

Journal of New Business Ideas & Trends

2013, 11(1), pp. 20-41.

"<http://www.jnbit.org>"

Organisational Climate and Employee Turnover Intention within a Franchise System

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Abstract

Purpose – *This research addresses the relationship between organisational climate and employee turnover intention in a service sector franchise system operating throughout New Zealand.*

Design/methodology/approach – *Employees of the 19 units of one food and beverage franchise system provided data by way of a mail survey. A single hypothesis derived from the literature was tested at the individual level of analysis using Multiple Linear Regression.*

Findings – *In contrast to results commonly reported, no significant relationship was found between organisational climate and employee turnover intention.*

Research limitations/implications – *The study employed a cross-sectional design and was limited to one franchise group's activities in one country. In the absence of any alternative, the climate scale used was one originally designed for and used in large businesses operating within the service sector; however, the franchise system participating in the present research comprised a number of what are in fact, small business establishments. Of likely significance in regard to the study's finding is the fact that the research was conducted amidst the onset of the Global Financial Crisis when much was being made of the decline in job security, in, amongst others, the sector under scrutiny in this undertaking.*

Keywords: *franchise system; organisational climate; employee turnover intention; global financial crisis.*

JEL Classifications: M14; M50

PsycINFO Classifications: 3650

FoR Code: 1503

Introduction

There is an extensive amount of research, addressing a wide range of industries and organisational types, which has concerned itself with the construct, 'organisational climate', primarily due to interest about its relationship to a variety of individual and organisational outcomes (Bellou & Andronikidis 2009; Carr et al. 2003; Cooil et al. 2009). Organisational climate, it is claimed, is 'one of the most researched aspects of management, with well over 10,000 papers having been published on the topic' (Salanova et al. 2005 as cited in Cooil et al. 2009, p. 277; see also Harter et al. 2002). While there are a number of contending definitions, with differing emphases and degrees of refinement, organisational climate is, put simply, 'the average or most typical way that people in the organization describe it' (Chan 1998 as cited in Schneider et al. 2002, p. 221) and is a product of 'here and now' employee interactions (Davidson et al. 2001, p. 445). Empirically, its measurement is a function of the aggregated perceptions about the workplace environment of the individual members of an organisation (Davidson et al. 2001; Glisson & James 2002; Manning et al. 2012).

The literature provides evidence that organisational climate will exert a profound influence upon the attitudes and behaviour of employees (Brown & Leigh 1996; Carr et al. 2003; Liou & Cheng 2010; Ohly & Fritz 2010; Ostroff 1993; Sowinski et al. 2008). There is compelling evidence, for instance, that organisational climate is a significant predictor of employee turnover intention and by extension, employee retention (Aarons & Sawitzky 2006; Cooil et al. 2009; Donoghue 2010; Hemingway & Smith 1999; Manning et al. 2004; Manning et al. 2005; Mulki et al. 2006; Parkington & Schneider 1979; Russel et al. 2010; Schulte et al. 2009; Sheidow et al. 2007; Stone et al. 2006) which is the employee-related performance parameter of interest to this particular study.

Notwithstanding the attention that has been given to organisational climate and various measures of organisational performance across a wide range of organisational types, most of what has been done has focussed upon larger organisations (e.g. Cooil et al. 2009; Davidson et al. 2002; Gelade & Young 2005; Manning et al. 2004; Manning et al. 2005). Limited attention in this regard has so far been given to smaller businesses in general and to franchised operations (Johnston et al. 2010). In recognition of this, it is our purpose to investigate whether there exists a significant relationship between organisational climate and employee turnover intention within a franchise system.

The particular focus of this research is an international food and beverage franchising enterprise, comprising 19 small establishments, operating within the tertiary sector, otherwise known as the service sector or the service industry - that area of economic activity where the focus is on people interacting with people and serving the customer rather than transferring physical goods - in the tourism and hospitality field.

The importance to economies of franchising in general (Alon 2004; Dant et al. 2007; Kapoor 2000; Kasselmann et al. 2002; Weaven & Frazer 2007; Welsh et al. 2006) and by extension, the franchised service sector, is an acknowledged fact. The New Zealand franchise sector, which is integral to this study, is currently worth in excess of NZ\$20 billion per annum; this is in the vicinity of 10 percent of that country's Gross Domestic Product (GDP). There are currently in excess of 450 franchise systems operating in New Zealand and median turnover for retail franchises in that country has increased from NZ\$8.5 million in 2011 to NZ\$9.3 million in 2012. Some 19,300 units account for the employment of over 100,000 people (Flint-Hartle et al. 2012).

During the December 2008 quarter when data were gathered for this study, unemployment in New Zealand was in the process of rising to a five year high of 4.6 percent.

Of some significance is the fact that at that time ‘[l]abour demand also weakened with a large fall in hours worked in the quarter’ (Department of Labour (New Zealand) 2009, p. 1). It was not a time when workers in any field might have found themselves overwhelmed with employment options. The advent of the Global Financial Crisis (GFC) was a time replete with significant pressures upon the employed to hold onto and, indeed, value the jobs they had, even in the face of inducements that might in other circumstances have led to resignations. March 2009 quarter figures showed a further rise in unemployment to 5 percent (Department of Labour (New Zealand) 2009) and the trend continued in the years thereafter. Only recently, in the December 2012 quarter has there been seen a reduction in the unemployment rate. Interestingly, this fall from a somewhat alarming high of 7.3 to a rather more respectable 6.9 percent (Department of Labour (New Zealand) 2013) coincides with the modest increase in the franchise median turnover noted above.

The economic status of the franchising industry, in New Zealand and elsewhere, and the lack of scholarly research specifically devoted to climate and organisational performance linkages in the franchise sector, argue convincingly then for the value of this study. So, too, does the fortuitous advent of the GFC and the unique context for this particular research thus provided.

We proceed from here to offer a review of the literature addressing organisational climate and, subsequently, the literature concerned to elicit relationships between that construct and employee turnover intention. Particular attention is paid to the existence of such links in the tourism and hospitality field. Then follow the results of the research undertaken. Finally, presentation of the major conclusions arrived at and their implications for both the relevant industries and future research conclude this paper.

Literature Review

Organisational Climate

The recognition that a group of individuals will create for themselves a particular *psychological* environment or ‘climate’ derives essentially from the work of Kurt Lewin (1939, 1943, 1946) in what is known as field theory. Lewin sought to map the psychological ‘field’ comprising the motivational stimuli in a given organisational context which directed individual behaviour. He located the source of individual behaviour in the interaction between the idiosyncrasies of the individual and the environment as perceived by that person (Kozlowski & Doherty 1989). Conceptually, organisational climate is regarded as a function of the workplace environment. In acknowledgement of the fact that an abstract entity such as an environment cannot itself produce perceptions, the operational definition necessarily is ‘the aggregation of the perceptions of individuals within that environment’ (Davidson et al. 2002, p. 128). Consequently, organisational climate may be defined as the aggregation of individual ‘worker’s *perceptions* of [their] objective work situation, including the characteristics of the organization [they] work for and the nature of [their] relationships with other people’ in that workplace (Churchill et al. 1976, p. 324, emphasis in original). The legitimacy or otherwise of the process of aggregating individual perceptions to higher levels (e.g. workplace sub-unit or overall organisation) is a matter of some ongoing controversy and will be considered in due course. It is appropriate at this point to address the matter of the theoretical origins of the climate concept and, in so doing, draw attention to the sources of the controversies related to it.

Theoretical origins

In describing the aims of the research initiative that is widely regarded as the seminal work in the field of organisational climate (Cooil et al. 2009; Davidson et al. 2001; Davidson et al. 2002; Denison 1996; Manning et al. 2004; Manning et al. 2005; Manning et al. 2012), Lewin et al. (1939) state their intention to develop ‘a scientific approach to such questions as the following: what underlies such differing patterns of group behavior as rebellion against authority, persecution of a scapegoat, apathetic submissiveness to authoritarian domination, or attack upon an outgroup?’ (p. 271).

In essence, the researchers observed, analysed and recorded the consequences of differing leadership styles in ‘experimentally created social climates’ (Denison 1996, p. 623). Such an endeavour firmly embeds the authors’ interests and concerns in certain of the social developments of their times, as does also the question as to the relative ‘efficiency’ of democratic versus authoritarian regimes – a puzzle still exercising academic minds in the present era. Lewin et al.’s (1939) artificially created social climates were, it may be argued, designed to act as controlled and elucidatory analogues of all too ‘real world’ phenomena. Those early researchers also make clear their interest in investigating the relationships between ‘the social resultants of group atmospheres’ (p. 271) and the internal dynamics of the group and it is of interest that this concern foreshadowed one of the great and ongoing controversies of organisational climate research noted above: the manner and legitimacy of aggregating individual perceptions of workplace climate or atmosphere to a global or organisational climate (Glick 1985, 1988; James et al. 1988; Jones & James 1979; Patterson et al. 1996).

Individual and group perceptions

From the perspective of the employee, the workplace might very usefully be regarded as that individual’s psychological response to the ‘thousands of events, practices and procedures’ encountered in that particular environment (Schneider & Reichers 1983, p. 21). This point of view sees the workplace, accordingly, as a complex set of environmental stimuli to which the employee, in the normal course of events, and dependent upon his or her idiosyncrasies, attributes meaning. This is what is meant by the term ‘*psychological climate*’ (James & Jones 1976). It is a *field of meanings* and when the term is so defined, it becomes abundantly clear that climate evolves as a product of cognitive information processing.

As noted above, however, organisations do not possess the cognitive architecture necessary for the development of perceptions; ‘*it is individuals, and not organizations, that cognize*’ (James et al. 1988, p. 130, emphasis in original). The criticism implicit in such observations is that while individual responses (i.e. psychological climate) to the environment undoubtedly exist, the notion of an organisation itself being capable of responding to a stimulus is manifestly ludicrous. So also, it is proposed, is any notion of a collective, or organisational climate measure, arrived at by the aggregation of perceptions of psychological climate. The dilemma, fortunately, is more apparent than real. It is nowhere in the literature postulated that aggregation from individual cognitions leads to some quasi-mystical form of higher-level cognition. That process gives rise to a construct of a different kind and aggregation *is* in fact a valid procedure where there can be shown to exist a shared allocation of meaning to environmental stimuli; in other words where perceptions indicate that within group variability is at a minimum (Glisson & James 2002; Schneider et al. 2002).

In short, given low within group variability, one may confidently relate a construct such as psychological climate that is defined and operationalised at one level of measurement (the individual employee) to a different, ‘higher-level’ (Cooil et al. 2009, p.

282) form of that construct, at a level of measurement such as the organisation of which those individuals are the constituent parts (D'Amato & Zijlstra 2008; James et al. 1988). The legitimacy of the aggregation derives simply from the fact that in a low variability environment the mean of all responses will approximate closely any given individual response and thus indicate that a thing that might confidently and productively be considered the 'organisation' actually exists and may legitimately be described in psychological terms (James 1982; Joyce & Slocum 1984; O'Neill et al. 2009; Schneider et al. 2002).

In an attempt to allay doubts as to the validity of aggregating individual or psychological climate data to the organisational level, Jones and James (1979) adduced an argument reliant on three basic assumptions: 'first, that psychological climate scores describe perceived situations; second, that individuals exposed to the same set of situational conditions will describe these conditions in similar ways; and third, that aggregation will emphasize perceptual similarities and minimize individual differences' (p. 206). On the basis of the logic informing these assumptions the authors maintained convincingly that similar responses made by respondents are indicative of their common experiences in the organisation that they may then be said legitimately to constitute (Jones & James 1979).

'Organizational climate, then, is the average or most typical way that people in the organization describe it and within group agreement ... serves as a pre-requisite for the group-level variable' (Chan 1998 as cited in Schneider et al. 2002, p. 221). The group level variable is produced, according to Cooil et al. (2009), from the distilling of differing individual responses into 'a single collective perception' (p.282). However, in situations where variability of response is high, the fact is that there exists no entity that might in any meaningful sense be classified as a group. Hence, necessarily, there is nothing that might legitimately be identified as the group perception of climate, or anything else (Klein et al. 2001). The matter is summed up quite neatly by Chan (1998 as cited in Schneider et al. 2002): 'shared perceptual agreement at the individual level ... [is] seen as functionally isomorphic to the construct at the organizational level' (p. 221).

Thus, while it appears to be indicative of flawed reasoning to summarily dismiss the issue by stating, as do Cooil et al. (2009) that because 'business outcomes can only really be meaningfully defined at the store level, [therefore] any predictive model requires that the employee perceptions also be aggregated at this level' (p. 282) - as if the need for a thing will itself somehow validate its use - nevertheless it may be affirmed with confidence that with the provisos noted above, aggregation is in fact a perfectly legitimate procedure.

Levels of analysis

As noted above, an individual employee's psychological climate may legitimately be derived from responses to questions about his/her perceptions of the organisational environment. In such a case, the matter is uncontroversial; where the unit of analysis is the individual respondent the validity of a relationship with an individual outcome such as turnover intention is apparent (Manning et al. 2012). Where there appears to be an issue regarding the appropriate level of analysis is when measures of climate are to be related to *single* indicators of other dependent organisational variables such as customer satisfaction or financial performance (Parker et al. 2003). A score for such variables exists for the organisation as a whole, but not for individual members of the organisation (Davidson et al. 2002). The former are arrived at by the aggregation of individual *employee* scores i.e. at the employee level (Chan 1998; Glisson & James 2002; James et al. 1984), whilst, by contrast, performance variables are products of the *organisation* level (Guion 1973). Of significance also is the fact that in general there will be employee scores in numbers that allow the use of multivariate procedures whilst organisation numbers will less often be similarly sufficient (Tabachnick & Fidell 2001). The solution to this particular problem is found in Cameron

(1983). Put succinctly, each individual member of the organisation may be assigned the organisation's single performance score, thus permitting analyses to be undertaken at both the individual and organisational levels. In short, it is quite conceivable that there might be within a particular climate study 'analyses examining relationships between variables at the individual level, aggregated at the group or organizational level and at the individual level including scores assigned from group measures' (Manning et al. 2012, p. 5).

Controversy is far from being limited to issues about the measurement of climate: there exists much ongoing debate as to the internal complexity of what is being measured, how it might relate to similar constructs and what linkages exist between it and a wide range of organisational outcomes (Ashkanasy et al. 2000; Carr et al. 2003; Cooil et al. 2009; Drexler 1977; Gershon et al. 2004; Jones & James 1979; Joyce & Slocum 1982; Kozlowski & Doherty 1989; Patterson et al. 1996; Scott et al. 2003). Despite, or perhaps as a consequence of this attention, 'consensus on a single definition of what constitutes organizational climate' has proven elusive (Cooil et al. 2009, p. 280; Glisson & James 2002), with the construct itself demonstrating internal and operational complexity and researchers using the term to mean differing things (Forehand & Von Haller Gilmer 1964; Boulding 1956 as cited in Mayhew 1980, as cited in Glick 1988; Jones & James 1979; Schneider & Hall 1972; Schneider & Snyder 1975). Denison (1996) observes that much scholarly cogitation has been expended upon 'attempts to distinguish climate from seemingly 'adjacent' topics as 'individual satisfaction' and 'organizational structure' (p. 623). A particularly fertile field for confusion has been the relationship between organisational climate and organisational culture.

Organisational climate and organisational culture

Kozlowski and Doherty (1989), in alluding to the 'numerous controversies, ambiguities and methodological difficulties' (p. 546) that plague climate studies cite as evidence disagreements as to whether it is 'an objective organizational property or subjective and perceptual (e.g. Hellriegel & Slocum 1974; James & Jones 1974)' (p. 546). This latter controversy has long been at the very heart of attempts to rigorously and effectively delineate just what is meant by the term, 'climate', and to distinguish it from 'culture'. Denison (1996) notes that whereas initially the distinction between organisational climate and organisational culture appeared to be quite clear, an examination of the methodological approaches subsequently used for the measurement of the two constructs suggests a growing confusion; they are no longer clearly distinguished in the research. He observes that the delineation of culture calls for 'qualitative research methods', whereas the measurement of the climate construct 'in contrast require[s] quantitative measures' (p. 621). Such evidence underlines the fundamental difference in *kind* that exists in this regard: culture research addresses 'the evolution of social systems over time' while climate research has as its focus 'the psychological impact' of 'organizational systems on groups and individuals' (p. 621).

Even having regard to the recent development of a number of quantitative culture scales (Dawson et al. 2011 as cited in Manning et al. 2012), the current consensus then is that climate comes from a psychological perspective (e.g. Lewin 1939, 1943, 1946), culture comes from both anthropological and sociological perspectives (Moran & Volkwein 1992) and to confuse the research methodologies is to 'contradict the epistemological foundations' of the two constructs (Denison 1996, p. 620). Other researchers (e.g. Davidson et al. 2001; Wallace et al. 1999) have pointed to this failure to rigorously distinguish between culture and climate and noted that the two have sometimes been approached as simply capturing 'contrasting perspectives of the same phenomena' (Denison 1996 as cited in Davidson et al. 2001, p. 445). Denison (1996) catalogues instances of a single aspect of the organisational environment such as 'risk taking' or 'person-environment' fit being labelled as a facet of culture by one set of researchers and of climate by others (Denison 1996, p. 620).

In seeking to clarify these anomalies, Davidson et al. (2001) refer to the work of Trice and Beyer (1993) and view culture as a description of the organisation 'in terms of myths, symbols, rites and stories' (p. 445). In short, they contend that it is primarily an objective thing and a product of the historical evolution of the organisation (Davidson et al. 2001). It is a product of management initiatives and values (Carmeli & Tishler 2004). Climate is a very different thing. Davidson et al. (2001) cite Moran and Volkwein (1992) who describe the climate of an organisation as a 'relatively enduring characteristic that embodies members' collective perceptions of factors such as autonomy, trust, cohesiveness, support, recognition, innovation and fairness' (p. 445). It is a product of employee interactions and interpretations of workplace attributes (Bellou & Andronikidis 2009; Davidson et al. 2001; Noordin et al. 2010). Denison (1996) highlights a number of further differences between the climate and the culture of an organisation. He identifies contrasts in epistemology, point of view, methodology, level of analysis, temporal orientation, theoretical foundations, and disciplinary base of the culture and climate perspectives.

In the light of the above, it is clear that organisational climate is best regarded as a psychological construct generated by the individual's interactions with the whole range of phenomena existent in the workplace, amongst which phenomena is the culture of that workplace (Ashforth 1985; Davidson 2003; Forte 2003; Glisson & James 2002; Moran & Volkwein 1992; Shim 2010).

The premise of the literature so far reviewed is that organisational climate is a product of the employee's summative response to the profusion of 'features, events and processes' that constitute the workplace environment (Kozlowski & Doherty 1989, p. 546). There are however, dissenting opinions as to whether any such summative response is possible.

A climate for 'something'

Schneider and Reichers (1983) contend that the 'generic' construct posited above cannot in fact be produced. They propose that individuals are unable to psychologically address Kozlowski and Doherty's (1989) 'profusion', presumably because it is formless and thus perceived as meaningless; rather, those individuals, by some process not elaborated upon by the authors, reduce the potentially overwhelming environmental stimuli to a number of psychologically related sets, presumably unrelated to the dimensions that are found to constitute overall or organisational climate. It is to each of these sets, then, that meaning may be attached and subsequently and legitimately aggregated to higher level constructs. In short, an organisation is a landscape containing a number of what might be regarded as 'micro-climates': a workplace will have, for instance, a 'climate for service' (Schneider et al. 1980; Schneider et al. 1998; Schneider et al. 2002), a 'climate for safety' (Zohar 1980, 2000), a 'climate for creativity and innovation' (Anderson & West 1998; Ekvall 1996), 'ethical climate' (Shacklock et al. 2011a, 2011b; Victor & Cullen 1987, 1988) and so on. To speak of organisational climate per se, without attaching a referent is, thus, meaningless in the view of Schneider and Reichers (1983) and Schneider et al. (1998).

While such theorising is not devoid of interest, a recent study of organisational climate dismisses this particular line of thinking as 'potentially limiting because it underestimates the importance of investigating the total social-psychological situation as originally conceived by Lewin' (Schulte et al. 2009, p. 618). In other words, Lewin's construct, the authors maintain, may be holistically apprehended and thus is valid, measureable and important.

Whatever the case, it may well be that the issue itself is less crucial than it may seem to be. Any one instance of the administration of an overall climate instrument that uncovered low within group variability across all items would bring into serious question

arguments that organisational climate - the total social-psychological situation (Schulte et al. 2009) - cannot be apprehended. In any event, the case for the reality of organisational climate as a legitimate construct is not necessarily impacted upon at all by the existence of climates for matters such as service or safety or innovation or whatever.

Davidson et al. (2002) observe, for instance, that the '10 dimensions [of service climate] described by Schneider and Bowen (1985) overlap with the organizational climate dimensions identified by Jones and James (1979) and others' (p.127). The point is that the differing kinds of higher-level aggregation of psychological climate responses are not mutually exclusive and it may be more productive to view something such as 'service climate' as a form of organisational climate 'customized to [the] specific context' of service provision (Cooil et al. 2009, p. 280).

Despite questions as to the legitimacy or otherwise of the organisational climate construct, studies of it have proliferated, as have studies of various domain-specific climates. However, there is in the literature an absence of empirical studies comparing the relative predictive efficacies of the two.

Measurement of organisational climate

Organisational climate is commonly determined by summing across sets of items individual employee perceptions about aspects of the workplace. The scores on the small number of dimensions thus produced are then aggregated to yield climate scores for the organisation or sub-unit thereof (James et al. 1988). Amongst early measures of climate resulting from this procedure were those proposed by Kahn et al. (1964), Litwin and Stringer (1968 as cited in Denison 1996), Schneider and Bartlett (1968), Campbell et al. (1970 as cited in Davidson et al. 2001), Pritchard and Karasick (1973 as cited in Davidson et al. 2001), James and Jones (1974), Lawler et al. (1974), Gavin and Howe (1975), Drexler (1977), Payne and Mansfield (1978), Jones and James (1979), Schneider et al. (1980) and Joyce and Slocum (1982).

What is apparent in those studies is variability in the number and names of the dimensions of organisational climate, and their psychometric properties (Davidson et al. 2001). Partly this results from the differing goals of the investigations themselves and to a certain degree it arises from the differing kinds of industries for which the instruments were developed (Manning et al. 2005). In short, a number of differing climate scales proposing variations of the names and numbers of identified dimensions have been designed for use within specific environments.

In terms of its psychometric properties, Jones and James' (1979) 'psychological climate questionnaire [PCQ]', Ryder and Southey (1990) assured their readers, 'represented the most adequate approach ... to date' (p. 47) for the measurement of perceptions of the workplace environment. It offered, in their view, valuable 'insights at the individual ... and organisational levels of analysis' (p. 45) and they urged other researchers in the field to avail themselves of it.

Measurement of organisational climate in the tourism and hospitality industry

Davidson et al. (2001) did as suggested by Ryder and Southey (1990) in a study, the aim of which was to identify the dimensions of organisational climate within the upper range Australian hotel industry. The instrument used was based upon Ryder and Southey's (1990) adaptation of the Jones and James (1979) PCQ and it was further modified to address the insights provided by an expert industry panel. Amongst the more significant

consequences of that advice were the reduction in length of the instrument and the rewording of various items to make them specifically applicable to the target industry.

In their attempt to identify components representing dimensions that would describe the organisational climate of their sample, Davidson et al. (2001) conducted a Principal Components Analysis (PCA) of responses followed by a varimax rotation (consistent with Jones and James 1979). The PCA extracted 13 components with eigenvalues > 1.0. In results similar to Ryder and Southey's (1990) findings where six out of ten factors were deemed interpretable, only the first seven of the 13 components extracted were judged to be so. The authors found that 59 of the 70 items used by them to measure organisational climate loaded onto the seven dimensions they identified as interpretable: *Leader Facilitation and Support; Professional and Organizational Esprit; Conflict and Ambiguity; Regulations, Organization and Pressure; Job Variety, Challenge and Autonomy; Workgroup Cooperation, Friendliness and Warmth* and *Job Standards*. Brief descriptions of these dimensions may be found in Manning et al. (2012). A global climate, or 'full-scale', measure comprising the mean of items used to construct the seven subscales was also produced and was labelled *Global Organizational Climate*.

In pursuit of a shorter version of Davidson et al.'s (2001) 70-item scale (named the 'Tourism and Hospitality Organizational Climate Scale' – THOCS) describing seven dimensions of climate, Manning et al. (2004), in their study of the link between organisational climate and organisational outcomes in a large tourism organisation, made certain modifications. The newly revised measure consisted of 35 items, 34 of which were originally presented in the 70-item scale (Davidson et al. 2001). Thirty items were chosen on the criterion that they represented, for each dimension identified by Davidson et al. (2001), the five items with the largest primary factor loadings. Davidson et al. (2001) however, described only four items to have primary loadings on the seventh dimension, *Job Standards*. Consequently, in addition to the four items presented by Davidson et al. (2001), the item, 'My job requires extensive training', was generated and included in the revised scale. This revised scale was named THOCS-R ('Tourism and Hospitality Organizational Climate Scale – Revised').

Confirmatory Factor Analysis (CFA) of the responses from 400 employees of the single tourism organisation did not, however, support the authors' prediction that the revised scale would measure the seven dimensions described in Davidson et al. (2001). Support was found for the measurement of only four out of the seven dimensions originally presented. These dimensions were: *Leader Facilitation and Support; Professional and Organizational Esprit; Conflict and Ambiguity* and *Workgroup Cooperation, Friendliness and Warmth* (Manning et al. 2004). Similar results were produced in a later study (Manning et al. 2005) that replicated Manning et al. (2004) with a sample on that occasion of 432 employees of a large tourism organisation.

Both THOCS and its successor, THOCS-R, were developed and tested in the context of tourism and hospitality enterprises of significant size (i.e. Davidson et al. 2001; Davidson et al. 2002; Manning et al. 2004; Manning et al. 2005). The vast majority of such enterprises, particularly those belonging to the hospitality sector are, however, small businesses. Manning (2010) notes that significant 'differences in the nature of climate in small businesses compared with large enterprises' (p. 51) are likely to exist and in response to this, the Psychological Climate Scale for Small Business (PCS-SB) has been developed (Manning 2010). In all, 316 employees of 52 small service sector businesses comprising cafes and restaurants located in two coastal resort areas in South-East Queensland, Australia, responded to a 78-item questionnaire comprising certain items employed in the research that led to the development of THOCS-R along with a battery of new items related to scheduling (or 'rostering') generated from three focus groups. A PCA followed by varimax rotation (consistent with Jones and James 1979 and Davidson et al. 2001) extracted 15

components with eigenvalues greater than unity and subsequent examination of factor loadings indicated that seven of those factors accounting for 48.67 percent of variance were interpretable. These dimensions were: *Owner Facilitation and Support; Job Training and Standards; Regulations Organisation and Pressure; Scheduling; Workgroup Cooperation, Friendliness and Esprit; Friction and Conflict and Standards and Objectives*. Fifty-four items were used to operationalise each of the seven dimensions as variables and in accord with Davidson et al. (2001), a total scale measure named *Global Climate* was created (Manning 2010).

The results of the research undertaken demonstrated the worth of developing an instrument 'from samples of respondents who are representative of the industry to which it will be ultimately applied' (Manning et al. 2004, p. 4); in this instance, in small service sector enterprises operating within the tourism and hospitality industry. The results were encouraging: all eight scales had reliability ratings between acceptable and excellent and 'considerable variation' (Manning 2010, p. 63) between respondents was found for all seven subscales and also between organisations when scores were aggregated (Manning 2010).

Employee Turnover Intention

Reporting on a study of the healthcare sector, Hwang and Chang (2009) make a number of points in regard to employee turnover and its impact upon the organisation that have a validity beyond the relatively specialised field of their interest in that paper. The deleterious effects of resignations are by no means restricted to increased recruitment and training costs; turnover is also associated with 'poor staff morale, reduced productivity, weaker teamwork and inconsistent services provided to clients, which combine to decrease organizational competitiveness' (p. 74). Similar insights into the impact of turnover and, particularly, untoward levels of turnover, emerge from the study of female employees in long-term nursing care facilities by Cohen and Golan (2007). Conversely, Lai et al. (2008) identify low turnover with organisational profitability in the hotel industry.

Turnover intention, which may be viewed as a barometer of the 'wellbeing' or 'mood' of an organisation, is used often therefore - as indeed it is in this research - as a measure of organisational performance (e.g. Cooil et al. 2009; Manning et al. 2004; Manning et al. 2005). It has been defined succinctly as an employee's intent or predisposition to leave his or her current employment (Emberland & Rundmo 2010; Mishra & Bhatnagar 2010; Rahim & Psenicka 1996).

This intent or predisposition is the product of a spectrum of antecedent factors including, for instance, availability of alternative employment, inter-role conflict, centralisation and opportunities available in the workplace, lack of interest and engagement, the size of the organisation, organisational stability, availability and efficacy of communication channels and, inevitably, remuneration, all of which impact upon social-psychological variables such as job satisfaction, commitment and morale (Bluedorn 1982; Cunningham 2006; Estryn-Behar et al. 2010; Moynihan & Pandey 2008; Price 1989). To such factors may be added cognitive ability with both those higher and lower in that regard than necessary for the workplace more likely to leave (Jackofsky 1984; Maltarich et al. 2010) and employer provided training which often only makes the employee look elsewhere for more interesting and better paid work (Koster et al. 2009). These factors in turn affect intended and actual turnover (Biswas 2009; Hwang & Chang 2009; O'Neill et al. 2009; Valentine et al. 2011). Needless to say, intent and actual resignation are two different matters: the former is an attitude, the latter a behaviour (Emberland & Rundmo, 2010; Mishra & Bhatnagar 2010), and yet the literature finds intent to be a significant predictor of quitting (Blau & Boal 1989; Bluedorn 1982; Griffeth et al. 2000; Lee & Mowday 1987). There are also correlations between intention to leave and a range of unproductive behaviours such as absenteeism, low participation, lateness, avoidance behaviour and

diminished performance (Blau & Boal 1989; Griffeth et al. 2000; Lee & Mowday 1987; Rosse & Hulin 1985). In short, and with all other things being equal, high turnover is a phenomenon it is in the interests of the organisation to avoid. A climate that yields a low turnover is a climate to be sought.

Not surprisingly, the literature proposes that organisational climate will exert a profound influence upon the attitudes and behaviour of an organisation's employees (Liou & Cheng 2010; Ohly & Fritz 2010; Ostroff 1993). Reason and the research literature suggest, for instance, that employee turnover intention and, consequently, employee retention will be impacted upon by climate (Cooil et al. 2009; Dean 2004; Donoghue 2010; Hemingway & Smith 1999; Manning et al. 2004; Manning et al. 2005; Russel et al. 2010). However, it needs to be noted that studies about the relationship between climate and turnover have as yet not produced definitive results. Glisson and James (2002) in a study of both organisational culture and organisational climate within child welfare and juvenile justice case management teams, for example, detected no relationship between the two variables, finding that 'no individual-level variable was significantly related to turnover' (p. 787) (see also Hwang & Chang 2009, p. 74).

Measurement of employee turnover intention

In general, measures of employee turnover intention are of two kinds: those that use a single item to uncover whether the respondent has or does not have an intention to quit, and those, in most instances using more than one item, that endeavour also to gain some degree of insight into the motivation informing that intention. At one extreme there is the five-item measure used by Jaramillo et al. (2009), which is an adaptation by Ganesan and Weitz (1996) of the work of Keaveny (1992) and Good et al. (1988). Ganesan and Weitz (1996) maintain that it is the job of this measure to 'assess the extent' to which employees 'believe they would be leaving the organization within a short period of time' (p. 46), but it is not immediately apparent to what degree the various items might contribute to that aim, nor to what degree they singly contribute unique information about turnover intention.

Multiple-item measures are common in the literature (Alexandrov et al. 2007; Biswas 2009; Moynihan & Pandey 2007; O'Neill et al. 2009; Valentine et al. 2011) and realise to varying degrees the potential of such scales to unearth the intentions of employees contemplating resignation. Perhaps most interesting, though, are those technically single-item measures that solicit further information from those respondents who indicate an intention to leave. In a survey of the turnover intention of critical care nurses, Stone et al. (2006) were actually in a position to interview respondents who signalled a likelihood of resignation in order to ascertain the reason for that intention. Similarly, respondents in a survey of pharmacy employees (Koster et al. 2009) who indicated an intention to quit were subsequently asked whether they intended looking for work inside or outside the industry.

In 2008, Mulki et al. reported on an investigation of the impact of ethical climate on turnover intention that used as respondents service employees of a country health department in the United States. They assessed turnover intention with a single item, 'How often have you seriously considered quitting your present job?', making the point that the literature endorses single-item scales as being 'appropriate for capturing the construct' (p. 565). As with all scales, this one has its obvious limitations. Hwang and Chang (2009) arguably uncovered more by asking 'Do you intend to leave the job due to working conditions?' but all other things being equal, the carefully worded single-item turnover intention scale does indeed allow the respondent to clearly and simply indicate intention to quit or stay.

Measurement of employee turnover intention in the tourism and hospitality industry

Measures that have addressed employee turnover intention in the tourism and hospitality industry and are of particular relevance to our study are those used in both Manning et al. (2004) and Manning et al. (2005). These authors measured employee turnover intention by way of a single item 'How likely are you to leave within the next twelve months?', with response options ranging from 1 ('Very Unlikely') to 5 ('Extremely Likely').

Employee Turnover Intention as an Outcome of Organisational Climate in the Tourism and Hospitality Industry

Manning et al. (2004) found, using a Pearson product-moment correlation analysis between a global organisational climate score and employee turnover intention, that the two were significantly negatively related with *Global Organizational Climate* accounting for 21.16 percent of the variation in employee turnover intention. By way of a standard Multiple Linear Regression (MLR) analysis, the seven dimensions of climate identified by Davidson et al. (2001) were found to explain 23.81 percent of the variance in employee turnover intention with significant unique contributions to prediction found for *Professional and Organizational Esprit; Conflict and Ambiguity; Job Variety, Challenge, and Autonomy* and *Job Standards*. A standard MLR using the four climate dimensions validated by way of CFA in the (2004) study and employee turnover intention, found 19.36 percent of the variation in employee turnover intention to be explained by those dimensions, with significant unique contributions to prediction found for *Professional and Organizational Esprit; Conflict and Ambiguity* and *Workgroup Cooperation, Friendliness and Warmth*.

In 2005, Manning et al. replicated the 2004 study (Manning et al. 2004) and found, by way of a Pearson product-moment correlation analysis between a global organisational climate score and employee turnover intention, a significant negative relationship to exist between those two measures with 10.25 percent of the variation in employee turnover intention being explained by the global measure of organisational climate. Results of a standard MLR revealed a significant proportion (13.7%) of the variance in employee turnover intention was explained by Davidson et al.'s (2001) seven dimensions of organisational climate, with significant unique contributions to prediction found for *Conflict and Ambiguity; Regulations, Organization and Pressure* and *Job Standards*. Finally, a standard MLR conducted with the four subscales of the modified model and employee turnover intention found that 9.18 percent of the variation in employee turnover intention was explained by those four dimensions, with a significant unique contribution to prediction found for the dimension *Conflict and Ambiguity*.

A review of the literature located no studies that have addressed themselves specifically to the relationship between organisational climate and employee turnover intention in franchised small business establishments operating under the banner of tourism and hospitality in the service sector. This state of affairs is confirmed by a recent literature review of organisational climate and service climate studies in tourism and hospitality compiled by Manning and his colleagues in 2012 (Manning et al. 2012). In that paper the authors identify only a very small number of studies that address what they refer to as 'generalized organizational climate' in the arena of tourism and hospitality research. With the sole exception of Johnston et al. (2010), who described a study of the relationships between organisational climate, customer satisfaction and two measures of organisational performance (customer post purchase behavioural intentions and net sales) within a franchised operation, all these are focussed on relatively large organisations such as hotels and theme parks and whilst a number of them addressed the issue of turnover intention as an outcome of organisational climate (e.g. Manning et al. 2004; Manning et al. 2005), none did so in franchised small business establishments.

In the light of this, we intend to examine whether the linkage between organisational climate and employee turnover intention may be found in small establishments of a single multi-unit franchise service enterprise operating in the tourism and hospitality field. In view of the literature outlined above, the following hypothesis may be proposed:

H1: *Organisational Climate* is significantly related to *Employee Turnover Intention*.

Method

Participants

One-hundred questionnaires, of which 98 were useable (further reduced to 96 after data preparation procedures), were collected from a total of 126 employees from 19 franchised units, which comprised the entire franchise system at that time. These 19 units were located across the North and South Islands of New Zealand. Ten of these stores were located in Auckland, four in Christchurch, three in Wellington, one in Dunedin and one in New Plymouth. Table 1 presents the number of employees per franchise and number of employee questionnaires received.

Questionnaire

A 67-item instrument was used to gather data on employee demographic characteristics (addressing age, gender, education, organisational tenure, mode of employment (full-time or part-time), hours worked per week, time since the last training session and whether the respondent felt additional training was required), organisational climate and employee turnover intention. Established and validated scales measuring organisational climate (Davidson et al. 2001) and employee turnover intention (Manning et al. 2004; Manning et al. 2005) were used. Davidson et al.'s (2001) 70-item *Global Organizational Climate* scale has been reported as having excellent reliability ($\alpha = .959$). The authors did not, however, report coefficient (Cronbach) alpha values for each of the seven organisational climate subscales in their study. Manning et al.'s (2004) and Manning et al.'s (2005) global measures of organisational climate (both comprising 35 items) were found to have high levels of reliability ($\alpha = .93$ in both instances) and levels of reliability for the seven subscales (Davidson et al. 2001) in both studies ranged from acceptable to high. Coefficient alpha values are available in the original publications.

Davidson et al.'s (2001) 59 climate items, considered to comprise the most felicitous instrument at the time of the research undertaking, formed the basis of the scale used in the current research; in rendering it applicable to the particular franchise context of interest, certain modifications were considered necessary. Two items were withdrawn as they addressed an inter-departmental issue that was not a feature of the research context, slight changes to the wording of certain items made the questionnaire further applicable to employees of a franchise system and, having regard to Manning et al.'s (2004) study which recognised only four items loading onto the seventh dimension described by Davidson et al. (2001), an additional item, 'My job requires extensive training' was included. The climate scale that emerged consequent upon the procedures noted above consisted of 58 items. It was required of employees that they respond to each of these items on seven-point Likert-type scales with options ranging from 1 ('Strongly Disagree') to 7 ('Strongly Agree').

Finally, in view of Manning et al.'s (2004, 2005) single-item measure of employee turnover intention, the item 'How likely are you to leave this franchise within the next year,' anchored by response options ranging from 1 ('Extremely Unlikely') to 7 ('Extremely Likely') on a seven-point semantic differential scale, was included in the employee questionnaire.

Table 1.
Number of employees per franchise and number of employee questionnaires received.

Franchise	Number of employees	Number of employee questionnaires received
Auckland		
Franchise 1	6	6 (100%)
Franchise 2	4	4 (100%)
Franchise 3	5	3
Franchise 4	6	3
Franchise 5	6	2
Franchise 6	6	3 (2 useable)
Franchise 7	4	4 (100%)
Franchise 8	3	3 (100%)
Franchise 9	4	4 (100%)
Franchise 10	5	4
Christchurch		
Franchise 11	7	7 (100%)
Franchise 12	8	8 (100%)
Franchise 13	9	5 (4 useable)
Franchise 14	5	5 (100%)
Wellington		
Franchise 15	10	7
Franchise 16	7	4
Franchise 17	16	16 (100%)
Dunedin		
Franchise 18	9	9 (100%)
New Plymouth		
Franchise 19	6	3
Total: 126		Total returned: 100 (98 useable questionnaires)

Procedure

A respondent-completion mail survey was used to gather data because the geographical dispersion of the establishments made any other procedure cumbersome. Employee questionnaires and stamped, return-addressed envelopes with which to return the questionnaires were mailed to each establishment. An email outlining the purpose and importance of the research and a detailed procedure by which the questionnaires should be distributed to employees and returned to us was sent to the franchise owners of all stores. Several follow-ups, by way of email to individual franchisees, were required to obtain sufficient employee response (77.7%) in this research. The organisation response rate was 100 percent.

Results

Sample characteristics and reliability of organisational climate dimensions

Employee data comprised individual employee responses to demographic items, seven dimensions of organisational climate (Davidson et al. 2001) and employee turnover

intention (Manning et al. 2004; Manning et al. 2005). Females comprised 78.6 percent ($n = 77$) of all respondents and males 20.4 percent ($n = 20$). One participant did not identify their gender. The age category 15 – 20 years (51%, $n = 50$) was the largest in the survey, followed by 21 – 30 years (46.9%, $n = 46$). As regards 'Education', 'Undergraduate Degree' (29.6%, $n = 29$), followed by 'Senior Certificate' (20.4%, $n = 20$) were the most frequently chosen. For organisational tenure, the most frequently chosen categories were '1 – 2 years' (34.7%, $n = 34$), followed by 'Less than 6 months' (33.7%, $n = 33$). Only three employees had been employed for longer than two years, and none had been in place for longer than four years. For mode of employment, the most frequently chosen categories were 'Full-time' (51%, $n = 50$), followed by 'Part-time' (43.9%, $n = 43$). The most frequently chosen categories as regards hours worked per week were '36 – 40' (20.4%, $n = 20$) followed by '21 – 25' (14.3%, $n = 14$), '11 – 15' (14.3%, $n = 14$), '41 – 45' (13.3%, $n = 13$), '31 – 35' (11.2%, $n = 11$) and '16 – 20' (10.2%, $n = 10$).

Forty-two (42.9%) respondents indicated they had received training within the last three months and 65 (66.3%) indicated they did not feel they needed additional training. It should be noted at this point, that given the pattern of responses to the *Time since last training session* variable (with only 79 out of 98 participants responding to this item), and the unsolicited comments provided by the nine of 19 participants who did not otherwise respond at all to this item, one might reasonably assume that those particular individuals had not received any training. This might well account, at least in part, for the relatively high number of participants (31.6%, $n = 31$) who indicated that they did in fact feel they needed 'additional' training.

Coefficient alpha scores for the climate dimensions were as follows: *Leader Facilitation and Support* ($\alpha = .92$), *Professional and Organisational Esprit* ($\alpha = .85$), *Conflict and Ambiguity* ($\alpha = .84$), *Regulations, Organisation and Pressure* ($\alpha = .84$), *Job Variety, Challenge and Autonomy* ($\alpha = .67$), *Workgroup Cooperation Friendliness and Warmth* ($\alpha = .65$) and *Job Standards* ($\alpha = .70$). According to guidelines presented by Hair et al. (2003), levels of reliability for the seven organisational climate dimensions range from moderate to excellent.

Data analysis

Given that the variables of interest to this study are employee related, analyses presented here may be restricted solely to the employee (individual) level of analysis (Manning et al. 2012). MLR using the seven dimensions of organisational climate as predictors of employee turnover intention is an appropriate analysis at this level and is in accord with prior climate studies (Manning et al. 2004; Manning et al. 2005).

A Pearson product-moment correlation analysis was performed using the seven organisational climate predictors and employee turnover intention in order to first examine the correlations between each of the independent variables and the dependent variable and second, to test for multicollinearity between independent variables, prior to the conducting of multivariate analysis (Manning & Munro 2007). Multicollinearity was not evident between independent variables. As regards correlations, none were significant excepting that between *Professional and Organisational Esprit* and *Employee Turnover Intention* ($r = -.21$, $p < .05$). A decision was made nevertheless to run the multiple regression analysis on the basis that its findings might prove of interest to others attempting to review and replicate this research.

A standard MLR was performed between *Employee Turnover Intention* as the dependent variable and the seven organisational climate dimensions (Davidson et al. 2001) as independent variables. The multiple correlation coefficient ($R = .32$) was not

significantly different from zero, $F(7, 85) = 1.428, p > .05$. Hypothesis 1 is therefore not supported.

Discussion and Conclusion

This study represented the first investigation within a multi-unit franchise system operating in the tourism and hospitality field of the link between organisational climate and employee turnover intention. Interestingly, the findings of this research are at odds with the prevailing theory that employee turnover intention and organisational climate will be significantly linked to one another.

In contrast to the literature of particular relevance to this study (Manning et al. 2004; Manning et al. 2005), we found there to be no significant relationship between climate and employee turnover intention. This suggests that factors other than climate are determining employees' propensity to remain in their current position or to quit. Of likely significance in this regard is the fact that the data were collected during the onset of the GFC when much attention was being given in the media to the implications of this for employment security, particularly in fields where a good deal of spending was of a discretionary kind. As noted earlier in this paper, unemployment in New Zealand had risen during the December 2008 quarter, when the research occurred, to a five year high of 4.6 percent and labour demand, particularly as regards hours worked, was undergoing a serious and much publicised contraction (Department of Labour (New Zealand) 2009). Relatively secure full-time positions, such as those enjoyed by many of the franchise employees in this research were assets not to be given up lightly. In retrospect, conservatism in this regard proved wise; for, as noted earlier in this paper, March 2009 quarter figures showed a further rise in unemployment to 5 percent (Department of Labour (New Zealand) 2009). Nor was there to be any rapid turn-around in the figures. By the September 2012 quarter unemployment in New Zealand was running at 7.3 percent, dropping to 6.9 percent in the opening quarter of 2013, the latest for which figures are available at the time of writing.

Interestingly, whilst concerned with quite different kinds of workplace, neither this study nor that of Glisson and James (2002) uncovers evidence for the supposedly ubiquitous relationship between climate and turnover intention. It may well be that high levels of workplace stress or serious perceptions of employment insecurity are capable of rupturing the bond otherwise in place between climate and, amongst other outcomes, turnover intention. Whatever the case, this study provides a snapshot of the link between climate and employee turnover intention at a particularly volatile time and in doing so makes a valuable contribution to the research literature.

Limitations and future research

This study has certain limitations that need to be acknowledged. Firstly, it employed a cross-sectional design and although it had the good fortune to be done in interesting times, consequently must to some degree be a reflection and product of them and the forces at play during and immediately prior to the data gathering. Secondly, it was limited to one food and beverage franchise group's activities in one country – New Zealand. Finally, in the absence of any alternative available at the time of data gathering, the climate instrument used was one originally designed for and used in large businesses operating within the service sector whereas the franchise system participating in the present research comprised a number of what are in fact, small business establishments.

Replication of the research reported here and further research involving more than one franchised enterprise and thus providing a larger sample size is advisable. Were it to be

done also across a range of geographical contexts and at times both ‘interesting’ and otherwise it would certainly prove worthwhile in order to generalise findings. It is also recommended that future research of a kind similar to the present study employ a climate instrument designed specifically for use in small service businesses such as the PCS-SB developed by Manning (2010). As well, a worthwhile initiative for future research would be an examination of the relationship investigated here in non-franchised small business establishments.

The purpose of this study was to consider the relationship between organisational climate and one commonly recognised measure of organisational performance - employee turnover intention - in a service sector franchise system. Employees of the 19 units of one food and beverage franchise system provided data by way of a mail survey. In contradistinction to results commonly reported in the literature, no significant relationship was found between organisational climate and employee turnover intention.

Acknowledgements

We are most grateful to and would accordingly like to acknowledge and thank Ms Dianne Bradford and Drs Geoffrey Johnston and Mark Manning for their contributions to this study.

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