

# PSYCHOLOGICAL CLIMATE, LEADERSHIP STYLE AND WORKPLACE STRESS AT FUEL & RETAIL COMPANY

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## ABSTRACT

In 2012, the Retailer acquires the business of Fuel & Retail Company. Each team member experiences certain changes, the volumes of work had increased in the petrol stations, and this changes the psychological climate at work and creates stress.

**Purpose:** To study the psychological climate, management style, workplace stress, and their mutual relations in Fuel & Retail Company.

**Methodology:** The authors of the Paper used the following tools: The Professional Life Stress Scale, the Team Psychological Climate Survey; the Leadership Styles Questionnaire. The research questions were the following: What is the psychological climate, leadership style in Company? What are the key workplace stress factors? Were there any significant relationships between the psychological climate, leadership style, and workplace stress? The surveys were carried out in April 2014. The total number of respondents in the study was 105.

**Findings:** Most of the respondents believe that the prevailing management style is authoritarian, the assessment of the psychological climate was more positive than negative. The levels of workplace stress were high.

**Research limitations:** The authors of the Paper were able to carry out the empirical research study only in the petrol stations of Fuel & Retail Company located in Riga.

**Practical implications:** The results obtained during the study were presented to the Human Resources and Retail Sales management of Fuel & Retail Company.

**Originality/ value:** Psychological climate, management styles, and workplace style have been studied by various authors, but none of them has studied it in employees of petrol stations, who work 24 hours a day in an environment of organisational changes.

**Classification:** case study.

**Keywords:** Psychological climate, leadership style, workplace stress.

## 1. INTRODUCTION

**Fuel& Retail Company** serves more than 30 million customers every week all around the world, is a leading seller of fuel for road vehicles with more than 100 years of working experience in the sector, it owns a wide retailer chain in the Scandinavian Countries, the Baltic Countries, Poland, and Russia. Dynamic economic and labour market developments as well as increased levels of openness in the society and more active cooperation with the EU institutions make human resources one of the most valuable corporate assets. This applies to the increasing global competition and also to the rapidly changing technologies. A company, in its turn, is a complex, dynamic, varying socioeconomic system consisting of interrelated elements: the management object and the management subject, which need to be put in order, organised, managed, motivated, and controlled in a manner as to achieve the targets set by the company. The key to the success of a company today is often its employees. The management of **Fuel& Retail Company** is strictly determined to lower the costs, and, to attain this, every petrol station must pursue stringent austerity policies with regard to the personnel costs and daily expenses. As a result, the personnel can feel changes in the management style of their managers, i.e., the leaders become strict in their judgements, requirements, because the quality of work with regard to customer service must not suffer. Working in a petrol station is complex because it covers various services, requires maximum caution in handling petrol and gas, and is associated with operation of car-wash facilities and night shifts. In such a situation, the manager must be able to organise the work so that the targets and the financial results are achieved, and also there is trust between the manager and their subordinates, more confidence in the personnel when acting independently, feeling of positive psychological climate, management support, and interest in the well-being of the employees.

**Objective** To study the psychological climate, management style, workplace stress, and their mutual relations in Fuel & Retail Company.

### Theoretical framework of the research

Socio-psychological climate - the qualitative side of interpersonal relationship that manifests as an aggregate of psychological conditions which either facilitates or hinders efficient common activity and versatile personal or group development (Klauss, 2002). Psychological and organisational climate are mentioned to describe climate in literature. Psychological climate refers to an individual (Payne and Pugh, 1976). Good psychological climate must be created and maintained by the manager. Maintaining psychological climate is not only a responsibility of the manager, but also a creative process which requires knowledge of human psychology, relationships, and emotional state (Pocebut and Ciker, 2002). Psychological climate is also defined as the way how members of an organisation perceive and describe their environment (Denison, 1996; Moran and Vilckwein, 1992; Verbeke, Volgering and Hessel, 1998). Psychological climate will mediate the positive relationship between interpersonal aggression and employee burnout (Bedi, Courcy, Paquet and Harvey, 2013). A. Vorobjovs (2002) believes that favourable psychological climate in a team is characterised by full trust and empathy in the attitudes towards each other, unselfish mutual assistance, full satisfaction of the communicative needs, a positive emotional background in the interpersonal relationships is satisfaction with the status distributions among all team members, non-existence of contradicting groupings. The latest research suggests that the psychological climate of the organization is linked with the organizational effectiveness (Kataria, Garg and Rastogi, 2013).

The leader of the team plays a significant role in the creation of the psychological climate in it. In building the psychological climate, the leader performs a significant social role, i.e., they bring in certain personal and human features which determine the style of management, the quality of contact with their subordinates, and their skills in building the motivation of the employees. The relationships between the leader and the subordinate, the psychological climate, and the results of teamwork directly depend on the style of management. The association between leadership styles (transactional and transformational) and organizational outcome were fully mediated by the employees' perception (Nazir, Akram and Arshad, 2014). Efficient leaders and managers provide opportunities, so that people can feel proud for their job, and set higher targets meant for further growth. As A. Vorobjovs (2002) writes, the authoritarian style of leadership mostly results in a negative psychological climate. In case of the authoritarian style, the leader exercises too much control over the private life and job, or does not try to have a deeper understanding of the problems their employees might have. It should be noted that a democratic style of management least facilitates workplace stress, whereas, right the contrary, an authoritarian style develops it (Horisina, 2004; Zankovskij, 2002). The authoritarian style can assure high levels of job efficiency in terms of quantitative indicators, but not always in terms of quality indicators. For employees' instrumental leadership is more effective in promoting employee effort and increasing job performance (Mulki, Caemmerer and Heggde, 2015). These may be consequences of the fact that the operation of the company is primarily based on strict control, rather than internal motivation of the employees (Renge, 2007).

The factors that influence the psychological climate in a company include: the employee content in the company, their job specifics, level of education, age, gender, the personality of the leader of the organisation, their management style, type of behaviour, workplace stress, and other.

R.S. Lazarus (1999) mentions that stress is a physiological and psychological response to excessive, unpleasant stimulation and external conditions which imply threat. Stress causes complex changes in the chemical processes of the body, by affecting the individual's mental and physiological processes (Lazarus and Folkman, 1984). Selje (1979) believed that responses of certain types are caused by stress factors. Workplace stress may be an obstacle in the attainment of the targets for the employees and also the organisation. The work stress and its adverse effects on the physical and mental health of an employee (Sohail and Rehman, 2015). The authors of the Paper wish to highlight that workplace stress is one of the risk factors that affect employees. Stress causes a psychological and physical state which occurs when the resources of the individual are insufficient to control the pressure exerted by the requirements and situations. Stress and the resulting tension are as a result of a conflict between the individual abilities of the individual, their skills, and the requirements at the place of work. Causes of stress, as such, cannot cause intensity of tension if the individual is able to minimise stress themselves or with support of others, such as their management, which, in its turn, influences changes in the behaviour in stress situations (Lang and Lee, 2005).

## 2. RESEARCH METHODOLOGY

The authors used several data collection tools in order to attain the aim: Team Psychological Climate Questionnaire (Parygin, 1999) to investigate the psychological climate. The following scores are offered for

the statements: 3 – The feature is always observed in the group 2 - The feature is observed in most situations 1 - The feature is observed pretty often 0 - Equally observed Climate A and Climate B psychological feature. The Professional Life Stress Scale, (Fontana,1991). The Stress Scale consists of 24 questions. The responses are assessed using the key for the scale, and the score can be between 0 and 60. A score of 0 to 15 suggests that the respondent has low workplace stress levels and that job-related stress has no untoward effects on the physical or emotional condition of the respondent. The Leadership Styles Questionnaire (Ilin, 2012) was used to determine the management styles, a questionnaire developed by the authors was used to highlight the special properties of the business, and an analysis of the internal personnel documents was carried out.

The research questions in the Paper were the following: What is the psychological climate in Fuel & Retail Company? What leadership styles do the managers of Fuel & Retail Company have? What are the key workplace stress factors in Fuel & Retail Company? Are there any significant relationships between the psychological climate, leadership style, and workplace stress?

The surveys were carried out in April 2014. The respondents received the questionnaire electronically, to their e-mail addresses, with prior consent of the management of Fuel & Retail for the survey. The total number of respondents in the survey was 105. Out of these, 78 were females and 27 were males. The breakdown of the respondents by their positions was the following: petrol station sales personnel 53%, deputy managers 17%, and managers 30%.

### 3.ANALYSIS OF RESEARCH RESULTS

The analysis of the documents and the data obtained in the survey designed by the authors reveals higher levels of employee turnover in Fuel & Retail Company at the end of 2013. The explanation for this is outflow of employees to other countries, particularly in the winter months when the number of work hours was reduced and the salaries of the sales personnel decreased by 20%.

The reason for termination of employment for a large part of the respondents (22%) is non-compliance (misappropriation of cash or products). 13% of the new employees demonstrated unsuccessful performance during the trial period, for a wide range of reasons (insufficient expertise, night shifts, high volumes of work). 17% find work in other companies. Trained personnel with good expertise are often enticed by other companies. 8% leave the country, 8% see no career opportunities in the company. 6% have left because of the salary, and 6% have not been able to combine working in shifts and their studies. 6% have left for family reasons. Pretty often, one of the spouses already works abroad, and the other joins him/her in a year.

The personnel turnover calculations done by Fuel & Retail Company show that the percentages of the dismissed employees against the total number of employees at the particular time were 18% in 2009, 16% in 2010, 25% in 2011, 29% in 2012, 28% in 2013.

The results of the study into the psychological climate (Parygin,1999) show that the employees' overall assessment of the psychological climate in the organisation is more positive than negative. The atmosphere in Fuel & Retail Company is favourable, and positive relationships between the employees prevail, the mood in the team is mostly brisk and joyful (64.% of the respondents agreed entirely, 33% agreed partially, and only 2% disagreed entirely). Mutual respect dominates in the teams of Fuel & Retail Company, the personnel is united, help the newcomers to the team, help each other in case of illness when it is necessary to fill in for a colleague.

The results of the Management Styles Questionnaire show (Ilin, 2012) that the authoritarian style of management dominates in the organisation (49%), characterised by focusing on the direct job-related issues and ignoring the needs of the subordinates, 48% believe that the managers have the democratic style of leadership when the employees are also involved in the decision-making processes, and 4% of the respondents think that the leadership style is liberal, i.e., that the manager is more like a formality, and that every employee may choose the job obligations and techniques themselves. The obtained results suggest that the employees do not a common opinion regarding the leadership style of their managers, more than a half of the respondents think that the managers of Fuel & Retail Company have the authoritarian style of leadership. In their responses to the question: How do you evaluate the work of your direct manager? 86% of the respondents have specified that their direct manager provides support and helps with advice, regularly assesses the completed work, and helps to improve performance. This means that the leaders both help and assess daily work, and perform their obligations actively. 10% of the respondents indicate that the leaders allow expressing oneself and showing initiative, which is too little, because too much control results in mechanical performance of the work. This will prove to be a disadvantage when, in a non-standard situation, the personnel will not be able to think of a solution independently because they have never done it before.

When assessing the level of workplace stress (Fontana, 1991), 79 respondents have given the score of 4

(high) for their stress level, a 25 respondents have given the score of 3. When considering this fact regarding workplace stress, the authors of the Paper agree to the opinion expressed by Mahmood and Bisaria (Mahmood, Bisaria, 2008) that the further the individual is from the comfort zone, the higher the levels of stress. The large amounts of work, dissatisfied customers, and the high requirements at work, as demonstrated by the previously discussed questions, might be reasons why the levels of stress are so high. People have individual responses to workplace stress. (Wichert, 2002). The respondents indicate that the key work stress factors are those which make one experience additional tension, agitation, nervousness, alarm, or a physiologically unpleasant process. In response to the question regarding the factor that cause stress at work, those mentioned most frequently were the amount of work and time restrictions, followed by the financial targets of Fuel & Retail Company, high requirements at work, dissatisfied customers and conflicts with them, management style, unclear job tasks. It is important that the knowledge, expectations, abilities, values, and attitudes of the individual meet those of the organisation and vice versa. If, however, there are incompatibilities with regard to these aspects, this may cause stress and lower the levels of job satisfaction (Lovelance, Rosen, 1996; Bretz, Judge, 1994).

To identify the correlations, the authors of the Paper used Spearman's rank correlation coefficient. Spearman's rank correlation was chosen because the data did not match the normal distribution. There is a statistically significant, negative, medium close correlation between the scales "management assessment" and "team characteristics" ( $r = -0.214$ ,  $p < 0.05$ ), which means that the higher scores provided by the respondents for the team characteristics, the lower scores they have provided for the manager (thus lowering their significance). There is a statistically significant, positive, medium close correlation between the scale "team characteristics" and "job selection criteria" ( $r = 0.214$ ,  $p < 0.05$ ). The higher the score provided by the respondent for the team characteristics, the more important the job selection criteria are for them. There is a statistically significant, positive, and close correlation between the scale "Positive aspects of psychological climate" and the "Negative aspects of psychological climate" ( $r = 0.819$ ,  $p < 0.05$ ). The higher the scores provided by the respondents for the positive aspects of the psychological climate, the higher they assess the negative aspects of the psychological climate too, as both are significant in a job setting.

There is no significant relationship between employee stress levels and the negative aspects of the psychological climate, the job selection criteria, and the team characteristics.

Table 1

Spearman's rank correlation

		Team characteristics	Stress level	Job selection criteria	Negative aspects of psychological climate
<b>Management assessments</b>	Correlation Coefficient	<b>-.214*</b>	-0.085	0.007	-0.112
	Sig. (2-tailed)	0.028	0.39	0.942	0.255
	N	105	105	105	105
<b>Team characteristics</b>	Correlation Coefficient	1	-0.037	<b>.214*</b>	-0.08
	Sig. (2-tailed)	.	0.707	0.029	0.418
	N	105	105	105	105
<b>Stress level</b>	Correlation Coefficient	-0.037	1	-0.037	0.054
	Sig. (2-tailed)	0.707	.	0.71	0.582
	N	105	105	105	105
<b>Positive aspects of psychological climate</b>	Correlation Coefficient	-0.099	0.031	0.06	<b>.819**</b>
	Sig. (2-tailed)	0.316	0.753	0.545	0
	N	105	105	105	105

To find out the relationship between the leadership styles and the psychological climate, Spearman's correlation was used (see Table 2). There is a statistically significant, negative, medium close correlation between the personnel management process assessments and the authoritarian style of leadership ( $r = -0.198$ ,  $p < 0.05$ ). Higher scores for the authoritarian style lower personnel process assessments, and exactly the same negative correlation exists between the liberal style of management and personnel process assessments ( $r = -0.205$ ,  $p < 0.05$ ). There is a statistically significant, positive, medium close correlation between

personnel management process assessments and the democratic style of leadership ( $r = 0.259$ ,  $p < 0.05$ ). The higher the scores provided by the respondents for the personnel management processes, their performance, the higher their scores for the democratic style of management. The positive aspects of the psychological climate negatively correlate with the liberal style of management ( $r = -0.207$ ,  $p < 0.05$ ). This shows that employees do not wish to work with a manager who has only formal powers, and that the characteristics of positive psychological climate would also be lowered then.

Table 2

**Correlation between leadership style, personnel management process assessments and the positive aspects of the psychological climate**

		Authoritarian style	Democratic style	Liberal style
Personnel process assessment	Correlation Coefficient	<b>-.198*</b>	<b>.259**</b>	<b>-.205*</b>
	Sig. (2-tailed)	0.043	0.008	0.036
	N	105	105	105
Positive aspects of psychological climate	Correlation Coefficient	0.082	0.007	<b>-.207*</b>
	Sig. (2-tailed)	0.407	0.946	0.034
	N	105	105	105

#### 4. CONCLUSIONS/DISCUSSION/SUGGESTIONS

The assessments provided by the respondents for the psychological climate in Fuel & Retail Company are more positive than negative. The atmosphere at the petrol stations is favourable, and the employees enjoy positive relationships which make them feel more secure during change of the management. Most of the respondents (49%) believe that the authoritarian style of leadership prevails in Fuel & Retail Company, and this proves that the leaders have changed and, for the large volumes of work, they opt less for the democratic style of management to thereby quickly achieve that the employees are obedient, disciplined, and efficient. The levels of workplace stress in Fuel & Retail Company are high, and this demonstrates that the management and the employees are not able to adapt to the new circumstances. The job volumes, time restrictions, the high requirements at work, customer dissatisfaction, and conflict situations with them are the main causes of workplace stress in the employees. The employees believe that the assessments provided by their direct supervisors justifiably include both criticism and appraisal. The positive characteristics of the psychological climate most frequently observed in the results of the study are: open communication, mutual trust, joy, optimism, and feeling safe. The employees consider that there are very many job obligations, but they need to be performed. This suggests willingness and attempts to adapt to the new requirements at work. The factors which influence the choice of job (job selection criteria): work in a stable company, working conditions, prestige of the company, stable and fair salary, working with people. These are the most essential for the employees according to their individual systems of values. There is a statistically significant, negative correlation between the scales "management assessment" and "team characteristics", where an increase in one score lowers the other. There is a statistically significant, negative correlation between the personnel management process assessments and the authoritarian style of leadership. Increases in the levels of the authoritarian style lower the personnel management process assessments, and there is exactly the same negative correlation between the liberal style and the personnel management process assessments. There is a statistically significant, positive correlation between the personnel management process assessments and the democratic style of leadership. The higher the score provided by the respondent for the democratic style of management, the higher their score provided for the personnel management processes in the company. The positive aspects of the psychological climate negatively correlate with the liberal style of management, and this shows that the employees do not wish to work with a manager who has merely formal powers. The psychological climate characterises the organisational characteristics, such as structure, management style, and structural complexity. Good psychological climate must be created and maintained by the manager. In building the psychological climate, the manager has an essential social role. They bring in certain personal and human characteristics which determine the style of management, quality of contact with the subordinates, and skills associated with building motivation in the employees, lower stress levels, and overload the employee experiences when the expectation from them is likely to be beyond the limits of their ability or capacity. Workplace stress may be an obstacle in the attainment of the targets for the employees and also the organisation.

The authors suggest that the company management use the scheduled annual discussion with the

managers to develop an action plan which would help the managers to change their leadership styles and optimise their daily workloads. During the monthly discussions, the managers should, together with the Retail Sales management, review the optimal working hours for each Fuel & Retail Company required for the organisation of the business procedure and the performance of their obligations in view of the customer flows. In order to maintain a positive psychological climate and reduce the levels of on-job stress, the management might want to develop clear guidelines, including fixing the work completion deadlines. The Human Resources Department and the Retail Sales Department should develop an action plan which would reduce the levels of on-job stress within Fuel & Retail Company. The authors suggest that the workloads of the sales staff at the counter be reconsidered by providing assistants responsible for the preparation of the snacks, in order to reduce the numbers of stressful situations in the work of the cash registry operators. It might be necessary to evaluate the new project implementation procedures followed by Fuel & Retail Company, i.e., develop methods for bringing innovation into the daily operations without unwanted additional stress. The company management should communicate with the managers of Fuel & Retail Company to fix the work completion deadlines, communicate the objectives, tasks and the workflows to the managers prior to launching any new projects in order to allow time for the assessment of the available timelines and to avoid unwanted stress associated with the deadlines. The authors believe that one must not forget that the key to corporate success in the current competitive environment is its employees. In this context, the manager must be able to organise the work so that the targets and the financial results are achieved, and also so that there is trust between the manager and their subordinates, more confidence in the personnel when acting independently, feeling of positive psychological climate, management support, and interest in the well-being of the employees.

The results obtained during the study were presented to the Human Resources and Retail Sales management of Fuel & Retail Company, including the conclusions and recommendations.

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