

A Comparative Study of Organizational Climate and Job Satisfaction in Public, Private and Foreign Banks

Niaz Ahmed Bhutto

Associate Professor, Department of Business Administration
Sukkur Institute of Business Administration, Sindh, Pakistan
E-mail: niaz@iba-suk.edu.pk

Minhoon Khan Laghari

Assistant Professor, Department of Business Administration
Shah Abdul Latif University Khairpur, Sindh, Pakistan
E-mail: lagharimk@hotmail.com, lagharimk@yahoo.com

Falah-ud-Din Butt

Assistant Professor, Department of Business Administration
Sukkur Institute of Business Administration, Sindh, Pakistan
E-mail: falah@iba-suk.edu.pk

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Abstract

The purpose of this study was to investigate the relationship between measures of organizational climate and measures of job satisfaction as applied to executives of public, private, and foreign banks. Another purpose of this study was to determine whether perceptions of different employees are different about organizational climate and job satisfaction or not. Based on the previous relevant research studies 14 factors were identified for each of both organizational climate and job satisfaction. Data was collected through personally administered questionnaires based on 42 questions from the 12 branches of banks under consideration. Fourteen questions were related to organizational climate, other fourteen for job satisfaction and the same numbers of questions were used to investigate the impact of organizational climate on job satisfaction. Two hypotheses were formulated and tested through Kruskal Wallis test, where as multiple regression analysis were used to investigate the impact of 14 sub factors of organizational climate on job satisfaction.

Keywords: Organizational climate, Job satisfaction, Banking sector, Pakistan

1. Introduction

Organization development (OD) is a response to change, a complex educational strategy intended to change the beliefs, attitudes, values, structure of organization so that they can better adapt new technologies, markets, and challenges, and the dizzying rate of change itself. In this era of intense competition and globalization very few people will disagree that the success of any organization is a direct reflection of its managerial effectiveness and efficiency. It has been generally observed and widely believed that organizational behavior, an area of organizational development is generally ignored in Pakistani organizations. A branch of management sciences with the name of organizational behavior, based on theories and models provide detailed information about the behaviors and attitudes of people in organizational setup.

Even though organizational development depends upon number of factors but to understand needs, concerns, and perceptions of employees the organizational climate needs to be assessed. Organizational climate refers to a set of measurable properties of the work environment, that are perceived by the people who live and work in it, and the influence their motivation and behavior. Wendell et al, (2004) explains that organizational climate is people's

perception and attitude about the organization - whether it is good or bad place to work, friendly or unfriendly, hardworking or easy-going, and so forth where as the organization culture is the deep-seated assumptions, values, and beliefs that are enduring, often unconscious, and difficult to change. He also argued that climate is relatively easy to change because it is built on employees perceptions.

Several of these areas of similarity are apparent through even a simple comparison between well-known definitions of culture and climate. Schein (1992) defined that culture is a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems. Tagiuri and Litwin defined climate as the relatively enduring quality of the total organizational environment that (a) is experienced by the occupants, (b) influences their behavior, and (c) can be described in terms of the values of a particular set of characteristics (or attributes) of the environment. Although Tagiuri and Litwin's definition places more emphasis on the way in which the social environment is experienced by the actors, and Schein's definition places more emphasis on how the social environment is created by the actors, both authors focused on the collective cognitive representation of patterns of social learning over time.

The two literatures present contrasting perspectives with little overlap in style or substance. This contrast tends to support perhaps the most widely accepted distinction between the two phenomena: Culture refers to the deep structure of organizations, which is rooted in the values, beliefs, and assumptions held by organizational members. Climate, in contrast, portrays organizational environments as being rooted in the organization's value system, but tends to present these social environments in relatively static terms, describing them in terms of a fixed and broadly applicable set of dimensions. Thus, climate is often considered as relatively temporary, and subject to direct control.

Organizational climate has a major influence on human performance through its impact on individual motivation and job satisfaction. Climate does all this 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 organization's climate. Individuals in the organization have certain expectations, and fulfillment of these depends upon their perception whether organizational climate suits according to their needs or not (Lehal, 2004). So, organizational climate is directly related with the performance of employees working in any organization.

Rice (1982) has investigated the relationship between job satisfaction and organizational climate and asserted that people were the heart of any enterprise because their ideas, attitudes, and efforts were key causes of success. Findings pointed out that for maximize performance, people needed to be satisfied at work. This was best accomplished by understanding their ideas, capabilities, feelings, attitudes, hopes, dreams, and goals and nurturing an organizational climate which supported them.

1.1 Problem Statement

This study will investigate the differences between public, private, and foreign commercial banks in relation to the organizational climate and employee's job satisfaction in the banking sector of Pakistan. The study is conducted in Karachi but the results can be generalized to whole banking sector Pakistan.

2. Literature Review

Effectively managing human resources in the organizations is a big concern both for HR managers and the policy makers of the organization and banks are no exception to this. To have a satisfied, motivated, less stressed performing workforce an organization must have consistency amongst its structure, system, people, culture and good fit with the strategy. Impact of different factors on job satisfaction has been analyzed in the literature. Some studies focus on demographic determinants of workers job satisfaction but, the others relate it with nature of work and working conditions at the workplace. Similarly, fair promotion system in the organization, job autonomy, leadership behavior, social relations and the job itself are also among the important factors of job satisfaction (Dawson, 1987).

Employees' attitude towards their organization which has great impact towards their working ways and contributions, in consequence organizational climate causes organization performance because this relates directly to employees' motivation. Employee's perception to organization as defined in six factors Stringer (2002). The Organizational climate is positively related to the job satisfaction and organizational commitment. The higher organizational climate will lead to higher job satisfaction and more organizational commitment (Pati & Reilly, 1977; Mahajan, Churchill, Ford, & Walker, 1984; Putti & Kheun, 1986; Ruth, 1992; Gratto, 2001; Clercq & Rius, 2007). Yi-Jen, (2007), has found a positive relationship between job satisfaction and

organizational climate in his study on Taiwan service industry. Similarly another study on the Indian Oil industry has also shown a positive relationship between job satisfaction and organizational climate (Jain et al 2007). Hunjra et al (2010) found in their study in the banking sector of Pakistan that organizational climate is one of the key factor of job satisfaction.

Babakus et al. (2003) found that the study of job satisfaction is an essential factor to develop the employees' service ability and still strongly affected the quality of service. Working environments strongly affect the job satisfaction level of employees of any organization (Mulige and Mueller, 1998). Snipes, Oswald & Armenakis, (2004) explained that Intrinsic factor effect job satisfaction more than extrinsic factors except in rewards or aspects gained. Karatepe et al, (2006) argued that job satisfaction back-up is the role to keep employees in long term employment.

Job satisfaction is often thought to be the gratification of strong needs in the workplace or the degree of discrepancy between what a person expect to receive from work and what that person perceives is actually received. There are six attributes, Work itself, Supervision, Colleagues, Compensation, Promotions, and Overall job security that appear to contribute to employee's job satisfaction (Lehal, 2004).

For the success of banking, it is very important to manage human resource effectively and to find whether its employees are satisfied or not Workforce of any bank is responsible to a large extent for its productivity and profitability. Efficient human resource management and maintaining higher job satisfaction level in banks determine not only the performance of the bank but also affect the growth and performance of the entire economy (Thakur, 2007). Despite prevalence of out dated system in an organization empowered work teams may work and flourish, but ultimately it will require the revision to improve the organization's system (Emery, 1992).

2.1 History of Selected Banks

National Bank of Pakistan (NBP) was established on November 9, 1949. NBP's deposits increased by Rs. 70 billion to Rs. 466 billion and its capital adequacy ratio is well above the banking industry average. As per "Euromoney", UK March 2005, NBP is one of the "Top 100 Banks of Asia." Muslim Commercial Bank Limited (MCB), the largest private sector bank in Pakistan with a network of 946 domestic and five foreign branches was established on 19 July 1947 at Calcutta by Isphahanies and Adamjees groups. MCB has become the only bank to receive the Euromoney award for the fourth time in the last five years. Standard Chartered is named after two banks, which merged in 1969. They are originally known as the Standard Bank of British South Africa and The Chartered Bank of India, Australia and China. Standard Chartered is the largest International Bank in Pakistan. SCB is also the oldest foreign bank, with a presence of more than 150 years in South Asian region. Standard Chartered employs more than 700 people and has 29 online branches in Pakistan.

3. Data and Methodology

Based on quantitative nature of this research study, researcher has adopted both the Descriptive as well as Analytical approaches in which the quantitative tools (Box plotting, Stem and leaf display, line Graphs and Spearman's rank correlation coefficient, Kruskal Wallis test and Multiple Regression analysis) are used to analyze the data. The total numbers of selected bank's branches in Karachi are 220, and 4,280 employees are working in these branches. Through convenience sampling, four (04) branches for each bank were visited and researcher was able to survey 90 executives. For this study, primary data was collected through personally administrated questionnaire based on 14 sub factors for each of both the organizational climate and job satisfaction.

4. Data Analysis and Interpretation.

The data collected through structured questionnaire, consisting of 42 questions are analyzed under three separate headings; organizational climate, Job satisfaction and effect of organizational climate on job satisfaction. A comparison has been made on the basis of box plots for three banks; National Bank of Pakistan (NBP), Muslim Commercial Bank (MCB), and Standard Chartered Bank (SCB). In figure 5.1, on x-axis, researcher has placed the minimum and maximum range of score for all the 90 respondents, which stretches from 14 to 70.

The vertical line in the interior of the box indicates the position of medians. The location of boxes shows that the most favorable climate prevails in SCB and the least favorable in NBP. Now, from the position of Q3 to the largest observation and Q1 to the smallest observation, one can judge the skewness. In the case of NBP, the position of Q1 is much closer to the smallest observation, which means that this bank is most positively skewed, among all the banks. In the case of NBP, there is only one outlier, the value of which cannot be covered in boxes. No outliers are present in the case of the other banks. The outlier shows that this respondent is very

different from the group and has a very different perception of the organizational climate. Ultimately his/her problems are different from rest of the respondents. So this respondent (executive) should be taken separately, in order to solve his/her problems. The maximum variation can be seen in the case of MCB as the long tail length in this case indicates that perceptions of various executives are not the same about the organizational climate.

Comparative study of the three banks on the basis of box plots (see figure 5.2) indicates the range of scores, i.e. from 14 to 70 for job satisfaction.

The location of median clarifies that executives working in SCB are very much satisfied. The least satisfied executives are working for NBP. Skewness can be seen with the help of Q1, Q3, Smallest observation, and largest observation. In the case of SCB, the position of Q1 is much closer to the smallest observation than Q3 to the largest observation. It indicates that SCB is positively skewed. The Q3 for the other two banks are closer to the largest observation indicating the negative skewness for MCB and NBP. One outlier is also there for NBP again, so this executive should be treated separately from rest of the respondents as he/she has a very low satisfaction level with relatively different problems.

The maximum variation can be seen in the case of NBP as the long tail length in this case indicates that the views of various executives are not the same about job satisfaction. Even though these executives are working with more or less same facilities and advancement opportunities in job but reacting differently for job satisfaction.

For the purpose of knowing inter-relationships between organizational climate and job satisfaction researcher has applied the Spearman's rank correlation method. The relationship between organizational climate and job satisfaction indicates that if a person is satisfied from his/her job, salary, promotions, coworkers etc, he/she will also perceive the climate of organization in which he/she is working more favorable for him/her. If any executive perceives organizational climate unfavorable he will be relatively less satisfied with his job.

In the case of NBP the value of correlation coefficient is 0.685, at 0.01 significance level which is quite close to +1. This strong positive relationship indicates that more the executives are satisfied, will perceive favorable organizational climate or conversely less the executives are satisfied will perceive unfavorable organizational climate.

In the case of MCB the correlation coefficient is 0.406, at 0.05 significance level. Even though it is not as much stronger as for NBP but still a positive one. It indicates the same relation (as in the case of NBP) but with relatively less intensity. Whereas the SCB is concern it has a 0.429 correlation coefficient at 0.05 significance level, which is little better than MCB but less than NBP. This positive correlation is also indicating the similar relationships (as in the case of NBP) between organizational climate and job satisfaction.

For the purpose of testing the significance of these relationships, t-test has been used. The calculated value of t in case of organizational climate and job satisfaction for NBP, MCB, and SCB are 20.945 and 30.484, 21.173 and 40.779, and 28.945 and 56.400 respectively. Whereas the table value of t at 5% level of significance for NBP (34 degrees of freedom), MCB (30 degrees of freedom), and for SCB (24 degrees of freedom) are 1.6905, 1.697, and 1.714 respectively.

All the table values of t are less than the calculated values, which indicates that the relationship between organizational climate and job satisfaction for all the three banks is very significant.

To find out the difference in perception of executives across the banks and to test the hypotheses H1 and H2 Kruskal Wallis test or H-test has been employed.

To test the hypothesis #1 regarding organizational climate that is;

H0: For organizational climate the mean value of 90 executives of the three banks is the same.

H1: For organizational climate the mean value of 90 executives of the three banks is not the same.

The calculated value of chi-square is 35.227 and the table value of chi-square with $(3 - 1) = 2$ degrees of freedom at 5% level of significance is 5.991. As the calculated value of chi-square is more than the table value, H0 is rejected. It tells that in respect of organizational climate, the mean value of 90 executives of the three banks is not the same, which is also very evident from the table 5.1.

To test the hypothesis # 2 about the job satisfaction that is;

H0: With respect to job satisfaction, the mean value of 90 executives of the three banks is the same.

H1: With respect to job satisfaction, the mean value of 90 executives of the three banks is not the same.

Again the chi-square will be considered. The calculated value of chi-square is 37.322 and the table value of chi-square at $(3 - 1) = 2$ degrees of freedom with 5% level of significance is 5.991. As the calculated value is greater than the table value, H_2 is also rejected. It can be concluded that the 90 executives of the different banks under study feel different for job satisfaction or their job satisfaction level is not equal.

For the purpose of knowing the effect of organizational climate on job satisfaction, organizational climate has been taken as an independent variable which has further 14 sub factors; structure, responsibility, reward, initiative, support, standards, conflict handling, identity, leadership, empowerment, human relations, communication, decision making, and equity.

It is an effort to find out those sub factors of organizational climate, which have marked influence on job satisfaction. For the above said purpose multiple regression analysis method has been applied. The results obtained are available in Table 5.2 and Table 5.3.

R square describes the strength of relationship between all the independent variables and dependent variables, and if the value of R square is closer to 1, stronger the association it predict. In this particular case R square is 0.616 (see table # 7.2) that is strong enough to describe the relationship between one dependent and 14 independent variables.

The calculated value of F (15, 74) is 7.920 as compared to table value, which is 1.81, it further indicates the significance of R square as a whole.

It is a general rule that variables having a t-ratio equal or above 2 are more significant. Therefore researcher will follow the same rule of thumb. According to the Table 5.3, out of 14 selected sub factors of organizational climate, "Structure" affects job satisfaction maximum (with t-ratio = 2.478 and coefficient = 3.399). It indicates that more the effective structures available, more the executives are satisfied.

The t-ratio for "Identity" is 2.287 with 2.419 coefficient proves that the sense of loyalty and belongingness, developed among the executives of banks, affect the job satisfaction. If executives feel pride in belonging to their organization and being the members of well functioning team, they will be gratified with their jobs. "Human Relation" is the last factor that has a positive t-ratio, above 2 with 2.542 coefficients. It reflects that the executives are enjoying their jobs more, if the supervisor and the colleagues are friendly and cooperative to them.

All the three variables discussed above, also have a great significance that is even less than 5% (structure = 0.015, identity = 0.025, and human relation = 0.043).

"Equity" and "Empowerment" with t-ratio -2.856 and -2.095 respectively have a negative relationship with job satisfaction. These factors if present, will effect job satisfaction negatively. It indicates that the executives may not like equity and empowerment. It can be further interpreted that the executives are seems to be happy if management is promoting executives on the basis of experience instead of performance, and similarly executives are also seems to avoid the delegation of authority. Both the variables are also very significant at less than 5% level of significance.

5. Conclusions

After a close scrutiny of these factors, this study concludes that the overall perception about organizational climate at SCB has turned out to be most favorable of all the three banks under consideration. Where as the organizational climate at MCB and NBP is perceived to be relatively less favorable. Further more the perception of NBP's organizational climate stood out to be least favorable. On the other hand the similar outcomes were found regarding the job satisfaction.

In the subsequent study the researcher has tried to investigate the relationship between the two variables; "The organizational climate" and "The job satisfaction". Hereby the study reveals that out of 14 sub factors of organizational climate three are positively related to the job satisfaction, such as; organizational structure, identity, and human relations. Whereas for the executives of all the three banks, the two factors: equity and empowerment are negatively related to the job satisfaction.

6. Recommendations

Out of 14 sub factors of organizational climate three factors; organizational structures, identity, and human relations have a positive and significant relation with job satisfaction. Two factors; equity and empowerment are negative but significantly related to job satisfaction. Keeping in view these five factors' suggestions are as follows:

6.1 Structure

A clear structure, chain of command, coordination mechanism, and communication systems enhance the performance of employees. Therefore all the three banks should work more on building effective structures, just to give clarity about the roles and responsibility to the executives. More the executives are clear about their roles and responsibilities, greater they get job satisfaction.

6.2 Identity

Identity of an individual in collective reference has always been important motivating factor for employees. There is a need to encourage individual's initiatives in work which give executives their own identity within the framework of organization. A potential source of individual identity is very much linked to organization's identity. Therefore, banks should enhance organizational image and identity in banking industry so that executives feel privileged to have organizational identity of their own.

6.3 Human Relations

There is a need to further build human relations in the three banks so that a better team work can be promoted. Senior management should encourage the initiatives of their executives so that their confidence can be ensured.

6.4 Equity

The concept of equity is not appreciated by the executives as the test reveals. Therefore, there is a need to promote the advantages of equitable treatment of executive in their banks so that the executives should not be threatened by this practice.

6.5 Empowerment

Empowerment is also not appreciated by the executives. There is a need to further provide opportunities to executives to take more responsibilities by undertaking motivational course of actions. The threat of "empowerment" can be overcome by having clear policies on the following:

6.5.1 Delegation of power

Management should empower the executives and believe in the ability of their people and give them the support they need to achieve organizational goals. A key element of this support is the communication of a strategy or direction, and detailed operational plans to the executives. Management should provide freedom to executives to decide how to deliver the required results through innovation, decisiveness and action.

6.5.2 Training

Banks should provide training to all the executives, irrespective of their qualification and skills regularly. Training bring positive change, and enhance employee's knowledge, skills, behavior, aptitude, and attitude towards the requirements of the job and the bank.

6.5.3 Decision Making

Management of the three banks should consider few guidelines while they make decisions. The decision-making model should be explicit and understood by all team members. It also clearly describes who makes the decision and how others will be involved. These will not only help in letting the executives know what to expect but also help in building support for the final decision.

6.5.4 Rewards

Fairness as perceived by the employees is very important for rewards, Management should compensate the executives on fair bases this will attract, retain and motivate professionals. Ultimately the executives will move towards the higher levels of job satisfaction and will be available for future challenges.

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Table 5.1.

Kruskal Wallis Test (Ranks)

	GROUPS	N	Mean Rank
Org. Climate	NBP	35	27.33
	MCB	31	48.58
	SCB	24	68.02
	Total	90	
Job Satisfaction	NBP	35	26.69
	MCB	31	48.97
	SCB	24	68.46
	Total	90	

Test Statistics

	Org. Climate	Job Satisfaction
Chi-Square	35.227	37.322
df	2	2
Asymp. Sig.	.000	.000

Appendix I, critical Value of Chi-Square (3-2) = 2 degree of freedom, at 5% level of significance, the Table value = 5.991.

Table 5.2. Multiple Regression Analysis for Organizational Climate and Job Satisfaction

R	R Square	F Change	df1	df2	Sig. F Change
.785*	.616	7.920	15	74	.000

Table 5.3. Coefficients

Factors	Coefficients	T-Statistics	Sig.
STRUCTUR	3.399	2.478	.015
RESPONSIBILITY	.559	.402	.689
REWARDS	1.417	1.378	.172
INITIATIVE	2.174	1.887	.063
SUPPORT	.188	.170	.866
STANDARD	-1.071	-.835	.407
CONFLICT	-.895	-.577	.566
IDENTITY	2.419	2.287	.025
LEADERSHIP	-.582	-.420	.676
EMPOWERMENT	-3.051	-2.095	.040
HUMAN RELATIONS	2.542	2.057	.043
COMMUNICATION	-1.828	-1.077	.285
DECISION MAKING	3.869E-02	.025	.980
EQUITY	-3.104	-2.856	.006

- Dependent Variable: job Satisfaction

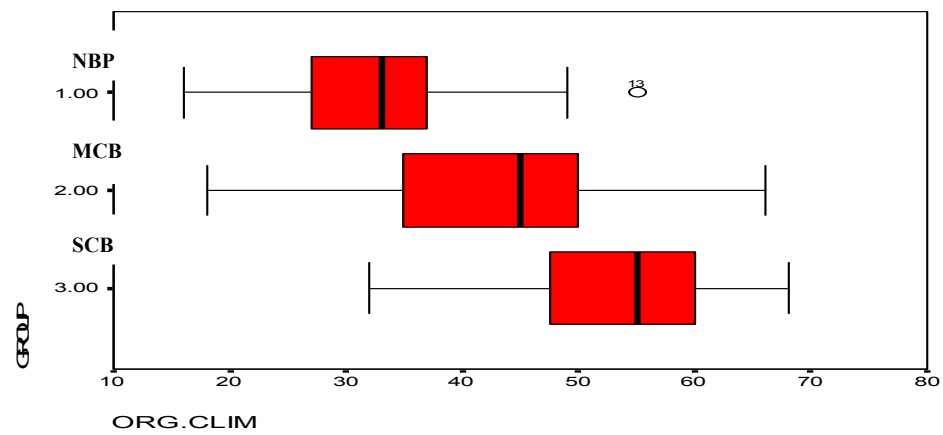


Figure 5.1. Organizational Climate and Box Plots

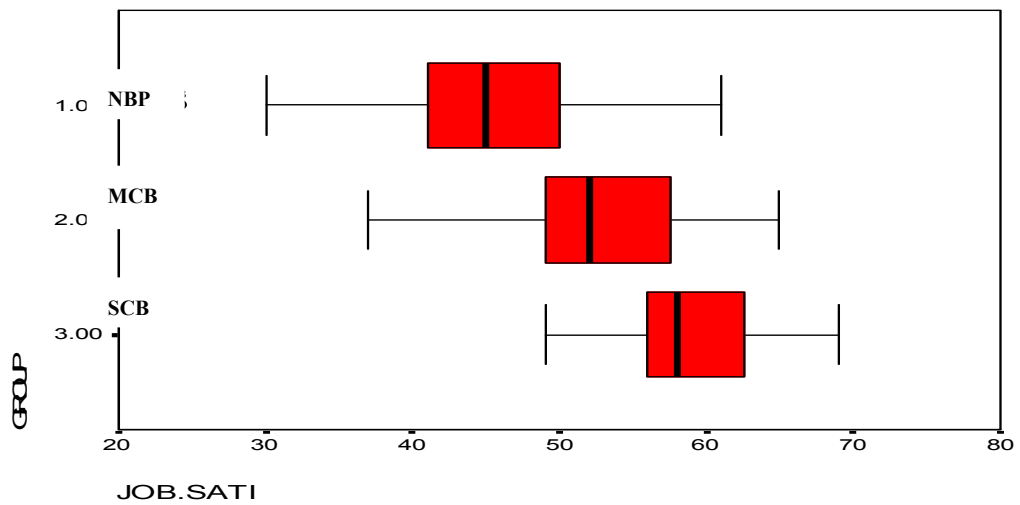


Figure 5.2. Job Satisfaction and Box Plots