. - Steve*

*“Lets get it straight, any employee will have a sense of good organisational climate if there is prospect for career development (which maybe opportunities for internal promotion or skills development), good welfare package (monetary /non monetary) and they feel like part of the decision making process”. Paul*

*“As an HR professional, I have found out that employees tend to perceive a good climate if they are treated fairly. Evidence of being treated fairly to them is through their pay package, positive signal of opportunities to grow with the organisation and consultation in corporate decisions”. Denise.*

*“In my experience it is the leader that calibrates how employees view the climate of an organisation. The behaviour and attitude of management towards employees in terms of their welfare and task contribute a great deal to the work environment”. John*

The discussion about what represent climate within the organisation and how climate affect individuals and relationship with other staff generated reflective responses and they had a bit of visualisation of their work environment in the background.

*“Our strategy is geared towards customer satisfaction through product quality and efficiency. We know that our staff are the vehicle for realising our organisation’s objectives. We invest in the right technology to aid task execution and getting the quality right and employee satisfaction, hmm ... you know when you have a happy workforce; the satisfaction can be transferred to customers in form of great service” ...Steve*

*“A lot of what we do involve team working, so integration of team members and collaborative environment represent climate here and once a team spirit and*

*synergistic effort is achieved relationship within teams cannot but be cordial”.*

*..John*

*“Collegiate environment where individuals learn from one another is what we always strive for, as long as we are all working towards the same goal. It is important to create an environment that is in agreement with the organisation’s business strategy. Climate to me is when the leader generate a supportive environment that support achieving business objectives, communicate the goals to the team clearly, and work together to ensure it is achieved”.* **Paul**

*“I don’t believe in complicating things, people are the resources of the organisation, invest in people and you will get the best of them, when they are happy, performance will soar”.* **Denise**

## **6.6 Systemic Considerations**

### **6.6.1 Discussion of organisational climate and entrepreneurial orientation**

In response to question around organisational climate and entrepreneurial orientation, most respondents encapsulated their comments in leadership style and the resultant environment created. They referred to supportive climate which in their words is a warm and positive work environment which maximize and enhance employees’ efforts in order to achieve organizational goals. They commented about the importance of autonomy which encourages the employees to unleash their innovative behaviour and allow a good measure of risk taking and pro-activeness.

The summation of some of the different strands that emerged from the respondents could be mapped to Bass (1985) conceptualisation of transformational leadership and Lucas *et al.*, (1992) models. Bass clustered transformational leadership into four different components: Inspirational motivation idealised influence, intellectual simulation and individualised consideration. Lucas and colleagues also identified *Supportive climate* as being mediated by the leadership style. A supportive climate is created through the sharing of the strategic vision with the followers by the leader, making sure that there is an understanding of key strategy focus and communicating

organisational *performance feedback*. The leader also challenge the followers by demanding high standards (through efficiency and product quality, directly linked to *performance measurement*), and providing necessary support and encouragement by sharing the vision and organisational objectives to be achieved optimistically with enthusiasm (inspirational motivation). A culture of high performance, trust and high commitment can be created through a leader that displays idealised influence. Emphasising important values in the organisation and dealing with subordinates in an ethical manner may achieve some subjective outcomes like job satisfaction, commitment, and high performance. Such leaders are admired as role models by their subordinates generating pride, loyalty, confidence and an alignment around a shared purpose.

Leaders stimulate other new perspectives and ways of doing things and encourage the expression of ideas and reasons (encourages innovative behaviour). S/he breaks the mould and creates a climate that stimulates new perspectives and ways of doing things (*risk taking*). S/he also create a supportive organisational climate allowing staff members scope for initiative, decision, and action (*autonomy*), reconciles conflicting demands and reduces disorder to system by making sure that organisational and employee personal goals are aligned. S/he integrates the team and encourage cross functional *collaboration* by maintaining a close-knit organisation and resolving inter member conflicts.

An organisational climate where employees perceive leadership support, dealing with others as individuals, considering their individual needs, abilities and aspirations, listen attentively, further subordinates` development, advice, teach and coach. All of these could be achieved through the organisational HRM practices (develop and coach – through employee development which might be through training or performance appraisal, Human resource management is about - *Individualised Consideration*).

The level of autonomy given to employees also precipitate perceptions of positive organisational climate and this is strongly correlated to employee involvement / participation. The term ‘involvement’ is often used interchangeably with ‘participation’ (Harley *et al.*, 2005). Involvement and participation are clearly not entirely separate in practice, and one may theoretically be linked to the other. The term is used to designate any practice that seeks to involve employees in communications practices such as:

briefing groups, regular meetings between management and the workforce or parts of it and team working either of a permanent or problem solving type (Bryson, 2004).

### **6.6.2 Discussion of organisational climate and performance**

When presented with the question about organisational climate and performance, the majority commented that organisational climate is the reality created by the employees on a daily basis based on their assessment of the organisational policies and practices. In simple terms, their evaluation of their work environment and the impact of the strategy focus of the organisation. Responses such as being able to create a climate where employees perceive leadership support, dealing with employees as individuals, considering their individual needs, abilities and aspirations, listen attentively; further subordinates` facilitate personal development, advice, teach and coach. All of these would facilitate work motivation, job satisfaction and employee involvement which are all essential ingredients to employee performance and ultimately organisational success.

Respondents commended the collaborative environment which promotes collegiality among team members and sense of affinity. They alluded a lot of importance to creating autonomous teams that have the power to control how work is undertaken. It is believed that team-based work organisation can also improve motivation, since teamwork offer the opportunity to cooperate and collaborate with others in a small group and make work intrinsically more satisfying (Appelbaum et al., 2000; Way, 2002). Finally, the collaborative and cooperative nature of teamworking may enhance employees' ability by enabling informal learning between employees (Ashton and Sung, 2002; Way, 2002; Birdi *et al.*, 2008).

The effect and impact of organizational climate has been previously documented by researchers. For example, one study found that organisational climate was significantly associated with the perception of staff members regarding the organization's goals and core values (Butcher & Houston, 1994). Another study found that organizational climate had a positive effect on organization performance (Kangis, Gordon & Williams, 2000).

### **6.6.3 Discussion of strategy and performance**

The majority of respondents confirmed the importance of having an employee focused strategy which encourages innovative work place human resource practices. These are HR practices that generate high commitment and high involvement from the workforce, promotes improved individual and thereby organisational performance. For example training and development, appraisal and performance management; practices that provide opportunities for employees to contribute to organisational decision-making communication between staff and managers and individual working groups to improve quality or solve workplace problems. Belt and Giles (2009) define high performance working as ‘a general approach to managing organisations that aims to stimulate more effective employee involvement and commitment to achieve high levels of performance’.

Respondents believe that their organisation offering greater scope for participation in decision-making was likely to make employees find their work to be interesting, lead to a ‘win-win’ situation that is advantageous to both employers and employees, the employer benefit by encouraging higher levels of work motivation. They also confirm that providing conditions that are conducive to stronger work motivation benefit employees by providing them with a better quality of working life. Higher involvement was strongly associated with opportunities for learning at work, both informal learning in the process of carrying out work tasks and formal learning in the form of employer-provided training. Both factors are likely to reflect higher commitment to their work tasks and high task commitment is likely to be conducive to good work performance. There were comments about higher levels of employee involvement influencing the way people felt about their organisations (organisational climate perceptions). If employees are more satisfied with their working conditions, they are more likely to feel at home in the organisation and therefore more likely to believe that the organisation motivated their best performance.

Denison (1990) and Gordon & DiTomaso (1992), identified climate that encouraged employee involvement in company decision-making (through individual inputs and between-role collaboration) was found (across 34 firms in 25 different industries) to predict company financial success in subsequent years. Ren *et al.*, (2001) also found that human resources management situations were one of the issues that members of

organizations were most concerned about. Whether these issues are recruitment, selection, training, salary or performance appraisal and benefits, they are all closely associated with the vital interests of employees. For this reason, human resources management style and its operation mode are crucial to the way employees perceive organizational climate, and thus are significant factors affecting organizational climate. Moreover, the members' opinions about organizational human resources management style affect their personal performance (Jackson & Schuler, 1995).

## **6.7 Quantitative Analysis**

### **6.7.1 Introduction**

This section presents the research findings, through the quantitative lens by testing hypotheses. It is interesting to note that some of the quantitative findings complement what was already reported in the qualitative section. One of the uniqueness of using the mixed method strategy is that each method can both confirm the authenticity of a finding separately or jointly. The survey was administered to six hundred and fifty participants within the population. A total of three hundred questionnaires were returned fully completed, achieving a 46% response rate is considered to be very high. The demographic variables of the sample are described and cross referencing of the demographic variables is also presented. The research data were analysed through correlation and regression statistical analysis. The survey was administered in two organisations. The research hypotheses tested with the survey instrument are given below:

#### **Hypothesis 1:**

- H<sub>0</sub>: There is no correlation between organisational climate and entrepreneurial orientation.
- H<sub>1</sub>: There is correlation between organisational climate and entrepreneurial orientation.

#### **Hypothesis 2:**

- H<sub>0</sub>: There is no positive relationship between organisational climate and performance.
- H<sub>1</sub>: There is positive relationship between organisational climate and performance.

#### **Hypothesis 3**

- H<sub>0</sub>: There is no positive relationship between employee training and quality
- H<sub>1</sub>: There is positive relationship between employee training and quality

#### **Hypothesis 4**

- H<sub>0</sub>: There is no positive relationship between employee training and Efficiency.
- H<sub>1</sub>: There is positive relationship between employee training and Efficiency.

#### **Hypothesis 5**

- H<sub>0</sub>: There is no positive relationship between involvement and Quality.
- H<sub>1</sub>: There is positive relationship between involvement and Quality.



## Hypothesis 6

H<sub>0</sub>: There is positive relationship between involvement and efficiency

H<sub>1</sub>: There is positive relationship between involvement and efficiency

### 6.7.2 Descriptive Statistics

The frequency distribution of the various demographic variables as well as the mean scores for the subscales of the different instruments is presented below. Demographic variables examined include:

- Age
- Gender
- Highest Level of Education
- Years in Employment
- Organisational Tenure
- Role

**Table 6.2- Age group frequency of respondents**

	Frequency	Percent
<b>Valid</b>		
<b>40 and Above</b>	64	21.3
<b>36 - 40</b>	33	11.0
<b>31 - 35</b>	94	31.3
<b>26 - 30</b>	79	26.3
<b>25 of Less</b>	30	10.0
<b>Total</b>	300	100.0

The largest single age group was between 31 and 35 years making up 31.3% of the respondents (see table 6.2 above), followed by 26.3% aged between 26 and 30 years. The smallest age group accounted for 10.0% of the population and were age group 35 or less, the remaining 32.3% of the respondents were older than 36 years.

This indicate that 58% of the organisations are made up of young population of within 26 – 35 years age bracket. This is not uncommon with high growth organisation as they are known to have high level of workforce composition of people with technical skills and university degrees.

**Table 6.3 - Gender distribution of respondents**

	Frequency	Percent
<b>Valid Male</b>	173	57.7
<b>Female</b>	127	42.3
<b>Total</b>	300	100.0

Majority of the respondents are male, this could be due to the fact that Nigeria has more male dominated labour force and also this could be explained by one of the characteristics of HGSMs as employing people with technical skills as there are more male in technical vocation than female.

**Table 6.4 – Educational Attainment**

	Frequency	Percent
<b>Valid Post Graduate Degree</b>	59	19.7
<b>Bachelor's Degree</b>	129	43.0
<b>Technical College</b>	51	17.0
<b>College Diploma</b>	28	9.3
<b>High School</b>	33	11.0
<b>Total</b>	300	100.0

The level of educational attainment among the respondents was explored in table 6.4. University qualifications were held by 62.7% of respondents of which 43% had a Bachelors degree and 19.7% had a Post Graduate qualification. Respondents with a College diploma made up 9.3% while those with Technical college diplomas made up 17%. 11% of respondents had no formal qualification at a tertiary level. This imply that

the organisations has got workforce made up of highly educated and informed individuals, again this could be linked to one of the characteristics of HGSMEs. Pasanen (2006), highlight in his research that high growth SMEs have employees with higher managerial know-how and high level of education. He went further to explain that another significant characteristics of high growth firms is that, they have employees who are more involved and informed, this could be attributed to their educational attainment.

**Table 6.5 - Years of work experience**

		Frequency	Percent
Valid	21 - 25	36	12.0
	16 - 20	35	11.7
	11 - 15	61	20.3
	6 - 10	71	23.7
	0 - 5	97	32.3
	Total	300	100.0

The largest group of respondents had working experience of between 0 and 5 years and accounted for 32.3% of the responses. This was followed by two groups who had working experience of between 6 and 10 years and 11 and 15 years, respectively, each accounting for 23.7% and 20.3% of the responses. 11.7% of respondents had a working experience of between 16 and 20 years and 12% of respondents had working experience of more than 20 years. About 77% of the respondents have work experience of at least 6 years, again this could be linked to another characteristic of HGSMEs, as they are known to employ people with experience (Julien 2000) and also high educational attainment, young age and sex (male) are factors that contribute to labour mobility.

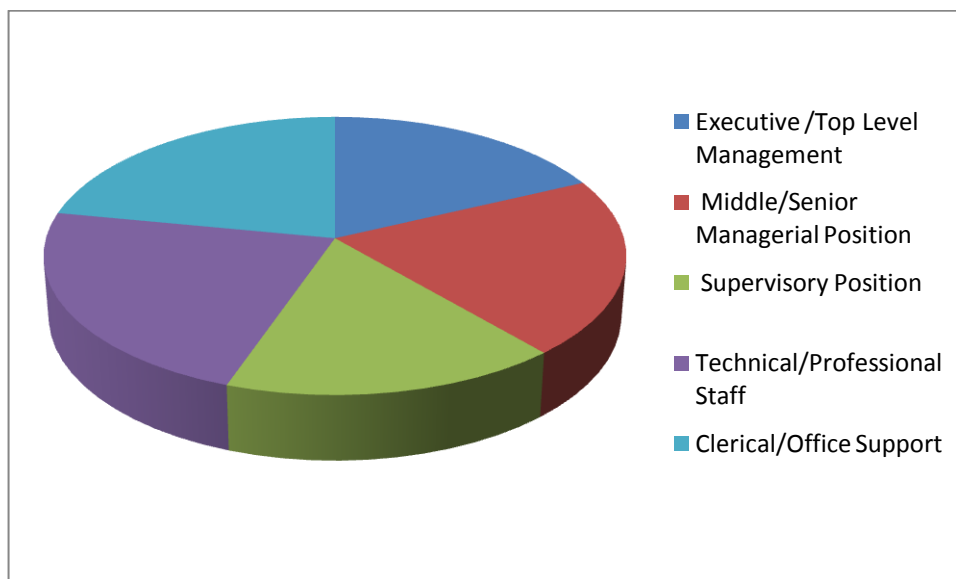
**Table 6.6 - Organisational Tenure**

	Frequency	Percent
Valid 16 and Above	42	14.0
12 - 15	35	11.7
8 - 11	19	6.3
4 - 7	88	29.3
0 - 3	116	38.7

<b>Total</b>	300	100.0
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The largest group of respondents had been with the organisation between 0 – 3 years and accounted for 38.7%. So relatively young age plus mostly male staff and high education attainment could mean labour mobility, ease of knowledge transfer, mobility of dynamic capabilities / competences and all these also explains organisational flexibility which is a major characteristic of high growth firms.

**Figure 6.5: Respondent’s position in the organisation**



**Table 6.7: Respondent’s position in the organisation**

	Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>				
<b>Executive/Top Level Management</b>	54	18.0	18.0	18.0
<b>Middle/Senior managerial position</b>	62	20.7	20.7	38.7
<b>Supervisory position</b>	50	16.7	16.7	55.3
<b>Technical/professional staff</b>	68	22.7	22.7	78.0
<b>Clerical/office support</b>	66	22.0	22.0	100.0
<b>Total</b>	300	100.0	100.0	

Five levels of employment are identified across the organisations surveyed and the distribution is presented in table 6.4. It is evident from the research data that the two sampled firms had a fairly large managerial staff (over 50% are between supervisory to top level management) from a range of disciplines who were involved in most of the important decisions, as well as employees who were involved in the development of their daily tasks. Julien (2000) reported that high growth firms have a high composition of managerial staff because of the decentralised structure of decision making.

### **6.8 - Reliability Analysis**

The survey instrument used is the Organisational Climate Measure® (OCM). Patterson *et al.*, (2005) developed the OCM using the Competing Value Framework (CVF) as a means of devising the different scales of the measure. Their final measure consisted of 17 scales with each of the scales relating back to a dimension of the Competing Value Framework. This view regards organisational climate as a measure of organisational effectiveness / performance. Reliability refers to the consistency of measurement (Spector, 2000). An important reliability estimate to evaluate the reliability of scales is internal consistency. According to Cresswell (2003), this refers to whether items are consistent across different constructs. Santos (1999) holds that because items within a particular scale are interrelated, it is necessary to know how well the items relate to one another.

In order to establish the reliability of items, Cronbach's alpha coefficient was calculated for each dimension to ensure that the items included all had indices that indicated internal consistency. Table 6.7 present the internal consistency/reliability estimate using the Cronbach's alpha statistic for the seventeen scales of the OCM. Instrument reliability is the degree of consistency or dependability with which an instrument measures what it is supposed or designed to measure. Cronbach's alpha coefficient is considered an "index of reliability associated with the variation accounted for the true score of the underlying construct" Santos (1999, p. 2). Nunnally & Bernstein, (1994) and Spector (1997), recommends that instruments used in research have reliability of about 0.70 or better. An acceptable reliability coefficient according to these authors is 0,70, however lower thresholds have been used in previous research. Cronbach's alpha coefficients range in value from 0 to 1 - the higher the score, the more reliable the scale.

For example, with the regards to involvement, there are certain numbers of questions which were designed to express this factor (from respondents). Therefore a value of 0.897 implies that the questions put together under involvement are actually reliably measuring involvement. The results of the reliability test suggest that most of the Organisational Climate Scales are internally consistent, ranging from 0.959 to 0.651, with the exception of Formalization and tradition scales showing negative values. These two scales have failed the reliability test which implies that there is no internal consistency within the questions in that section (i.e. response to question is not addressing the main topics of the section). Negative value indicates that questions within this factor are not consistently/reliably measuring this factor.

**Table 6.8: Cronbach Alpha for Composite Organisational Climate Scales**

Organisational climate scales	Cronbach Alpha (Raw)	Cronbach's Alpha (Standardized Items)
Involvement (Involvemr)	0.892	.897
Autonomy (Autmymr)	0.910	.910
Supervisory support (Sursupmr)	0.948	.951
Integration (Intgrtmr)	0.879	.879
Welfare (Welfrmr)	0.925	.928
Training (Traingmr)	0.843	.846
Reflexivity (Rflxvtmr)	0.911	.917
Innovation and flexibility (Innflxmr)	0.922	.921
Outward focus (OutFocmr)	0.959	.959
Pressure to produce (Prt prdmr)	0.708	.748
Clarity of organisational goals Gclartymr)	0.959	.960
Performance feedback (Perffbmr)	0.875	.879
Quality (Qualtymr)	0.847	.873
Efficiency(Effncymr)	0.651	0.691
Effort (Effortmr)	.854	.853
Formalization (Formlztmnr)	-0.011	-0.010
Tradition ( )	-0.168	-0.166

## 6.9. Hypotheses testing

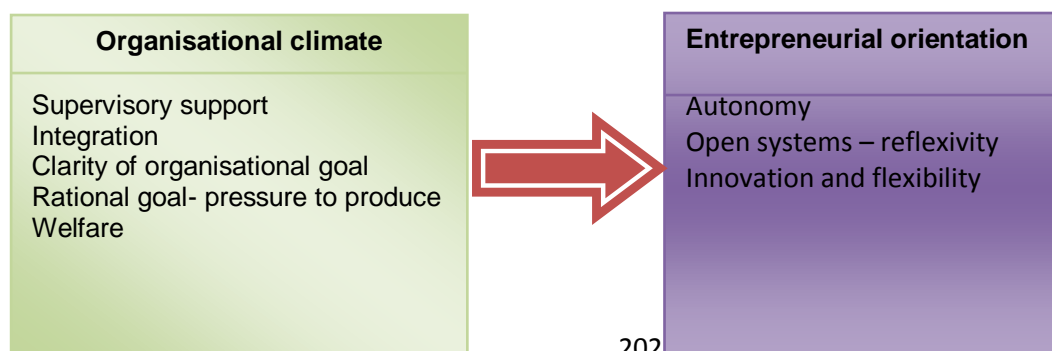
The first hypothesis explores the relationship between Entrepreneurial Orientation and selected Organisational Climate variables.

**Hypothesis 1** – There is correlation between organisational climate and entrepreneurial orientation.

Entrepreneurial orientation (EO) and its relationship with organisational performance have been extensively studied by researchers. Many researchers focused on three main dimensions such as (risk taking, innovativeness, pro-activeness) to characterize Entrepreneurial orientation, whereas others such as (Lumpkin and Dess, 1996, 2001) argued that entrepreneurial orientation is best explained by five dimensions (risk-taking, innovativeness, pro-activeness, competitive aggressiveness, and autonomy).

Autonomy, open systems – reflexivity and innovation and flexibility are three dimensions of Entrepreneurial Orientation that has been established in organisational performance literature as predictors of organisational performance (Todorovic and Ma, 2008; Li *et al.*, 2009; Avlonitis and Salavou, 2007; Antoncic and Prodan, 2008; Keh *et al.*, 2007; Lumpkin and Dess, 1996; Lumpkin and Dess, 1996, 2001; Hughes and Morgan, 2007). Open systems refers to the intensity of organisational response and the speed of organisational response to modifying its objectives in light of changing circumstances (market trends for demand and customers shifting needs in the market place), this means the same thing as competitive aggressiveness. The table below (6.8) shows correlation between selected organisational climate variables and three dimensions of Entrepreneurial Orientation.

**Figure 6.6: Selected Organisational Climate variables correlated with EO**



**Table 6.9 - Correlations results of selected OC variables and EO**

Climate variables	Autonomy	Open systems – reflexivity	Innovation and flexibility
Supervisory support	.632**	.756**	.656**
Integration	.856**	.774**	.864**
Welfare	.768**	.710**	.867**
Rational goal – pressure to produce	.554**	.426**	.393**
Clarity of organisational goal	.821**	.711**	.872**

\*\* correlation is significant at the 0.01 level (2- tailed)

These numbers measure the strength and direction of the linear relationship between the two variables (one listed in the row, the other in the column). The correlation coefficient can range from -1 to +1, with -1 indicating a perfect negative correlation, +1 indicating a perfect positive correlation, and 0 indicating no correlation at all. (A variable correlated with it will always have a correlation coefficient of 1.) The correlation coefficient indicates the extent to which the value of one variable can be predicted given the value of the other variable.

Autonomy shows highly significant relationship with the following climate variables: involvement and supervisory support present positive relationship, while integration, welfare, training, clarity of organisational goals, open system and innovation and flexibility present highly significant relationship as represented in the table above (6.9). This addresses hypothesis 1 that present three important EO dimensions that shows positive relationship with organisational climate.

Open systems – reflexivity present very high correlation with all climate variables with the exception of rational goal – pressure to produce, which is .426\*\*. The same can be said for Innovation and flexibility with very high correlation with climate variables as well and the minimum being rational goal – pressure to produce at .393\*\*.

It is evident that autonomy, open systems – reflexivity and innovation and flexibility (EO variables) all have significant positive relationship to all the climate variables.



**6.10 Hypothesis 2** – There is positive relationship between organisational climate and Performance.

It has been established that measuring the performance of an organisation hinges on six interrelated performance criteria: Effectiveness, efficiency, quality, productivity, innovation and profitability (Sink and Tuttle, 1989; Rolstadas, 1998) these criteria are multidimensional in nature and are context dependent, which create the problem of finding a common objective measure for all these dimensions. A model that is designed for one situation cannot be applied to another (Kaczmarczyk and Murtough, 2002). Sometimes, different performance dimensions may have to be combined to get a balanced and complete view of the situation (Tangen, 2003). Organizational performance needs to be measured along multiple levels: the organizational level, the key process level and the work unit level, requiring complementary dimensions. The performance measures in this research include, innovativeness, efficiency, quality effectiveness, competitiveness, and profitability, to be measured at organizational level. To this end, regression analysis of research data confirms both quality and efficiency as reliable variables in measuring organisational performance.

Categorical regression was used to examine the relationship between selected organisational climate variables and performance. The table below (6.9) shows the model summary which sought to establish the explanatory power of the independent variables (the model) – Involvmr, Sursupmr, Intgrtmr, Welfrmr, Rflxvtmr, Prtprdmr, Gclartymr, Perffbmr, Effortmr, Formlztmnr, OutFocmr, Autmymr, Innflxmr - for explaining and predicting the dependent variable – Quality. With respect to R, the multiple correlation coefficients, is the linear correlation between the observed and model-predicted values of the dependent variable (Quality). Its high value (0.915), which is significantly above the benchmark of 0.5 (Hair *et al.*, 2010) indicates a strong relationship.

**Table 6.10 - Regression Model Summary**

Multiple R	R Square	Adjusted R Square	Apparent Prediction Error
.956	.915	.905	.085

Dependent Variable: Qualtymr

Predictors: (Involvemr, Sursupmr, Intgrtmr, Welfrm, Rflxvtmr, Prtprdmr, Gclartymr, Perffbmr, Effortmr, Formlztm, OutFocmr, Autmymr, Innflxmr)

R Square, the coefficient of determination, is the squared value of the multiple correlation coefficients. As evident from table 6.10, the 0.905 (that is about 91%) of the variation in the predictors are explained by the model (quality).

**Table 6.11 – ANOVA table for Quality**

	Sum of Squares	df	Mean Square	F	Sig.
Regression	274.388	29	9.462	99.745	.000
Residual	25.612	270	.095		
Total	300.000	299			

Dependent Variable: Qualtymr

Predictors: Involvemr Sursupmr Intgrtmr Welfrm Rflxvtmr Prtprdmr Gclartymr Perffbmr Effortmr Formlztm OutFocmr Autmymr Innflxmr

The ANOVA table (table 6.11) reports a significant F statistic, indicating that using the model is better than guessing the mean. As a whole, the regression does a good job of modelling Quality. Thus, 91% of the variation in Quality is explained by the model.

**Table 6.12 – Coefficients table for the independent variables for Quality**

	Standardized Coefficients		df	F	Sig.
	Beta	Bootstrap (1000) Estimate of Std. Error			
<b>Involvemr</b>	-.644	.175	2	13.518	.000
<b>Sursupmr</b>	.372	.135	3	7.623	.000

<b>Intgrtmr</b>	-1.218	.623	2	3.816	.023
<b>Welfrmr</b>	1.871	.342	4	29.864	.000
<b>Rflxvtmr</b>	-.380	.080	2	22.652	.000
<b>Prtrpdrmr</b>	.394	.069	2	32.720	.000
<b>Gclartymr</b>	-1.626	.229	4	50.216	.000
<b>Perffbmr</b>	.302	.116	2	6.813	.001
<b>Effortmr</b>	.405	.077	2	27.960	.000
<b>Formlztmr</b>	-.024	.032	2	.566	.569
<b>OutFocmr</b>	-.001	.033	1	.001	.982
<b>Autmyr</b>	.917	.252	2	13.191	.000
<b>Innflxmr</b>	.327	.171	1	3.678	.056

Dependent Variable: Qualtymr

Predictors: (Involvemr, Sursupmr, Intgrtmr, Welfrmr, Rflxvtmr, Prtrpdrmr, Gclartymr, Perffbmr, Effortmr, Formlztmr, OutFocmr, Autmyr, Innflxmr)



The table above (6.12) is quite revealing in several ways as it explains the importance and significance of each predictor with the dependent variable. Involvemr , Sursupmr, Welfrmr Rflxvtmr Prtrpdrmr Gclartymr, Perffbmr, Autmyr and Effortmr are highly significant, whereas Formlztmr, OutFocmr and Innflxmr are not significant. Beta for welfrmr, Autmyr, Effortmr ,Prtrpdrmr, Sursupmr and Perffbmr are important and highly significant in predicting quality. The Beta values give us an idea of how much is needed to affect a unit increase in the Dependent variable Quality.

**Table 6.13- Correlations Model Summary**

Multiple R	R Square	Adjusted R Square	Apparent Prediction Error
.873	.761	.739	.239

Dependent Variable: Effncymr

Predictors: Involvmr Sursupmr Intgrtmr Welfrmr Rflxvtmr Prtprdmr Gclartymr Perffbmr Effortmr Formlztmnr OutFocmr Autmymr Innflxmr

Table 6.13 reveal that about 74% (0.739) of the variation in the predictors are explained by the model (quality). This is a very high value.

**Table 6.14 – ANOVA table for Efficiency**

	Sum of Squares	df	Mean Square	F	Sig.
<b>Regression</b>	228.413	26	8.785	33.502	.000
<b>Residual</b>	71.587	273	.262		
<b>Total</b>	300.000	299			

Dependent Variable: Effncymr

Predictors: Involvmr Sursupmr Intgrtmr Welfrmr Rflxvtmr Prtprdmr Gclartymr Perffbmr Effortmr Formlztmnr OutFocmr Autmymr Innflxmr

The ANOVA table (table 6.14) reports a highly significant F statistic, indicating that using the model is better and reliable. Thus, 74% of the variation in Efficiency is explained by the model.

**Table 6.15 – Coefficients of independent variables for Efficiency**

Standardized Coefficients					
	Beta	Bootstrap (1000) Estimate of Std. Error	df	F	Sig.
<b>Involvemr</b>	.630	.193	3	10.697	.000
<b>Sursupmr</b>	.101	.120	1	.707	.401
<b>Intgrtmr</b>	.047	.214	1	.048	.827
<b>Welfrmr</b>	.337	.425	1	.629	.428
<b>Rflxvtmr</b>	.326	.097	3	11.246	.000
<b>Prtpdmdr</b>	-.197	.272	1	.524	.470
<b>Gclartymr</b>	-.846	.398	2	4.521	.012
<b>Perffbmr</b>	.606	.120	3	25.425	.000
<b>Effortmr</b>	-.089	.081	2	1.184	.307
<b>Formlztmnr</b>	.008	.045	2	.031	.969
<b>OutFocmr</b>	-.063	.068	1	.844	.359
<b>Autmymr</b>	-.851	.245	4	12.043	.000
<b>Innflxmr</b>	-.202	.085	2	5.589	.004

Dependent Variable: Effncymr

Autmymr, Rflxytmr, Perffbmr and Involvemr are highly significant in predicting an increase in efficiency (see table 6.15 above). Performance feedback from the manager, reflexivity (learning from reflection) and involvement (involving employees in decision making and communicating progress) all contribute to efficiency within an organisation. The most striking result to emerge from the data is that Welfrmr is neither important nor significant as a predictor of efficiency.

### **6.11 HRM focus contributes to organisational performance**

Gelade and Ivery (2003: 386) proposed that a progressive HRM practice foster a positive work climate, which increases employee well being and motivation”, and this, in turn, leads to enhanced organizational performance. Many authors have argued that HRM has a strong relationship with organizational performance, in particular when a set of HRM practices is considered and not a single one (MacDuffie, 1995; Youndt *et al.*, 1996; Huselid, 1995; Becker and Huselid,1998).

Table 6.16 below reveal a very positive correlation and highly statistically significant relationship between the 2 HRM variables and organisational climate variables. Ranging from .909\*\* to .283\*\*, with no negative correlation at all. For this research, Training and involvement are the climate variables used to determine the HRM focus of the organisation.

**6.16 - Correlation table between HR focus and performance**

Organisational climate variables		Training	Involvement
Quality	Pearson Correlation	.377**	.341**
	Sig. (2-tailed)	.000	.000
	N	300	300
Efficiency	Pearson Correlation	-.267**	-.278**
	Sig. (2-tailed)	.000	.000
	N	300	300

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**6.4.3 Hypothesis 3-** *There is significant relationship between training and quality*

*H0 – There is no significant relationship between training and quality.*

*Ha – There is significant relationship between training and quality.*

Table 6.15 reveals a weak but significant relationship between Training and quality, so the null hypothesis is rejected.

**Hypothesis 4-** *There is significant relationship between training and Efficiency.*

*H0 – There is no significant relationship between training and Efficiency.*

*Ha – There is significant relationship between training and Efficiency.*

What is surprisingly revealed also from table 6.15 is a negative correlation between Training and Efficiency, for this the null hypothesis is accepted.

**Hypothesis 5-** *There is significant relationship between Involvement and Quality.*

*H0 – There is no significant relationship between Involvement and Quality.*

*Ha – There is significant relationship between Involvement and Quality.*

Involvement and Quality indicate a weak correlation but positive relationship (see table 6.15), therefore the alternate hypothesis is accepted.

**Hypothesis 6-** There is significant relationship between involvement and efficiency

*H0 – There is no significant relationship between Involvement and Efficiency.*

*Ha – There is significant relationship between Involvement and Efficiency*

The relationship between Involvement and efficiency is negative (see table 6.16 above), therefore the null hypothesis is accepted.

Table 6.17 **Summary of research hypotheses and results**

<b>Research Hypotheses</b>	<b>Result</b>
<b>Hypothesis 1</b> There is correlation between organisational climate and entrepreneurial Orientation	Accepted
<b>Hypothesis 2</b> There is positive relationship between Organisational Climate and performance	Accepted
<b>Hypothesis 3</b> There is positive relationship between training and quality	Accepted
<b>Hypothesis 4</b> There is positive relationship between training and Efficiency.	Rejected
<b>Hypothesis 5</b> There is positive relationship between Involvement and Quality.	Accepted
<b>Hypothesis 6</b> There is positive relationship between involvement and efficiency	Rejected



## **CHAPTER SEVEN - DISCUSSION OF FINDINGS**

### **7.0 - INTRODUCTION**

This chapter presents a discussion of the key findings from data analysis, highlighting the relationships between organisational climate and performance in alignment with High Growth Small Medium Enterprises (HGSMEs) characteristics. This discussion encapsulate both qualitative and quantitative findings interlaced with some of the respondent's comments and opinion on questions asked and results of hypothesis tested. The discussion is presented using a mixture of some of the themes from the qualitative analysis and hypotheses from quantitative findings.

### **7.1 Mediating role of organisational climate on entrepreneurial orientation**

This study found that organisational climate mediates entrepreneurial orientation (EO) of an organisation. Organisational climate facilitate employee autonomy which encourages innovative behaviour and engender risk taking, this is also related to higher level of job involvement, effort and performance. It was also found that supportive leadership contributes to perception of a positive organisational climate. Perception of a supportive work environment creates motivated employees who enjoy their work and perform better. Organisational climate is an organisational factor which enhances positive results and facilitates entrepreneurial orientation among the organisation's members. A positive and favourable organisational climate is an important mediator for EO and contributes to organisational outcomes. Entrepreneurial orientation can be regarded as a process through which both formal and informal initiatives are encouraged, aimed at the creation of new products, services, processes and businesses to improve and sustain a company's competitive position and financial performance.

#### **7.1.1 Supportive environment**

Another important finding was that supportive organisational climate contributes to the perception of a positive organisational climate, in this climate employees are willing to take risks and management tolerates failure and mistakes employees make when innovating. Discussion with the respondents also reveals that a climate of supportive

leadership particularly encourages the empowerment and development of employees. A supportive climate is an excellent predictor of organisational and employee performance. Respondents brought to the fore the positive relationship between supportive climate, job satisfaction, organisational commitment and performance at work.

There was general consensus among the respondents about the connection between supportive work climate and performance. Responses pointed to the fact that fostering a supportive work environment would reduce level of absenteeism and job satisfaction rating is higher, this is in agreement with the findings of House (1981). From an organisational standpoint, this translates not only to a more committed workforce, but into revenue that is not lost to absenteeism and interruptions in work flow. Creating an open, warm and supportive climate facilitate trust and confidence in leadership and encourages open communication between leader and subordinate and this can only be achieved through the leadership style. One of the hallmarks of HGSMEs is their decentralized organisational practices (Sexton and Seale, 1997; Barringer *et al.*, 1998). In this type of environment; there is leadership support for task ownership and autonomy. Julien (2000) also noted the importance of communication in high growth firms. HGSMEs are very concerned about communication with staff, either formally at weekly or monthly meetings, or informally.

From both organisations perception of supportive organisational climate was reported, respondents mention the fact that it is important for their members to perceive that the leadership is highly supportive of them and particularly encourages their empowerment and development. Development of such perception is engendered through trustworthy behaviour on the part of management and display of behavioural integrity and concern for followers' needs. Prior research has shown a direct relationship between supportive climate and other desirable individual and organisational outcomes for example, customer satisfaction, employee diligence, commitment, and innovation (Eisenberger *et al.*, 1990; Rogg *et al.*, 2001). According to Rhoades *et al.*, (2001) there is direct relationship between perceived organisational support and commitment to the organisation. Therefore, the level of organisational support perceived by the employees is a determinant of their commitment to the success of the organisation. Numerous studies have investigated the relationship between climate and effort, and organisational climate and job satisfaction. All have reported data indicating that climate and effort and

climate and job satisfaction are related. Therefore, employees who perceived a supportive climate in their organisation felt that their work situation facilitated their giving their best effort to their work. If an individual perceives that the organisational climate in which he/she is working is supportive in terms of the opportunities for growth, advancement, challenge, etc., then this will result in an increase in the individual's effort on the job and feelings of job satisfaction. How people perceive their organisations in terms of climate is important, especially with regards to how they feel about their job and how much effort they expend to perform their jobs. This is in agreement with the work of these authors (Ashkenasy *et al.*, 2000; Andrews and Kacmar, 2001; Carr *et al.*, 2003).

### **7.1.2 Autonomy**

It is interesting to note that this study found that positive organisational climate encouraged employee autonomy. The two case study organisations both have huge composition of employees with high level of education and work experience. Therefore, high level of autonomy is considered a necessary ingredient for tasks completion. Autonomy can be described (based on respondent's description) as the freedom employees have which enables them to exercise their creativity and champion innovative ideas needed for entrepreneurship to occur. Autonomous individuals are empowered to make and execute decisions needed to implement a task. Autonomy is one of the entrepreneurial orientation (EO) variables that presented a significantly positive relationship with selected Organisational Climate variables (see table 6.9). Autonomy is also one of the variables identified under the leadership theme as facilitating a supportive work environment. Autonomy is an internal factor of a supportive organisational climate

Another twin factor worth mentioning which came out from this study is the fact that not only are employees given the autonomy to take decisions related directly to their job role but encouraged to contribute to management decision making process. Autonomy is an important contributing variable that considerably influences positive organisational climate perceptions by employees and also a vital dimension of entrepreneurial orientation. Autonomy contributes to entrepreneurial activities of an organisation by designing work to allow scope for individual contribution /initiative by an individual team member or an entire team and taking responsibility for new venture and being

accountable for the final outcome. One of the respondents summarises his organisation's attitude towards employee autonomy, a closer look at this comment reveals management's confidence and trust in the workforce. "*Grooming autonomous employees allows a measure of freedom for risk taking and innovativeness*". This statement affirms that organisational climate facilitate innovativeness.

*Innovativeness* is the predisposition to engage in creativity and experimentation through the introduction of new products/services. Risk taking involves taking bold actions by embracing risky ventures with uncertain outcomes and committing significant resources to it. HGSMEs introduce more often self-developed improvements in their production process, and cooperate more often with other companies in innovation projects; they tend to have dedicated team working daily on innovation and have a dedicated budget for it. Both organisations reiterated the importance of product and process innovation as an important driver of their business. High growth SMEs are more than likely to be involved in Product or process innovation. Although high growth firms are significantly more likely to possess innovative products than other firms, however this is contingent upon the sector as this varies between industrial sector (O'Regan *et al.*, 2006; Wit & Timmermans, 2008; Goedhuys & Sleuwaegen, 2009).

Organisational leadership plays an important role in communicating and encouraging employees that innovation is expected of all members of the organisation. Management support can take the form of, championing innovative ideas, recognition of people who articulate ideas, providing the necessary resources or expertise. These types of support should encourage employees to solve problems in innovative ways, seek opportunities in a proactive manner and embark on moderately risky projects. Supportive climate is a precursor to autonomy, this gives confidence to the employees to take risks and be innovative, and the foregoing fosters employee involvement.

### **7.1.3 Employee Involvement / Participation**

Employee involvement /participation came out very strongly from respondents as an important factor influencing organisational climate perception. They referred to employee involvement as engaging employees and involving them in the decision making process. Employee involvement is regarded as an organisational factor that

nurtures entrepreneurial activities of High growth firms. It came out from data analysis that employees are empowered and encouraged to function autonomously in their jobs. This factor refers to the discretion with which, and the extent to which, employees are empowered to make decisions about performing their own work in the way they believe is most effective. This is in agreement with Hornsby *et al.*, (2002), they established that: in entrepreneurial work environments, employees are allowed to make decisions about their work process and are seldom condemned for failures during the innovation process. This tolerance of failure should breed innovative, proactive and risk-taking behaviours among employees.

From the biographical data of employees surveyed, 62.7% had a university degree and 67.7% of them have between 6 to 25 years of work experience. High educational attainment and very experienced workforce are two common characteristics of HGSMES employees. (Smallbone *et al.*, 1995; Julien, 2000). These organisations have involved and informed employees. HGSMES are known to have decentralised organisational practices which encourages employees to be involved in most of the important decisions and development of their daily tasks. Having employees with many years of work experience also denote some level of familiarisation and knowledge of their work. Therefore, employees are empowered by giving them the support and authority to take initiative towards improving business activities, product quality and customer service.

One notable inquiry into the determinants of high growth versus marginal survival (Cooper *et al.*, 1994) found that the chances of both survival and high growth were positively associated with having a higher level of education, greater industry-specific know-how, and larger initial financial resources. Also Julien (2000) highlighting the characteristics of HGSMES reported that employees are given some form of responsibility, in some cases going so far as to involve them in decisions concerning changes in the firm, such as the purchase of new equipment and the introduction of innovations.

Typical forms of involvement identified are communications practices such as briefing groups, regular meetings between management and the workforce or parts of it and team working either of a permanent or problem solving type (Bryson, 2004). According to Vidal (2007) there are two types of involvement: 'substantive' and 'nominal

empowerment?; in the former, there are high levels of trust; workers are consulted extensively and are as a minimum permitted to take a wide range of decisions over the way that work is done. The latter involves lower levels of trust; much less consultation and employee autonomy is restricted to operational issues. Three approaches to employee engagement exist. 1) Perceived as a set of motivating resources such as support and recognition from colleagues and supervisors, performance feedback, opportunities for learning and development, and opportunities for skill use. Harter *et al.*, (2002) showed that levels of employee engagement were positively related to business-unit performance (for example customer satisfaction, loyalty, productivity, turnover, and safety). The authors conclude that engagement is “...related to meaningful business outcomes at a magnitude that is important to many organisations” (Harter *et al.*, 2002, p. 276). Secondly, employee engagement is conceived in terms of commitment and extra-role behaviour. It could be described as a psychological state where employees feel like part of the company’s success and perform to a high standard beyond their job role requirements. This gives a feeling of personal satisfaction and a sense of inspiration derived from work and being a part of the organisation. The final approach considers engagement independently from job resources and positive organisational outcomes—such as commitment—as a positive, affective-motivational state of work-related well-being that is the antipode of job burnout (Maslach, *et al.*, 2001).

One of the issues emerging from this finding relates specifically to the fact that positive organisational climate facilitate employee involvement and empowerment in decision-making, but also predict the financial success of the organisation. The present findings seem to be consistent with other research which found that manufacturing organisations that emphasized a positive organisational climate, specifically concern for employee well-being, flexibility, learning, and performance, showed more productivity than those that emphasized these to a lesser degree (Denison, 1990; Patterson *et al.*, 2004). This also accords with earlier observations, which showed that organisations can improve their profit and reduce their expenses by improving employee involvement (Sorenson, 2002). This finding also corroborates the ideas of Dess & Robinson (1984), who concluded that organisational performance can be enhanced by improving employee involvement.

The present findings seem to be consistent with Mahoney & Watson (1993), which concluded that employee involvement with decentralised decisions will lead to

increased performance, and if individual participation is allowed, discretion will increase and lead to enhanced loyalty and commitment. All the interview respondents are in senior management positions. They all affirm the importance and contribution of leadership styles as a vital ingredient in shaping organisational climate and influencing entrepreneurial proclivity of their organisations. Leadership behaviour moulds perception of organisational climate positively and promotes high performance by providing a supportive working environment that engenders trust and confidence in management and decentralises authority to give sufficient autonomy to employees, this evokes innovative and risk taking tendencies in the workforce. Empowered and involved employees are a result of combination of management and leadership interactions within the organisation.

This study produced results which corroborate the findings of a great deal of the previous work in this field. One of such findings is that employees are the resource that adds the highest value to organisations. Involvement is used as one of the variables in determining HRM focus because one of the key characteristics of high growth SMEs (as mentioned earlier) is having a very involved, highly engaged and participatory workforce (Smallbone *et al.*, 1995; Julien, 2000). Mahoney & Watson (1993) argued that employee involvement model of workplace has the most beneficial impact on performance. Hardy & Leiba-O'Sullivan, (1998), Spreitzer, (1997) both identified the relational approach to empowerment (practices of power decentralisation by involving employees in decision making) and the motivational or psychological approach advocates open communication, inspirational goal setting, providing encouragement and feedback to increase commitment and involvement (Conger & Kanungo, 1988; Thomas & Velthouse, 1990). Some researchers already reported that organisational climate influences empowerment (Conger & Kanungo, 1988; Quinn & Spreitzer, 1997; Randolh, 1995).

From the quantitative analysis the organisational climate variables that came out as impacting entrepreneurial orientation (EO) are integration, welfare, rational goal – pressure to produce, clarity of organisational goals and supervisory support (see table 6.9). Integration is the level of cohesiveness within the workforce, the higher the level of cohesiveness the more the chances of collaboration and chances of accomplishing tasks and achieving organisational goals. Welfare is how much of concern the

organisation shows to the team. The importance of showing care and concern for staff was repeatedly emphasised by respondents and this was reinforced from the quantitative result as well. Organisational leadership has the responsibility of communicating (clearly) corporate vision and ensuring that required resources and support (supervisory support) are made available to the team to ensure it is accomplished. Applying pressure for productive output is also indicated as a climate variable that is positive and highly significant in impacting EO.

The supportive environment created by the leader, gives team members the autonomy to take decisions using their own initiative to take risk, involving them in the decision making process, all of these are contributory factors that determines entrepreneurial orientation of an organisation. This is consistent with the findings of Lumpkin & Dess, (1996); they linked EO to environmental factors and organisational performance result. However, there are many environmental factors, such as organisational factors, that enhance or inhibit the positive results that facilitate entrepreneurial orientation among the organisation's members. Belausteguigoitia (2006) considered organisational climate as an antecedent for EO because it is an element of organisations that cannot be avoided, but rather requires establishing so that it is positive and favourable, not only for EO; but also for other organisational outcomes. Organisational climate impact EO and this finding is supported by some empirical studies in the entrepreneurship literature (Burgelman, 1983, 1984; Hornsby *et al.*, 2002; Elenkov *et al.*, 2005) demonstrating that the organisational climate within a firm influences the type of entrepreneurial activities a firm pursues. According to Kuratko *et al.*, (1990) some of the prominent indicators of a supportive organisational climate are organisational leadership and support, empowered employees, rewards given for entrepreneurial behaviour as well as resource availability. These factors create an organisational climate, which shapes the view of managers and employees and their interest in pursuing entrepreneurial activities.

Supportive climate and employee involvement can be immersed in the positive organisational behaviour (POB) theory. According to Luthans (2002), POB is interested in "the application of positively oriented human resource strengths and psychological capacities that can be measured, developed, and effectively managed for performance improvement in today's workplace" (p. 59). POB focus on high performance in organisations and examine the conditions under which employees thrive and contribute to organisational success.



Organisational climate has a major influence on human performance through its impact on individual motivation and job satisfaction. Climate does all of these by creating expectations about what consequences will follow from different actions. Employees expect certain rewards and satisfaction on the basis of their perception of the organisation's climate. Individuals in the organisation have certain expectations, and fulfilment of these depends upon their perception of whether organisational climate suits their needs or not (Lehal, 2004).

The result from both strands of analysis supports the conclusion that organisational climate mediate entrepreneurial orientation of HGSMEs. Perception of supportive climate through the leadership style encourages autonomy which gives employees responsibility for task ownership and scope for taking decision. Autonomy, risk taking and innovativeness are all variables that have been identified by several authors as intertwined dimensions of EO. The leader shares the vision for the future; communicate a distinctive product concept, gives approval to a project team to proceed with a new idea, and providing the necessary resources (Srivistava and Lee 2005, p.465). Without a positive organisational climate influenced by the leadership style, entrepreneurial initiatives will be minimal if at all existent. Leadership within the firm therefore plays a key role in influencing the organisational climate and creating an entrepreneurial climate. Salient indicators of positive organisational climate are supportive leadership climate which encourages autonomous individuals to take risk and bring out innovative tendencies of employees. These factors create an organisational climate, which shapes the view of employees and their interest in pursuing entrepreneurial activities (Kuratko *et al.*, 1990).

## **7.2 Organisational climate impacting performance & sustainability**

The performance measure used for the interview was fully subjective measure. This served the research question 2 very well in that evidence from the interview reveal the importance of having a close relationship with corporate customer as a way of ensuring customer satisfaction with product quality and monitoring order level. The current study also found that a significant relationship between product quality and efficiency in terms of resources and personal effort by employee. This result complements the quantitative findings as these climate variables (*Autonomy, Involvement, Effort,*

*Pressure to produce, Welfare, Goal clarity, Reflexivity Performance feedback and Supervisory support*) indicated highly significant relationship with performance variables (Quality & Efficiency), (See table 6.12 & 6.15). Successfully achieving organisational goals hinges on understanding what it is to be achieved (goal clarity). The leader plays a crucial role here in communicating organisational objectives through daily interactions with team, weekly meetings and performance appraisal. Performance feedback involves communicating organisational performance indicators to the team and ensuring up to date information on organisational performance.

One of the major characteristics of HGSMES is teamworking and collaborative working arrangements (Julien, 200; Autio *et al.*, 2007; BERR 2008). Teamworking is used in many forms. One of the key issues identified in the literature is the degree of autonomy held. Teams can be divided into those that are closely managed and self-managed teams (Devaro, 2006). It is important to add that there are different levels and forms of autonomy that can be given to teams. For example, the three measures of autonomy identified by The Workplace Employment Relations Survey (WERS) are: 1) Level of responsibility for specific products or services, 2) Teams jointly decide how work is done and whether teams can appoint their own team leaders (Procter and Burrige, 2008).

A number of studies find evidence that teamworking can have a positive impact on a range of outcome variables, but that the type of team and the level of autonomy enjoyed by teams have a significant impact (Cox *et al.*, 2011). Teamworking in itself is less important than whether the structure of the job provides an opportunity for employees to use their skills, a degree of autonomy and offers learning opportunities. This adds credibility to the suggestion that autonomous teams are more likely to have a positive impact on performance. Batt and Appelbaum (1995) also look at teams with a degree of autonomy in the telecommunications and apparel industries and compare the impact of online and offline teams. They find that online work teams, in which employee autonomy is more directly linked to production, tend to elicit higher levels of commitment, job satisfaction and self-reported work quality. Procter and Burrige (2008) find that teamworking has a positive impact on firms' financial performance and productivity but that allowing teams to be 'semi-autonomous' produces an additional positive impact on productivity and work quality, although not financial performance.

*Supervisory support, autonomy, involvement, welfare* – are clustered together as variables impacting performance. These are organisational climate aspects that are more than likely to contribute to and accelerate organisational performance. *Supervisory support* refers to the extent to which employees perceive supervisors and managers to be supportive and understanding with regard to their needs (Eisenberger *et al.*, 2002). Making use of supportive leadership styles results in higher levels of performance and satisfaction (Robbins, 2005). *Autonomy* is the freedom and independence that employees enjoy with regard to their work and the procedures they use (Robbins, 2005). *Involvement* focuses on the level of input that employees are allowed to make with regard to company decision-making and problem-solving. When employees are encouraged to be involved in company procedures, they are more likely to be committed to achieving overall organisational success. *Welfare* refers to the extent to which the organisation takes care of the employees and values their health and safety (Patterson *et al.*, 2005). When employees feel that the organisation looks after their interests and treated fairly and equally, they feel less negative towards their environment.

*Performance feedback, effort, pressure to produce and reflexivity* are classified as internal sustainability factors. These are climate factors that not only contribute to performance, but contribute to organisational sustainability. *Performance feedback* refers to the extent to which managers and team leaders provide employees with clear feedback regarding their job performance (Patterson *et al.*, 2005). *Effort* is employees' willingness to work hard in order to achieve personal and organisational goals and targets (Patterson *et al.*, 2005). *Pressure to produce* refers to the extent to which managers and team leaders pressure employees to reach set target (Patterson *et al.*, 2005). *Reflexivity* is concerned with how an organisation is committed to reviewing objectives, strategies and work processes in order to assist employees in adapting to their work environment (West, 2000). Through making the necessary improvements, the organisation will be able to keep up with changes in the external environment and maintain a competitive advantage.

All the OC factors explained above indicate positively significant relationship with performance variables quality and efficiency. *Quality* refers to superior product and service delivery and focuses on how important it is to the organisation to maintain high

standards. *Efficiency* involves job performance of employees. In order to maintain high levels of productivity and performance, organisations need all their employees to perform to the best of their abilities. Therefore, these climate variables (*Autonomy, Involvement, Effort, Pressure to produce, Welfare, Goal clarity, Reflexivity Performance feedback and Supervisory support*) are the ones identified from quantitative result as impacting performance, some of these variables have already being discussed above as featuring in the responses from the qualitative enquiry.

### **7.3 Organisational strategy impacting organisational climate perception**

Organisational strategy focus came out as one of the factors that could influence climate perception. It is important for there to be an integration or ‘fit’ of business strategy with HR strategy. Once the business strategy has been determined, an HR strategy is implemented to support the chosen competitive strategy. In order to achieve optimal organisational performance, the organisational strategy should be supported by distinctive capabilities; these organisational capabilities are built upon well organised combinations of knowledge, abilities and behaviour which originate from the employees. Both organisations indicated that customer satisfaction and customer retention are two performance indicators used as performance monitoring strategy. Quality was a major focus for these organisations as they are following a strategy of differentiation (differentiating their products from their competitors). In order to achieve good product quality, employees need the right skills and knowledge to support organisational goals. One of the key drivers of an organisation's success is people who should have unique, rare and valuable skills. Organisations need well-trained and educated employees to manage everyday business activities, and operating the physical assets. All employees, even those who are highly qualified at the time of recruitment, require some type of training to perform their jobs optimally and to ensure that they receive the suitable skills they need to perform their jobs effectively.

With respect to strategy, HGSMEs appears to have clear strategy and pay significantly less attention to cost minimization than their non-high growth counterparts. High growth firms tend to have detailed strategies for product and market development (typically showed distinct signs of evolution from an established core activity towards becoming more complex businesses providing higher value added products, a broader range of related activities and services and/or doing more for their customers).

Improving quality standards in production is part of their production strategy and increase the breadth of their customer base. High growth firms have a high propensity for been active in respect of managing products.

Both case organisations demonstrated very strong customer service strategy. For example, organisation A, the CEO mentioned the fact that their newspaper target a small section of the population (elite, affluent and people in government). They are aware that these set of people have very high taste for good quality, timely and reliable information and have high expectation, therefore product quality is very vital to their business. In addition to that, he highlighted the importance of relationship with their customers and how contact with them puts him in touch with the real issues and understanding market demands. The CEO of organisation B was more elaborate with their customer service relationship strategy. They have a customer liaison team whose main duty is to maintain face to face contact with customers, checking for comments, complaints or any suggestions about the financial instruments they print for them. Being a very sensitive type of product, there is zero tolerance strategy on error. That is why product quality and efficiency are both performance indicators for both organisations and customer satisfaction and retention is used as a barometer for organisational performance.

### **7.3.1 HRM Practices**

One of the most important organisational factors is the Human Resource Management (HRM) strategy or practices. The assumption underpinning the practice of HRM is that people are the organisation's key resource and organisational performance largely depends on them. Therefore, an appropriate range of HR policies and processes is developed and implemented effectively, and then HR will make substantial contribution to organisational performance.

Several respondents highlighted the importance of the workforce perceiving a climate where they have the feeling of being treated fairly, this is regarded as one of the ways an organisation can influence climate perception positively. Perception of being treated fairly can come from a range of organisational factors (for example organisational strategy focus, leadership behaviour and HRM Practices). Two HRM variables used for this research are training and employee involvement. Implementing an HR strategy that

supports employees' skills and knowledge development to enable them contribute to organisational goals and developing a team of involved and empowered individuals who contribute to decision making is paramount to the success of HGSMEs. Four hypotheses were tested for relationship between organisational HRM focus and performance.

Training and development refers to the process of obtaining or transfer of knowledge, skills and abilities required to carry out a specific activity or task; therefore, the benefits of training and development are for both the employer and employee, hence the need to make T&D strategic. Training and development provides a wide range of learning actions, knowledge sharing to improve the business processes and customer service. It also focuses on employee career development, thus expanding individual, group and organisational effectiveness. Several studies have highlighted that T&D need to be strategic in order to meet current and future organisational goals and established the link between training and organisational performance (Stavrou *et al.*, 2004; Apospori *et al.*, 2008)

Previous research have established training as an efficient tool for improving job satisfaction and employee better performance (Rowden,2002), Also training has been linked to efficiency as it allows employees to perform their job more competently ( Nadeem, 2010) and more able to satisfy customers (Rowden and Conine, 2005).

Training primarily enables employees to acquire the skills they need to meet the demands of a more participatory work environment. Training has been identified as one of the beneficial links to a good work climate, good economic situation for the firm and improved productivity (Cox *et al.*, 2011). Workers may not be able to contribute fully to improve performance without the right skills, the chance to influence business decisions and the rewards for doing so (Cox *et al.*, 2011). Likewise, training is linked to the longevity of companies (Bates, 1990) and greater tendency to business and economic growth (Goetz and Hu, 1996). It is worth mentioning that the workforce's lack of training is related to low competitiveness (Green, 1993).

It may also be perceived to reflect an overall organisational strategy that involves adding increased value, as opposed to reducing costs. Most successful organisations and especially high growth firms are aware that training and development activities are the

key to attracting and retaining the best employees for their organisation (Bassi & Buren, 1999). It is therefore imperative that employers provide an opportunity for their workforce to learn, as proactive skills development schemes will not only improve the capabilities of their team but will also motivate staff and subsequently engender a more loyal employee set (Arlond, 2005; Bernsen *et al.*, 2009; Kyndt *et al.*, 2009).

Training contributes to a positive organisational climate perception and consequently impacts organisational performance. Investing in training makes employees feel valued as an employee and it also engender personal growth, consequently leading to increased work performance. Training is an important tool when implementing new business processes or equipment, updating employee's skills and attending to personal growth needs of employees (Grobler *et al.*, 2009). Having the right skills will enhance performance and quality of products produced. For example, it has been noted that where organisations invest in individual training and development programmes, employees reciprocate through desirable work-related behaviours (Haas and Deseran, 1982; Wayne *et al.*, 1997; Moorman *et al.*, 1998). For these two case organisations one of the greatest values they espouse is people development. Other researchers also concluded that both employees and employers share the benefits from training (Conti, 2005; Dearden, *et al.*, 2006; Ballot, 2006, Barrett and O'Connell, 2001.). Nankervis, *et al.*, (1999) were of the opinion that effective training would not only equip employee with most of the knowledge and skills needed to accomplish jobs, it would also help to achieve overall organisation objectives by contributing to the satisfaction and productivity of employee. Drummond (2000) supported this assertion by commenting that training provides adequate criteria for an individual to perform better in a given task and subsequently contribute to the firm performance (Rothwell *et al.*, 1995).

Several studies have demonstrated links between certain forms of training and improved individual-level performance (Hatch and Dyer, 2004). More generally, positive findings have been reported concerning the effects of training on performance from a longitudinal perspective (Tharenou *et al.*, 2007; Van Iddekinge *et al.*, 2009). Increasing the number of staff completing a full induction training programme has a positive effect on organisational performance measures, including customer service performance, staff retention and profits. Furthermore, the effect of training on profits appears to be direct rather than mediated through other outcomes such as improved customer service. Other

studies have shown variations in impact across organisations. Birdi *et al.*, (2008) found that, in some circumstances, training has a strong positive effect on productivity and in others a strong negative effect. Why this should be so is unclear, but variability in the quality of implementation is a potential explanation. An alternative explanation may be that the impact of training on firm performance is highly contingent on the context of the firm. This perspective is supported by recent meta-analyses of links between training and organisational performance.

Training may also contribute to motivation because employer-provided training represents an investment in employees and may be interpreted by employees as a sign of a firm's commitment to its workforce (MacDuffie, 1995; Vandenberg *et al.*, 1999). Highly skilled workers may also be easier to retrain and reskill to meet changing job demands. Tharenou *et al.*, (2007) review of 67 studies found that training is related to positive human resource outcome indicators and proximal organisational performance indicators such as quality, but less closely related to productivity or sales indicators. In simple terms, all firms appear to benefit from training, but what seems to yield greater benefits is matching training practices as closely as possible to organisational needs.

### **7.3.1.1 Training and Quality**

Training presented a weak but statistically significant relationship with the performance variable quality (0.377\*\*). This result indicates that *Training share a positive relationship with product quality*. The reason for the weak correlation could be because both variables do not share a linear relationship. Training as an HRM tool, represent an HRM strategy focussed on personal development of employees and support for the workforce to have the right skills and knowledge to function effectively in their job role. The qualitative result corroborates the quantitative findings. This result indicates that the quality of the workforce of an organisation is a good predictor of the organisation's performance. Furthermore, paying attention to employee's welfare and skills development is an important element of human capital development.

Both organisations espoused the importance of human capital development through training and development as a vital ingredient in the achievement of organisational goals. Several academic investigations have been executed linking human capital to organizational performance (for example: Schultz, 1993; Becker, 1993; Marimuthu *et*



*al.*, 2009; Katou, 2009). Results from most studies showed positive relationship between human capital investment on performance (Lynham, 2000; Lopez *et al.*, 2005; Mabey, & Ramirez, 2005); thus, Katou (2009) reported that: *“There is a large and growing body of evidence that demonstrates a positive linkage between the development of human capital and organizational performance.”* Interestingly, these results corroborate the importance of human capital development as part of an overall effort to achieve cost-effectiveness and high firm performance. This is not surprising as HGSMs are not only known to have formal training strategy but also actively pursue it. This view is in line with Julien’s conclusion: High growth firms engage in extensive continuous training, staff training was ongoing or provided immediately after hiring. According to Fajana (1995), some Nigerian SMEs do appreciate the need for training, but these are poorly implemented. This poor implementation may not be unconnected with lack of laid down policies. Research results from Potosky and Ramakrishna (2001) prove that an emphasis on learning and skill development was significantly related to organisational performance.

#### **7.3.1.2 Training and Efficiency**

Efficiency can be described as employee’s job performance and systemic planning and tasks scheduling. As mentioned earlier efficiency requires effort on the part of the employees, how much effort to put into a task would depend on a host of factors. Training the workforce is to ensure that they have the right skills to execute tasks, to become efficient personnel would depend on the employee’s personal values and the level of discretionary effort he/she is willing to put into the task. MacDuffie (1995, p. 200) concluded that, *“innovative human resource practices are likely to contribute to improved economic performance only when three conditions are met: 1) employees possess knowledge and skills that managers lack; 2) when employees are motivated to apply these skills and knowledge through discretionary effort; and 3) the firm's business or production strategy can only be achieved when employees contribute such discretionary effort”*.

One unanticipated finding was that a negative but significant relationship exists between training and efficiency. This finding was unexpected and suggests that for training to lead to employee efficiency some other factors have to be considered, for example, rate of training transfer and supervisor support. The transfer climate has been identified as

critical to achieving transfer of training in organisations. Thus, an organisation whose climate is favourable for transfer to take place is considered as “supportive”, while those whose climate inhibits transfer are regarded as “unsupportive” (Burke & Baldwin, 1999). One way to improve employee performance is to efficiently transfer the skills and knowledge acquired during training to the actual job (Blau, 1986). Employees ranking high on job involvement are more motivated to learn and transfer skills to the actual work setting (Noe and Schmitt, 1986) as a result of training program shows a greater level of job satisfaction along with superior performance.

Supportive transfer climate can be seen through the organisation efforts and direction in improving organisation performance by implementing goal oriented method. The vision of the organisation should create a climate that could motivate their employees’ performance at workplace (Acikgoz & Gonsel, 2011). Werner & DeSimone (2008) suggested that the HRD intervention such as training could assist the employees and organisation in attaining their goal or vision. They also emphasized that by enhancing the employees’ skill and successful performance, it could eventually lead to the attainment of employee and organisational goal

Supervisor support is one of the examples mentioned by Werner & De Simone (2006), that contribute towards the transfer of training in workplace when such encouragement given to apply the new skill. Eisenberger *et al.*, (1990) as cited in (Bunch, J.K. 2007) suggested that no matter how perfect a training design is and no matter how high the level of a trainee interest, the required change will only be attained if the organisation provided support for training to be transferred.

Another plausible explanation is to link this to the high-performance work practices model to explain efficiency. The AMO model (Ability, Motivation and Opportunity) used here to explain the link between High-Performance Work Practices (HPWPs) and organisational performance. This is based on organisational psychology theory, which is appropriate for seeking to understand performance because it attempts to predict the behaviour of people in a workplace context. It proposes that HPWPs work by increasing the use of employees’ discretionary effort. Specifically, HPWPs increase employees’ ability to do their job, the motivation to go beyond the terms of their job descriptions and the opportunity to exert discretionary effort. The notion of discretionary effort acknowledges that employees may be able to contribute more to the organisation than

simply getting the job done. In the right circumstances and with the right incentives they may be willing to exert additional effort for the firm (Appelbaum *et al.*, 2000) by trying to be more creative, helpful, paying extra attention to detail or taking on additional tasks.

Ability refers to practices that ensure employees are equipped with the skills needed to undertake their jobs, with a presumption that jobs will be relatively highly skilled. Ensuring that employees have appropriate skill levels to make use of the opportunity to use their discretionary effort through participatory work practices is also important. The two main routes through which Firms can ensure their employees are suitable: recruitment and selection practices, in order to ensure capable individuals are hired in the first place, and training for workers (Huselid, 1995; Appelbaum *et al.*, 2000).

Secondly, employees need to have the motivation to use discretionary effort. *Motivation* has been categorised into three forms: extrinsic/financial; intrinsic; and mutual trust/employees as stakeholders (Appelbaum *et al.*, 2000). Extrinsic factors include a range of incentive pay schemes, such as employee share-ownership programmes, individual performance pay or commission and group-based performance pay. Intrinsic motivation is related to the extent to which employees find a job satisfying and enjoyable to do. Finally, firms can encourage motivation by creating an atmosphere of trust and encouraging employees to think of themselves as stakeholders in the firm. The performance benefits of motivated staff are that they are less likely to be absent and less likely to leave their job.

Opportunity refers to involvement in the decision-making process of the firm (Appelbaum *et al.*, 2000). Many authors affirm this as a key feature that separate HPWPs out from other HR practices (Appelbaum *et al.*, 2000; Wood and Wall, 2007; Boxall and Macky, 2009). In HPWP, decision-making is supposed to be decentralised and participatory, distinct from the hierarchical 'control' practices of traditional Taylorist systems of management. Wood and Wall (2007) identify a number of ways in which employees might be given an opportunity to participate. Firstly, employees may enjoy a higher level of autonomy over how they do their job – for example by being part of a self-managed team. Secondly, employees might be given greater 'voice' to influence more strategic organisational decisions, either directly or through representatives.

### 7.3.1.3 Involvement and Quality

On the question of involvement and quality, this study found that a weak but significant relationship (0.341\*\*, see table 6.15). This result signifies that employee involvement is a weak predictor of product quality but both variables share a statistically significant relationship. This does not fully complement the qualitative result. More than half of the interview participants emphasise the importance of autonomy and involvement. Evidence from the interview confirms that giving employees autonomy and involving them in decision making related to their job role could yield multidimensional benefits (for example, commitment, job satisfaction organisational citizenship behaviour) . This is closely linked to communication style, frequency and mode of communicating within the team. Team leaders have to communicate organisational strategies to their team and provide organisational performance feedback, so that employees are aware of what performance indicators are important and how well the organisation is doing against set objectives. For both case organisations, customer retention and satisfaction were identified as their organisational performance measurements, so they make product quality a key internal driver. Individual team members are quite certain about the importance of product quality and because they are involved in decisions relating to their job role, they voluntarily engage in the quality assurance process. This is a comment from one of the respondents about product quality: “...*the quality checks that products go through are very rigorous and thorough...*” Phil. Qualitative findings revealed a much deeper relationship between employee involvement and quality. So, another finding of this research is that: The more involved the workforce the better the product quality.

Employee involvement leads to highly motivated workforce, better relationships between employees and management and acquisition of information that will positively improve costs, efficiency, effectiveness and quality. The evidence indicates that high employee involvement leads to high employee engagement. Similarly, a detailed study of the steel, apparel, and medical device industries (Appelbaum *et al.*, 2000) found that high-involvement systems were associated with higher engagement (higher job satisfaction, higher organisational commitment, higher trust, and less stress) and higher organisational performance (higher efficiency, quality, and productivity). Jones and

Kato (2005) found that high worker participation affects performance in all areas, though its effect is weaker for sales revenue and market share.

#### **7.3.1.4 Involvement and efficiency**

Surprisingly, Involvement and efficiency produced a negative but significant relationship (- .278\*\*). This result indicates that having an involved workforce does not automatically produce an efficient team. Efficiency involves job performance of employees, in order to achieve this, an organisation would have to be thorough with planning and scheduling and the way work is generally organised. Efficiency requires effort on the part of the employees, how much effort an employee is willing to put into a task would depend on a host of factors (for example how satisfied the employee is with his work environment). This finding contrast previous research conclusions. Tsui *et al.*, (1995) established that high-commitment HR practices impact the employees' willingness to exert extra effort and satisfy customers, which in turn affects the organisation's overall performance. Mcclean & Collins (2011), also conclude that High-commitment HR practices foster a high-involvement employee–employer relationship and motivate employees to contribute above and beyond their job's basic requirements. Using social exchange theory, these practices create a mutual obligation in which the employer is committed to the employee, thus resulting in greater employee commitment.

The correlation between these HRM variables and organisational climate variables are interesting because the positive link between HRM practices and organisational climate has been established by previous studies which shows that HRM practices does have a positive influence on organisational performance (Huang, 2000; Richard & Johnson, 2001; Tzafrir, 2005; Neal *et al.*, 2005). Delaney & Huselid (1996) asserts that HRM practices such as employee participation and extensive training can influence firm performance. According to Bowen and Ostroff (2004), HRM practices play a crucial role in determining employees' perceptions of an organisation and conclude that a strong climate is the result of clear and unambiguous HRM practices. These findings are supported by Tsui and Wang (2002) who state that clarity in expectations of employees is supported by HR practices which use consistency in messages when communicating with employees. Some authors also argued that HRM practices help to shape

organisational climate, and hence the relationship between HRM and performance is partially mediated by organisational climate (e.g. Ferris *et. al*, 1998; Rogg *et al.*, 2001)

It has also been established that firms pursuing differentiation strategies derive greater benefits from the use of human-capital-enhancing HRM systems (Youndt *et al.*, 1996; Schuler & Jackson, 1987; Guthrie *et al.*, 2002). These authors posit that firms attempting to differentiate their products and services on the basis of quality or innovation require a highly skilled and motivated workforce. Employees working in these firms need to be able to identify and solve problems before they affect production (autonomy) and need to be able to interact with each other in order to exchange information and ideas (teamwork & team cohesion). These employees need to be more competent, more adaptable, and show higher levels of personal initiative than their competitors (innovativeness). Firms using differentiation strategies, therefore, stand to benefit from providing enriched team-based jobs and investing in training, performance appraisal, and compensation systems.

#### **7.4 Chapter summary**

This chapter presented a discussion of both the results of qualitative and quantitative findings. This is done by interrogating the results and highlighting the key findings but more importantly lending support to the arguments by providing evidence from previous research that supports or contradicts the findings of this current study.

This research set out to examine the impact of organisational climate on performance of Nigerian High Growth SMEs vis-à-vis organisational factors (leadership, strategy, HRM Practices and entrepreneurial orientation), and in answering the research questions, six hypotheses were formulated (4 were accepted, 2 were rejected). The next chapter presents the conclusion and implications of this research and also provides recommendations for organisation and government policy makers and finally highlight possible considerations for future research.

## CHAPTER EIGHT - CONCLUSION

### 8.0. INTRODUCTION

This chapter presents a summary of the collective findings from this research and practical implications for managers. Recommendations are put forward for both organisations and government policy makers and areas for future research are also discussed

### 8.1. Reiterating the Research Agenda

The present study was designed to investigate the impact of organisational climate on performance of Nigerian High Growth SMEs. It started by looking at the existing literature in this research area. This search revealed most organisational climate research and indeed organisational performance investigation has mostly been quantitative in nature and concentrating on objective measures of performance. This necessitated the need for further investigation from a deeper perspective and using a richer methodological approach, a robust research methodology allowing comparison of results and allowing triangulation. Hence, two Nigerian high growth SMEs were chosen for a mixed methodological approach where data from both organisations were subjected to thematic analysis as well as immersed in quantitative analytical rigour.

The purpose of the current study was to determine whether organisational performance would improve as a result of a better organisational climate. It aimed at answering the following research questions:

- RQ1: How does organisational climate mediate entrepreneurial orientation (i.e. environment-strategy congruence)?
- RQ2: Which 'climate variables' impact the performance and sustainability of high-growth SMEs (i.e. environment-performance congruence)?
- RQ3: To what extent does organisational strategy contribute to climate perception of high growth SMEs employees (for example HRM practices and performance)

The organisational climate of two Nigerian High growth SMEs were measured. Six interviews were conducted in total; three interviews in each organisation. The Organisational Climate Measurement instrument (OCM, Patterson *et al.*, 2005) was

adopted as the Questionnaire for the survey. The interviews were analysed using Thematic Content Analysis and the questionnaires were analysed statistically using descriptive, correlation and regression analyses. Chapter 6 presented the qualitative and quantitative findings from the two organisations. The discussion chapter affirmed the interview findings by comparing them with the questionnaire findings. It also elucidates further and interprets the results presented in Chapter 6. This research is aimed to improve understanding of the relationship between organisational climate and performance by identifying the role of internal organisational factors in shaping organisational climate and therefore engender superior organisational performance. To empirically investigate the relationship, four organisational factors were identified as contributing to organisational climate (leadership, organisational strategy, HRM practices and entrepreneurial orientation). In addition, this study also examined the contributory role played by each of these factors directly to performance.

Most of the existing literature has either investigated one or two of the organisational variables identified or indeed showcase the relationship between those variables and organisational performance, but none investigated these variables within the Nigerian context or HGSME for that matter. This research is the first work to synthesise the impact of the organisational factors, integrating it with performance, in a developing economy, specifically isolating and indicating the relationship between each variable and organisational performance directly as detailed in chapter 3. This investigation revealed that leadership style moderates the work environment, which when perceived as positive would encourage discretionary work performance, foster an integrated team that is highly collaborative. Employees in any organisation would commit to the organisational goals and achieve high performance if given the autonomy and encouragement to contribute to decisions relating to their job role. The HRM focus of employee development through training and employee involvement yielded improved product quality which led to customer satisfaction and higher customer retention.

## **8.2 Research Conclusions**

### **8.2.1 Mediating role of organisational climate on entrepreneurial orientation**

This study examined the mediating role of organisational climate between entrepreneurial orientation and performance. Through an empirical investigation, this study explored causal relationships among these variables. This study has shown that



that supportive leadership climate encourages autonomy of the workforce of high growth SMEs, facilitate risk taking and innovativeness. Such environment positively encourages employee engagement by way of involvement or participation, involving employees in decision making relating to their job role and strategic matters. The quantitative enquiry revealed a highly significant relationship between entrepreneurial variables (autonomy, open systems reflexivity and innovation & flexibility) with the following climate factors (integration, welfare, rational goal – pressure to produce, clarity of organisational goals and supervisory support). These factors create the organisational climate that precipitate entrepreneurial orientation, positive entrepreneurial inclination produces better organisational performance. As a result of supportive leadership behaviours and a generally supportive organizational climate, individuals feel the need to reciprocate favourable organizational treatment with positive attitudes and behaviours. It appears that employees with higher levels of “Perceived positive Organizational climate” are likely to be more committed than are employees who feel that the organization does not value them highly. This result led to the acceptance of hypothesis 1. The two Nigerian High Growth SMEs used for this research displayed positive organisational properties that are consistent with a positive climate. Both organisations presented supportive leadership climate that encourages employees to be involved in decision making. A supportive organisational climate is needed for an organisation to become ‘entrepreneurial’ (Fahden 1998; Mokoena 1999).

Interrogating the impact of organisational climate on entrepreneurial orientation, a highly significant relationship was established between these two constructs. This finding suggests that in general the organizational climate within a firm influences the entrepreneurial orientation of an organisation and the type of entrepreneurial activities a firm pursues. The entrepreneurial propensity of an organisation is invariably encapsulated in the firm's internal climate (Burgelman, 1983, 1984; Morris and Kuratko 2002, p.156; Hornsby *et al.*, 2002; Elenkov *et al.*, 2005; Scheepers, 2008; belauteguigoitia *et al.*, 2008). This result is in alignment with previous research which identifies the following organisational factors as necessary for EO to flourish: management support (Stevenson and Jarillo, 1990) for new ideas (Fry, 1987) and projects (Pinchot, 1985), participation in strategic decisions (Barringer and Bluedorn, 1999, Kemelgor, 2002), tolerance of risk-taking (Lumpkin and Dess, 1996, 2001), autonomy (Sundbo, 1999). These authors established that a supportive organisational climate will impact entrepreneurial orientation and concluded that

organizational climate is an antecedent for EO (Belausteguigoitia *et al.*, 2006; Scheepers, 2008).

A positive relationship was established between entrepreneurial orientation and performance by these authors (Wiklund and Shepherd, 2005; Wiklund, 1999; Pearce and Carland, 1996; Zahra and Covin, 1995; Zahra, 1991). EO was found to be closely associated to the growth and profitability of especially large organizations (Zahra, 1991; Zahra and Covin, 1995; Zahra and Garvis, 2000; Antoncic and Hisrich, 2001; Wiklund and Shepherd, 2005)

### **8.2.2 Organisational climate impact on performance**

In studying the impact of organisational climate on performance, this research investigated the relationship between these organisational variables and organisational climate: Leadership (West 1990; Evered *et al.*, 2001; Koene, *et al.*, 2002; Jung *et al.*, 2003; Haakonsson *et al.*, 2008; Wilson and Momeni, 2009), strategy (Bluedorn and Lundgren, 1993; Burton, 2004.), HRM practices (Delaney & Huselid 1996; Cooke 2000; Boselie *et al.*, 2005; Combs *et al.*, 2006) and Entrepreneurial orientation (Covin & Slevin, 1989; Lumpkin & Dess, 1996; Tarabishy *et al.*, 2005; Tang *et al.*, 2008; Keh *et al.*, 2007; Rauch *et al.*, 2009). This study also investigated each variable to establish how (if at all) they contribute to performance. This result agrees with the conceptual level literature that suggests that these organisational variables shapes organisational climate and that performance is impacted by organisational climate. This finding is supported by previous research: (Schneider, 1980; Johnson, 1996; Koys, 2001; Harter *et al.*, 2002; Potosky & Ramakrishna, 2002; Gelade & Ivery, 2003; Patterson *et al.*, 2004; Schneider *et al.*, 2005; Jaramillo *et al.*, 2006; Solomon, 2006)

The most obvious finding to emerge from this study is that these organisational climate variables (*Supervisory support, autonomy, involvement, welfare*) emerged as impacting performance and *Performance feedback, effort, pressure to produce and reflexivity* emerged as organisational climate variables that predict organisational sustainability of Nigerian high growth SMEs.

### 8.3. Organisational strategy and climate perception

Past researchers such as Noe et al. (2000) contend that human resource (HR) strategy is the central business concern that shapes the behaviour, attitudes, and performance of the employees; hence, HR practices are important tools for organisational performance. HR practices have been established as contributing to organisational performance (Ramsey *et al.*, 2000; Arthur, 1994; MacDuffe, 1995; Horgan & Mohalu 2006; Bashir & Khattak, 2008). However, the influence of HR practices is found to have affected firm performance when it involved and allowed employees to contribute to organisational outcomes (Wright *et al.*, 1999).

Training and development (T&D) generate benefits for the employee as well as for the organisation by positively influencing employee performance through the development of employee knowledge, skills, ability, competencies and behaviour (April, 2010). Skilled and qualified people and their capabilities are known as the most advantage-generating resources. However, in order to affect the organisation's performance, T&D should be planned, developed and coordinated closely with the overall business strategy and activities in other departments. Therefore, HRM activities generally, and T&D particularly, help in creating skilled, motivated, well trained and satisfied employees who are willing to work effectively and efficiently. Boxall (1995), concluded that HR practices vary in different societal contexts and no one best practice can be applied universally. Thus, it is suggested that organisation should define the desired performance outcome as HR practices are different according to the performance measures (Khatri, 2000). According to Amoah & Debrah (2011), acquiring expertise is essential to a firm's survival and enhances its ability to navigate the business environment. Having trained workforce will improve product quality and support the business survival.

#### 8.3.1 Training and product quality reveal a positive and significant relationship

This study investigated the role of HRM practices on organisational climate, training was one of the two HRM variables used for this research. The Organisational Climate Measurement instrument was used for the HRM measurement of the two organisations. Both variables used as HR variables are within the human relations quadrant of the

instrument. A correlation analysis of training and quality revealed a positively significant relationship. Based on this result hypothesis 3 is accepted. The relevance of training is clearly supported by the current findings. This result supports the idea that Job-related training increases an employee's ability to perform job-related tasks. Training employees leads to increased employee satisfaction, facilitates the updating of skills, leads to an increased sense of belonging and benefit, increased employee commitment to the organisation, and strengthens the organisation's competitiveness. An implication of this is the possibility that, training the workforce improves employees' job satisfaction and commitment to the organisation and the quality of products produced.

### **8.3.2 Training and efficiency reveal a negative but significant relationship**

One of the more significant findings to emerge from this study is that training and efficiency reveal a negative relationship. Contradicting previous study results, training present a negative but significant relationship with efficiency. Training contributes to employee development by equipping them with the right skills and knowledge to function effectively in their job role but efficiency is determined by the amount of discretionary effort the employee is willing to put in. Therefore, even though an individual might have the capability to discharge his duties, being efficient in carrying out those duties is discretionary. An employee may have the right skills to carryout his /her job role, but the ability to do so may depend on the rate of training transfer. These studies identified a significant relationship between Training and efficiency by stating that training develops self efficacy and superior performance on job, by replacing the traditional weak practices with efficient and effective work related practices (Cooke, 2000; Kathiravan, *et al.*, 2006; Svenja, 2007). Efficiency and effectiveness are ingredients of performance and training is a way of increasing individual's performance.

Several reasons could explain the negative relationship between training and efficiency; some of these reasons are further explored. It is plausible that employees may not be efficient in performing their work duties even with the best training. For example workers may not feel motivated anymore to use their competencies, or may not be confident enough about their capabilities, or they may be facing work- life conflict. Another reason for a negative relationship between training and efficiency could also be attributed to some environmental factors which may hinder employee performance by

way of poor utilisation of skills, knowledge and full display of their capabilities. The corporate culture, organizational structure, job design, performance appraisal systems, power and politics prevailing in the firm and the group dynamics may be prevent an employee from being efficient even though they are well trained. If the above mentioned problems exist in the firm, employee efficiency may flounder not due to lack of relevant knowledge, skills and attitude, but because of above mentioned challenges.

Wright and Geroy (2001) suggested that to make training effective and to reap the positive effect of training on employee performance these elements should be taken into consideration. Swart et al., (2005) submit that there is a positive correlation between effective training program and employee productivity; however, the managers have the responsibility of identifying the factors that hinders training program effectiveness and should take necessary measures to neutralize their effect on employee performance.

Salary has been viewed as an important determinant factor for employee increased performance (Kline & Hsieh, 2007). Performance based payments have an effective relationship with performance improvements. Every worker wants to earn more so they put extra effort to produce more units. Performance based payments stimulate and motivate workers to be more creative in generating more efforts. So with the best training intervention in an organisation, if the employee view their salary to below what is obtainable elsewhere, their motivation to be work efficiently may be low.

All the above aspects must be considered by the firm while selecting most appropriate training intervention, by making sure that it not only helps organization to solve business problems, but also enhance employee motivational level to participate and meet firm expectations by showing desired performance.

### **8.3.3 Employee involvement and quality indicate a positive relationship**

The results of this investigation show that employee involvement is a good predictor of product quality. A few authors have highlighted with a large amount of case evidence showing that empowerment does result in more satisfied customers and employees . One of the benefits of Involving employees, empowering them, and bringing them into decision making process is that it provides the opportunity for continuous process and product improvement (Croucher, 2010). The innovations, and creative thoughts of

employees can make the difference between success and failure. Employee involvement improves quality and increases productivity.

#### **8.3.4 Employee involvement and efficiency yield a negative but significant relationship**

This result could be explained as having an involved workforce does not automatically produce an efficient team. Efficiency involves job performance of employees, in order to achieve this, an organisation would have to be thorough with planning and scheduling and the way work is generally organised. Efficiency requires effort on the part of the employees, how much effort an employee is willing to put into a task would depend on a host of factors (for example how satisfied the employee is with his work environment).

#### **8.4 Research Implications**

It is clear from the results that organisational climate provides a fertile ground for entrepreneurial activities in high growth firms, by encouraging innovation, risk taking and employee involvement. This result is especially useful for Nigerian SMEs as one of the problems identified as militating against their growth is poor technological know-how, this is linked to inadequately skilled personnel and low innovative tendencies. According to Goedhuys & Sleuwaegen (2009) majority of SMEs in Africa are operating substantially below the technological frontier, firms' innovation efforts are primarily oriented towards absorbing, adapting, mastering and eventually improving technologies developed elsewhere.

An organisation with positive climate is more than likely to record good organisational performance. Providing employees with supervisory support through supportive leadership, showing concern for the welfare of employees and fostering autonomous and involved employees all contribute to perception of positive organisational climate.

It is clear from the results that training affects product quality directly which in this case increases customer satisfaction and organisational performance. Organisations can enhance their performance and improve product quality by having a strong training focus. This result complements the results of these studies (Peteraf 1993; Gareth, 2003; Houger, 2006; Niazi, 2011;)

This result indicate that having a trained workforce may not automatically translate to having an efficient group of employees, but statistical significance between the two variables means that in order for an organisation to have the possibility of achieving efficiency, the workforce must be trained. Also, the work environment should facilitate training transfer in order to facilitate the utilisation of the new skills and knowledge acquired from training and incorporates it into daily task execution. Management should create an environment that promotes training transfer. High growth SMEs are organisations that rely on employee's input, therefore there is a strong emphasis on developing the workforce.

There is relatively good evidence that employee involvement/engagement promotes job performance, increased citizenship behaviour, and decreased withdrawal behaviour (absenteeism and turnover). Each of these is potentially valuable to the organization. Employee involvement programs can increase job satisfaction, employee morale and commitment to the organization, as well as increase productivity, reduce turnover and absenteeism and enhance the quality of products and services. Therefore organisations should be fully aware of these benefits and put strategies in place to implement employee engagement practices. There is a positive relationship between job involvement and organisational performance (Lassak *et al.*, 2001)

Organisations with staff members who have high involvement in job assignments produce more efficiently as compared to those employees who do not want to indulge themselves in the assigned tasks (Brown, 1996; Diefendorff *et al.*, 2002) Involvement in tasks directly or indirectly influences the employee performance. Effort is an intervening element between the relationship of job involvement and performance (Brown and Leigh, 1996).

Involvement increases task ownership and commitment, retains organisation's best employees, and fosters an environment in which people choose to be motivated and committed. It also increases employee attachment to their work & organization, empowers workers, and gives them increased job autonomy.

### **8.5 Recommendations for Nigerian SMEs**

Nigerian SMEs that desire high growth should create organisational climate favourable towards innovative and proactive behaviour, while displaying a risk-taking orientation. Innovative behaviour should be rewarded, employees empowered and organizational

leadership and support encouraged. Having this positive climate would foster the growth of Nigerian SMEs and improve organisational performance.

One of the problems identified by several studies on Nigerian SMEs is the lack of adequately skilled personnel (Wynn & Okpara, 2011; Onugu, 2005). Senior management should focus more on human capital development within their organisation. Nigerian SMEs has been consistently criticised for its low levels of workplace training and development (Fajana, 2002). Owoyemi *et al.*, (2011) argue that training failure is more systematic and a reflection of Nigerian' economy and organisational culture. These authors concluded that lack of training in Nigerian workplaces should not be blamed on the lack of interest amongst workers, but employers , who are reducing training budget due to the global economic down turn. Therefore, it is recommended that organisations invest in training as a source of increasing employee commitment (Owen; 2006, Brum, 2010) and improving organisational growth and performance (Peters & Waterman, 1982; Becker & Gerhard, 1996; Davenport, 2006; Bowling, 2007).

Organisations should engage in high employee involvement practices by rewarding empowered behaviour. In order to achieve positive results from employee involvement, employees must feel valued, recognised and be compensated for extra effort. Organisations should promote employee involvement / engagement programmes and reward high involvement

### **8.6 Recommendations for Nigerian government in support of HGSMES**

High growth enterprises are the major sources of new employment in many countries. Nigerian government should develop policy programmes to support high growth SMEs with increased recognition of the strategic importance of enterprise growth and higher priority attached to supporting and encouraging such policies. Several factors, internal or external to the firm, could also help explain Nigerian SME's underperformance, and should be taken into account when developing the policy. The following are the recommendations considered important for stimulating growth of Nigerian SMEs and improving the stock of Nigerian High Growth SMEs:



1. Growth support programmes should have strong sectoral focus. The government could introduce policies that specifically address problems in a sector of SME cluster, this focus would enable evaluation of the policy. In some countries SMEs receive special support based on their size, while other countries focus more on entrepreneurship policy and address market failures related to starting and growing a business; *e.g.* Denmark has a strong focus on improving the framework conditions for entrepreneurship and does not target the size of the firm as such.
2. Government through SMEDAN should strive to provide a solution to the skill gaps in the SME sub-sector. This makes the issue of capacity building an important area to focus upon. The building of new and renovation of existing technical colleges is highly recommended.
3. Simplification and integration of SME and entrepreneurship policy programmes. One approach is to reduce the number of strategy areas. There are several government agencies implementing different policies and each of these agencies are acting autonomously without integrating their services with other SME agencies. Integrating policy programmes would serve the dual purpose of easy access for entrepreneurs and also increased awareness of such programmes. For example, in Turkey the number of main strategy areas has been reduced from 10 to 5 over the past years. Japan enacted a “Law for facilitating the creation of new businesses” in 2005 by merging three different laws into one and setting three support areas, *i.e.* business creation, business innovation and new tie-ups.
4. There is the need to improve the business environment. Government policies should be geared towards stimulating growth. Policymakers should encourage an environment that rewards experimentation, penalises inertia and reduces the costs of failure: that is, an economy in which innovative firms experiment with new ideas, exploit new growth.
5. Access to finance continues to be a major barrier to business growth, and the tightening of financial regulation risks restricting it further in the short term. Access to debt and equity finance should be improved and fund investment in research and development and the acquisition of non-tangible assets. In the same

way, the valuation of intellectual property and intangibles and their use as collateral for loans should be promoted. Government should also consider consolidating all the SME financial support agencies, with the vision to make this support system more robust and less complicated to access.

6. Encourage entrepreneurial attitude in order to stimulate more growth ambitions in new and existing businesses. This could be achieved by embedding entrepreneurship education in curriculum from primary to higher education by encouraging schools to incorporate entrepreneurship in the curriculum and create a culture of enterprise in the school;
7. Government should provide the necessary support for internationalisation of new and small firms, through the support of diversification of products and markets for export and commercial missions. Promotion of all types of innovations, including non-technological innovation should take a priority spot on government agenda.
8. There is need for a well structured mechanisms or interfaces and intermediary agents for effective and efficient interaction between the SMEs and the research institutes in Nigeria.
9. Developing the innovative ability in the SMEs will require strategic training for the owners of the firms in Nigeria so as to increase their absorption capacity for innovation. Moreover, the SMEs associations should be strengthened to provide opportunities for their members to continuously learn about new technology developments and opportunities.
10. Lastly, SMEDAN services to SMEs should be restructured for positive impact. The Agency should be able to provide a wide spectrum of technical services to the SMEs. These should include common facilities for testing, technology up-gradation, modernization, quality improvement, training for entrepreneurship development, a number of training for skill up-grade, preparation of project and product profiles, technical and managerial consultancy.

## **8.7 Research contribution**

### **8.7.1 Theoretical contributions**

There has been several investigation of organisational climate and performance, but mostly situated within the context of Western economies, without specific focus on organisational factors highlighted in this study and no evidence of such investigation in Nigeria. Through the introduction of the conceptual framework detailing the interconnectedness of the organisational factors and there impact on organisational climate, in this research lessons for practice were drawn that could benefit both practitioners and academics alike.

The conceptual framework developed for this research provides a robust view of investigating the relationship between organisational climate and performance. The study contributes theoretically to the study of organisational climate by exhaustively reviewing literature on leadership, strategy, human resource management and entrepreneurial orientation indicating there relationship with organisational climate and performance. Furthermore, the influence of these organisational factors adopted in this research could be used for any organisational climate evaluation and would be ideal for investigating the impact of leadership on performance, understanding the role of organisational strategy in performance. It could also be used in examining the influence of entrepreneurial orientation on performance and implementation of HRM strategy and performance.

This research makes several significant contributions towards research and theory of organisational climate by proposing a framework in which leadership, strategy, HRM practices and entrepreneurial orientation play a critical mediating role in explaining the relationship between organisational climate and performance. This framework makes four unique contributions:

Firstly, this research provides a theoretical explanation grounded in leadership theory for the influence of organisational climate and performance. Leadership theory is used to explain organisational climate properties of both case organisations by using the leadership traits of both transformational and transactional leaders and blending it with the organisational climate properties evident in both case organisations. The findings of this study advance the research in the area of firm level climate by developing and

empirically examining a model to explain how organisational factors influence organisational climate and performance.

Secondly, rather than focusing on the challenges of Nigerian SMEs which has been exhaustively investigated, this research moves forward the literature concerning Nigerian SMEs by highlighting factors and drivers of high growth SMEs in emerging economies in order to highlight government policies that would facilitate the proliferation of this genre of SMEs in Nigeria.

Thirdly, this research fills a gap in literature regarding the role of organisational climate in explaining the performance of Nigerian High growth SMEs. Organisational climate has been previously investigated using single organisational indices, but no single study has combined all four factors (organizational strategy, human resource practices, entrepreneurial orientation and performance) together based on literature search. For example, organizational climate and performance (Neal *et al.*, 2000; Gelade & Ivery, 2003; Patterson *et al.*, 2004; Lichtman, 2007, Selamat, 2013; Thumin & Thumin, 2011; Schulte *et al.*, 2009 ; Putter, 2010; Dzulkifli & Noor, 2012), organisational climate and human resource practices (Ren *et al.*, 2001; Neal *et al.*, 2004; Neal *et al.*, 2005) entrepreneurial orientation and performance (Salavou, 2007; Antoncic & Prodan, 2008; Li *et al.*, 2009). All of these studies were conducted within the Western economies. There are a few investigations of organisational climate in Nigeria: organisational climate and leadership (Inuwa, 1988) climate and job performance in primary schools (Adeyemi, 2006), organisational Climate and training in Nigeria (Abdullahi *et al.*, 2013) climate & job performance in Nigerian Universities (Olorunshola & Arogundade, 2012) and Organisational climate and female academics leadership (Oti, 2012). But none of these academic pursuit examined organisational climate within the context of organisational performance or indeed within high growth SMEs. This is the first study to investigate the role of organisational climate on performance within a traditional organisational setting, this allows this study to be more applicable in understanding organisational climate within established traditional firms in Nigeria.

Fourthly, the influence of each of these constructs (leadership, strategy, HRM practices or entrepreneurial orientation) on organisational climate has been previously investigated by several authors but none of these prior researches bring together all four constructs to examine the impact of organisational climate on performance. This study

not only spotlight on the influence of each of these organisational factors on organisational climate, but also exhumed the relationship between each of these constructs with performance as well as detail the role of organisational climate on performance.

### **8.7.2 Policy contributions**

The novelty of this work lies in how it taps into an issue that has quickly become a flagship policy in many African countries, that is, identifying and working out support systems for those organisational types that are likely to make the most impact on economic growth agenda. HGSMEs belong to the genre of SMEs that have proved to be catalysts for growth and profoundly impacting the broad dimensions of their operating economies. In this regard, the potential contributions to policy processes are self-evident and need not be over-emphasised. Essentially, this research underscores the importance of favourable governmental policies that incubate high-growth SMEs and support the proliferation of this sub sector. Of particular importance is the understanding that having a blanket policy for all SMEs will not address the specific needs of HGSMEs. With the knowledge that this sector requires specific external support mechanism to serve as a cushion for their growth capabilities established, the next crucial step is for government to embrace the implementation of such policies to affirm commitment to developing and sustaining HGSMEs.

### **8.7.3. Practical contributions**

This study has explored the impact and relationship of those organisational factors that contribute to positive perception and development of a favourable organisational climate. In addition, this research has uncovered the growth factors and internal mechanism of high-growth SMEs. In consonance with Madsen and Servais (1997), it is now established that the propensity SMEs to become high-growth is attributable to three important characteristics: founder, organization and environment. By engaging and unpacking each of these categories as well as extending our understanding of the internal organizational factors of HGSMEs, this research lays out some practical issues that are likely to be the important determinants of success. This knowledge base will aid managers in honing the skills, competences and resources management (human & capital) necessary to stimulate an enabling environment for growth and sustainability.

## **8.8 Limitations of the research**

Like all research, the present study experienced some limitations that need to be considered. Firstly, the sample is not a representation of all HGSMs in Nigeria because it was limited to two firms (media and publishing sectors), therefore, the results cannot be generalized to firms that do not belong to these sectors. Secondly, the research was limited to one city as both participating organisations are located in the Western part of Nigeria (Lagos); a broader geographic sampling would provide a better reflection of the national profile. Further research is required across a wider geographical area. Thirdly, another source of limitation for this research was the fact that all the interview participants are senior managers, which could mean that their view of the organisation could be different from non managerial staff. A few non managerial employees could have been interviewed in order to obtain views representative of the different cadre of the workforce. Fourthly, the OCM survey instrument used for this study has large number of survey items (sixty eight questions); this may have significantly reduced the response rate. Non-response bias therefore added another threat to the generalisability of the results. Thus, the generalisability of the results beyond the studied population requires additional field research. Lastly, this study recognizes the fact that several variables, apart from the ones identified in this study contributes to organisational climate and it is mindful of the fact there are other predictors of HRM focus of an organisation beyond the two variables isolated in this study (training and Employee involvement). Similarly, this study is not oblivious to the fact that a number of other factors can also predict organisational performance for HGSMs other than those measured by this research. In order to relate the two constructs (i.e. organisational climate and organisational performance) this study assumed other factors to be constant. The foregoing shortcomings of this study uncover potential areas for further research in that other variables apart from the current ones highlighted by this research can be studied to improve predictability of HGSMs performance.

## **8.9 Further Research**

This research sought to investigate how organisational climate impact organisational performance of Nigerian High Growth SMEs. A resonant research methodological stance was adopted as explained in Chapter 3, in order to provide an all encompassing

and complete view by interrogating those underlying organisational factors and bringing to the fore how they contribute to climate perception and ultimately influence performance. The limitations addressed in the previous section, the findings and contributions, all open up a rich vein of ideas for further research:

1. Future research could make use of a broader sample of HGSMEs, especially considering looking at sectors that was not part of this research sample. This would help to reveal if this research can be replicated in a different sector and generate a similar outcome. In addition to that the geographical location of the sample organisations should possibly represent a wider geographical distribution (sample to be drawn from East, South and North). It would be interesting to find out if geographical difference could change the dynamics of the organisational factors and its influence on organisational climate and performance.
2. Another area that could be the focus of future research is the selection of interview participants. Current research only interviewed senior management due to time constraints, cost and logistically issues related to arranging so many interviews. Even though non managerial employees were included in the survey, they were limited to the answer selections presented by the questionnaire, without the opportunity of adding personal comments and views on specific issues. Therefore it is recommended that including a few non managerial employees could generate richer and deeper insights to the research topic.
3. The combined organisational variables investigated in this research are leadership, strategy, entrepreneurial orientation and HRM focus (training and employee involvement). Future research could explore different HRM components (for example to investigate correlation with organisational climate variables and influence on performance).

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## Appendix A: Patterson et al Questionnaire

**University Of East London**  
**Royal Docks Business School**  
**Organisational Climate and Performance Survey**  
(Approximate time to complete 15 to 25 minutes)

Dear Sir/Madam,

I am a PhD scholar at the above mentioned university. I am pursuing doctoral research entitled, “Organizational Climate and Performance: A case study of Nigerian high-growth SMEs”. This questionnaire is the research instrument for data collection. I hope you will give your opinions honestly, freely and unbiased on the basis of your personal experience. Your responses will be treated confidentially for the purpose of research thesis.

- You are allowed to mention your identity or not.
- Please return the filled questionnaire as soon as possible.

Thanks for your cooperation.

With best wishes  
Jummy Okoya

<b>A. Please complete the following information by marking the appropriate box with an X.</b>						
Gender	F	M				
What is your Gender?						
What age group you are in: (years)	25 or less	26 – 30	31 - 35	36 - 40	40 & above	
How long have you been employed.(years)	0 – 5	6 – 10	11 – 15	16 – 20	21 – 25	
How long have you been with the organisation. (years)	0 -3	4 – 7	8– 11	12 – 15	16 & above	
Select the highest level of formal education you have completed:	High school	College diploma	Technical college	Bachelor’s degree	Post Graduate degree	
Indicate which of the following best describes your current position:	Clerical/office support	Technical/ professional staff	Supervisory position	Middle / senior managerial position	Executive / top level management	

**Note: SA = strongly agree, A = agree, UN = undecided, DA = disagree and SDA = strongly disagree.**

<b>B. Please indicate the level of your agreement/disagreement with each of the following statements by marking your preference with an X.</b>						
Statements	SA	A	UN	DA	SD	
<b>Involvement</b>						
1	Information is widely shared					
2	There are often breakdowns in communication here*					
3	Management involve people when decisions are made that affect them					
4	Changes are made without talking to the people involved in them*					
5	People don’t have any say in decisions which affect their work*					

6	People feel decisions are frequently made over their heads*					
<b>Autonomy</b>						
7	Management let people make their own decisions much of the time					
8	Management trust people to take work-related decisions without getting permission first					
9	People at the top tightly control the work of those below them*					
10	Management keep too tight a reign on the way things are done around here*					
11	It's important to check things with the boss before taking a decision*					
<b>Supervisory support</b>						
12	Supervisors here are really good at understanding people's problems					
13	Supervisors show that they have confidence in those they manage					
14	Supervisors here are friendly and easy to approach					
15	Supervisors can be relied upon to give good guidance to people					
16	Supervisors show an understanding of the people who work for them					
<b>Integration</b>						
17	People are suspicious of other departments*					
15	People in different departments are prepared to share information					
19	There is very little conflict between departments here					
20	Collaboration between departments is very effective					
21	There is very little respect between some of the departments here*					
<b>Welfare</b>						
22	This company pays little attention to the interests of employees*					
23	This company tries to look after its employees					
24	This company cares about its employees					
25	This company tries to be fair in its actions towards employees					
<b>Training</b>						
26	People are not properly trained when there is a new machine or bit of					



	equipment*					
27	People receive enough training when it comes to using new equipment					
28	People are strongly encouraged to develop their skills					
29	The company only gives people the minimum amount of training they need to do their job*					
<b>Open Systems - Reflexivity</b>						
30	In this organisation, the way people work together is readily changed in order to improve performance					
31	The methods used by this organisation to get the job done are often discussed					
32	There are regular discussions as to whether people in the organisation are working effectively together					
33	In this organisation objectives are modified in light of changing circumstances					
34	In this organisation, time is taken to review organisational objectives					
<b>Innovation &amp; flexibility</b>						
35	New ideas are readily accepted here					
36	This company is quick to respond when changes need to be made					
37	Management here are quick to spot the need to do things differently					
38	This organisation is very flexible; it can quickly change procedures to meet new conditions & solve problems as they arise					
39	Assistance in developing new ideas is readily available					
40	People in this organisation are always searching for new ways of looking at problems					
<b>Rational goal - Pressure to produce</b>						
41	People are expected to do too much in a day					
42	In general, people's workloads are not particularly demanding*					
43	Management require people to work extremely hard					
44	People here are under pressure to meet targets					
45	The pace of work here is pretty relaxed*					

<b>Clarity of organisational goals</b>					
<b>46</b>	People have a good understanding of what the organisation is trying to do				
<b>47</b>	The future direction of the company is clearly communicated to everyone				
<b>48</b>	People aren't clear about the aims of the company*				
<b>49</b>	Everyone who works here is well aware of the long term plans and direction of this company				
<b>50</b>	There is a strong sense of where the company is going				
<b>Performance feedback</b>					
<b>51</b>	People usually receive feedback on the quality of work they have done				
<b>52</b>	People don't have any idea of how well they are doing their job*				
<b>53</b>	In general, it is hard for someone to measure the quality of their performance*				
<b>54</b>	People's performance is measured on a regular basis				
<b>55</b>	The way people do their jobs is rarely assessed*				
<b>Quality</b>					
<b>56</b>	This company is always working to achieve the highest standards of quality				
<b>57</b>	Quality is taken very seriously here				
<b>58</b>	People believe the company's success depends on high quality work				
<b>59</b>	This company does not have much of a reputation for top quality products*				
<b>Efficiency</b>					
<b>60</b>	Time and money could be saved if work were better organised*				
<b>61</b>	Things could be done much more efficiently if people stopped to think*				
<b>62</b>	Poor scheduling and planning often result in targets not being met*				
<b>63</b>	Productivity could be improved if jobs were organised and planned better*				
<b>Effort</b>					
<b>64</b>	People here always want to perform to the best of their ability				

<b>65</b>	People are enthusiastic about their work					
<b>66</b>	People here get by with doing as little as possible*					
<b>67</b>	People are prepared to make a special effort to do a good job					
<b>68</b>	People here don't put more effort into their work than they have to*					

## Appendix B: Interview Guide and process

### *Research objectives*

1. To investigate the moderating effect of organisational climate on the performance of high-growth SMEs in Nigeria.
2. To explore the intensity of climate factors in determining the growth trajectories of high-growth SMEs.
3. To explore the influence of organisational factors (e.g. leadership styles, strategy, HRM practices and Entrepreneurial orientation) on climate perception
4. To investigate the contributory role of organisational strategy to the development of organisational climate of High growth SMEs.

### *Research Questions:*

- RQ1: How does organisational climate mediate entrepreneurial orientation (i.e. environment-strategy congruence)?
- RQ2: Which 'climate variables' impact the performance and sustainability of high-growth SMEs (i.e. environment-performance congruence)?
- RQ3: To what extent does organisational strategy contribute to climate perception of high-growth SMEs employees (for example HRM practices and performance).

### Process:

A. THANK THE PARTICIPANT FOR THEIR TIME.

Interviewer to start with introductions.

Thank you for agreeing to participate in this interview today to discuss your understanding and perception of organisational climate and how it affect performance. There are no right or wrong answers to the questions that will be discussed. I am simply interested in your opinions and experience. This is a completely confidential conversation and information that is recorded and your full name or demographic information will not be kept by the University of East London.

### B. EXPLAIN THE PROCESS OF THE INDIVIDUAL DEPTH INTERVIEW

Today's process involves an individual depth interview to discuss your opinions and feelings about your perception of your organisation. I expect that the complete process will take approximately one hour, I would like to voice record the interview because this discussion will be transcribed for analysis purposes. When we have completed the analysis, I will write and provide you with a copy of the summary report for feedback and to ensure that your views have been appropriately represented if you wish.

As part of the university's ethical clearance policies, I also require you to complete the two forms in front of you:

An ethical clearance form: it is a requirement of the university's research policy to complete this form. The document outlines that the researcher will represent your confidentiality and that any information discussed here today will not be used to personally identify you in any publications or conference discussions.

Informant details sheet: general demographic information about you. Only the researcher will be privy to this information.

#### C. DISCUSSION OF ENVIRONMENT AND STRATEGY

*Objective: To determine how organisational climate mediate entrepreneurial orientation (i.e. environment-strategy congruence).*

15 mins

To begin, I would like to hear about your thoughts, feelings and opinions and your experiences of organisational climate. To start tell me about your understanding of climate and what constitute climate?

*Interviewer to probe for climate variables and how it affect strategy formulation.*

Let's now talk specifically about factors that shape organisational climate.

In what ways could climate be read by internal or external stakeholders?

Interviewer to probe for climate representation and effect on employees.

What does climate represent for this organisation? How does climate affect you, your work and relationship with other staff?

#### D. DISCUSSION OF ENVIRONMENT AND PERFORMANCE.

*Objective: To determine how the 'climate variable' impact the performance and sustainability of high-growth SMEs (i.e. environment-performance congruence)*

15 min

Let's now talk about how the climate variables impact performance of the organisation.

From experience, would you say that performance information is communicated promptly and sufficiently across the organisation?

Interviewer to probe for climate variables and which ones impact performance more.

If you are to identify key climate variables that has impacted performance in this organisation, which ones would it be?

Would you say it is a positive or negative impact?

#### E. DISCUSSION OF STRATEGY AND PERFORMANCE

*Objective: To determine to which strategy contribute to climate perception and performance of high-growth SMEs (i.e. HRM practices and performance)*

15 min

I would like to steer this discussion towards strategy and how it can impact organisational climate perception of this organisation.

Which strategies would you say promote employee perception of a good organisational climate?

*Interviewer to probe for HRM practices that support climate.*

Would you say your environment lend itself to employee learning? What internal structures do you have in place to promote learning?

#### F. DISCUSSION OF HRM PRACTICES AND PERFORMANCE.

*Objective: To determine to what extent HRM focus influence employee performance (i.e. training as related to product quality).*

*15 min*

Let's now talk specifically about organisational performance.

How is performance interpreted and measured in your organisation?

*Interviewer to probe for organisational support for sustainable performance.*

In what ways does the organisation encourage high performance?

Are there measures in place to support sustainable performance?

#### G. WOULD YOU LIKE TO ADD ANYTHING ELSE, OR RAISE ANY OTHER POINTS?

#### H. THANK PARTICIPANT FOR THEIR TIME.

## Appendix C: INTRODUCTORY SCRIPTS

The following email was used to invite potential informants to participate. This note was followed by a telephone call to their office

Dear xxxxx

I am currently undertaking a doctoral research University Of East London. My particular field of enquiry is organisational climate and how it impact performance of Nigerian High-growth SMEs. As an executive of an organisation I would like to understand your perceptions, perspectives and experiences on this phenomenon. I would be grateful if you were able to devote some time to discuss this with me as part of my Research Project, in the form of an in-depth interview.

All data gathered will be collected in strictest confidence, and will be reported anonymously. I would be happy to answer any other questions you may have, but would be very grateful if you felt able to participate. The interview would take approximately an hour, and could be scheduled at a time convenient to you.

Please could you confirm how best to proceed.

Thanks in anticipation,

Olajumoke Okoya

The following outline will be used at the start of each interview:

I am currently undertaking a doctoral research degree at University of East London. My research interest is in the role of organisational climate and performance, looking specifically at what role, if any, played by climate in the performance of Nigerian High-growth SME and does Perception of a positive and open climate by employees facilitate organisational performance or not.

The Interview is voluntary, anonymous, and undertaken in strictest confidence. You will not be identified, and all results will be aggregated and analysed for themes. Would it be ok for me to tape record the interview and take notes?

Do you have any questions? Thank you for your time.

## Appendix D: 50 Nigerian High-growth SMEs

Company Name		Industry	2009 – 2011 Growth Rate	2011 Revenue range (\$)	Employees 2012
1	Euro Global Foods & Distilleries Ltd	Food products & Beverages	2781%	\$1 -5 Million	389
2	Swiss Biostadt Limited	Medical Practice & Equipment	2544%	\$10 -20 Million	85
3	Global Oceon Engineers Limited	Oil, Energy, Solar, Greentech	2304%	\$10- 20 Million	72
4	Harvestfield Industries Ltd	Agriculture	1785%	\$20 -50 Million	55
5	Wakanow.com	Information Technology, Services, IT	1760%	\$20 – 50 Million	80
6	Portion Consult Limited	Printing & Publishing	1110%	\$1 – 5 Million	40
7	ICT Convergence Limited	Telecommunications, Wireless, Mobile	897%	\$1 -5 Million	35
8	Activeserve Nigeria Limited	Information Technology, Services, IT	657%	\$100,000 - \$1 Million	24
9	Food Agro & Allied Industries Ltd.	Food Production & Beverages	655%	\$5-10 Million	110
10	Fortune Global Shipping & Logistics Ltd.	Logistics & Packaging	617%	\$5-10 Million	50
11	U-Connect Telecom Services Ltd	Business Services	549%	\$1-5 Million	1350
12	Domino Information Company Limited	Information Technology, Services, IT	412%	\$100,000-\$1 Million	30
13	Cita Bulk Storage Facilities	Oil, Energy, Solar, Greentech	365%	\$100,000 - \$1 Million	15
14	Rapport Nigeria Limited	Financial Services	308%	\$100,000-\$1 Million	12
15	Notore Chemical Industries Limited	Agriculture	294%	\$100-200 Million	604
16	Alpha Mead Facilities &	Business Services	281%	\$5-10 Million	300



	Management Services Ltd				
17	Layer3 Limited	Information Technology, Services, IT	269%	\$5-10 Million	65
18	Savant Integrated Concepts Limited	Construction & Building Materials	268%	\$100,000-\$1 Million	15
19	Danigold Security Nigeria Limited	Other	255%	\$100,000-\$1 Million	15
20	Poise Nigeria Limited	Management Consulting	181%	\$100,000-\$1 Million	27
21	Merciport resources ltd	Oil, Energy, Solar, Greentech	149%	\$50-100 Million	21
22	Olubunmi Aina	Oil, Energy, Solar, Greentech	142%	\$100,000-\$1 Million	4
23	Proximity Communications Nigeria	Business Services	133%	\$1-5 Million	40
24	Life Link Technical Services Limited	Mechanical & Industrial Engineering	107%	\$1-5 Million	76
25	Swap Technologies & Telecoms PLC	Telecommunications, Wireless, Mobile	103%	\$20-50 Million	190
26	GTB Asset Management Limited	Financial Services	99%	\$1-5 Million	54
27	Signal Alliance Limited	Information Technology, Services, IT	99%	\$4-5 Million	65
28	Everly United Associates Nigeria Ltd	Other	99%	\$1-5 Million	17
29	Kawuriz & Manilas Publishers Ltd	Printing & Publishing	94%	\$100,000-\$1 Million	40
30	Mooreadvice Limited	Other	88%	\$1-5 Million	120
31	Romis Consultants Ltd	Management Consulting	87%	\$100,000-\$1 Million	8
32	NEO Media &	Business Services	83%	\$100,000-	28

	Marketing Limited			\$1 Million	
33	News Engineering Nig. Ltd	Construction & Building Materials	67%	\$20-50 Million	350
34	EISNL Engineering Solutions & Drives	Mechanical & Industrial Engineering	67%	\$1-5 Million	36
35	Terra Kulture	Other	65%	\$1-5 Million	56
36	Precise Financial Systems Limited	Computer Software Engineering	64%	\$100,000 - \$1 Million	46
37	Turner Wright Limited	Manufacturing	58%	\$1-5 Million	64
38	Aquila Leasing Ltd	Financial Services	55%	\$5-10 Million	75
39	Shongai Packaging Industry Limited	Logistics & Packaging	52%	\$20-50 Million	356
40	Erstegraceland Limited	Construction & Building Material	43%	\$1-5 Million	1000
41	Hi-Nutrients International Limited	Manufacturing	42%	\$1-5 Million	51
42	Finance Application Systems Limited	Computer Software Engineering	36%	\$1-5 Million	82
43	Health Forever Product Limited	Manufacturing	35%	\$1-5 Million	40
44	DALA Foods Nigeria Limited	Food Production & Beverages	33%	\$1-5 Million	85
45	Lange and Grant Commodities Ltd	Manufacturing	29%	\$1-5 Million	36
46	Banwo & Ighodalo	Business Services	19%	\$5-10 Million	77
47	Crestview Radiology Ltd	Medical Practice & Equipment	16%	\$100,000 - \$1 Million	16
48	Sb Telecoms & Devices Ltd	Information Technology, Services, IT	12%	\$1 -5 Million	47
49	Mabolc Intetnational Ltd	Construction & Building Materials	10%	\$100,000 - \$1 Million	69
50	ABZ Oil and Gas Ltd	Oil, Energy, Solar, Greentech	Startup	\$20 -50 Million	60



