

Unit 4 : Organizational Effectiveness

Concept:

Organizational effectiveness is defined as an extent to which an organization achieves its predetermined objectives with the given amount of resources and means without placing undue strain on its members.

Sometimes efficiency and effectiveness are used as synonyms. However, there exists a difference between the two concepts. Therefore, it is important to explain the difference between the concepts of effectiveness and efficiency to understand why organizations may be effective but not efficient, or efficient but not effective. Effectiveness is a broad concept and takes into account a collection of factors both inside and outside an organization. It is commonly referred to as the degree to which predetermined goals are achieved. On the other hand, efficiency is a limited concept that pertains to the internal working of an organization. It refers to an amount of resources used to produce a particular unit of output. It is generally measured as the ratio of inputs to outputs. Further, effectiveness concentrates more on human side of organizational values and activities whereas efficiency concentrates on the technological side of an organization.

Approaches to Organizational Effectiveness :

The concept of organizational effectiveness is not simple because there are many approaches in conceptualizing this term. Such approaches can be grouped into following three approaches:

1. Goal Approach

Goal attainment is the most widely used criterion of organizational effectiveness. In goal approach, effectiveness refers to maximization of profits by providing an efficient service that leads to high productivity and good employee morale. Several variables such as quality, productivity, efficiency, profit, turnover, accidents, morale, motivation and satisfaction, which help in measuring organizational effectiveness. However, none of the single variable has proved to be entirely satisfactory.

The main limitation of this approaches the problem of identifying the real goals rather than the ideal goals. The Goal Approach is also called rational-goal or goal-attainment approach, it has its origins in the mechanistic view of the organization. This approach assumes that organisations are planned, logical, goal-seeking entities and they are meant to accomplish one or more predetermined goals. Goal approach is worried with the output side and whether or not the organization attains its goals with respect to preferred levels of output. It sees effectiveness with respect to its internal organisational objectives and performance. Typical goal-attainment factors include profit and efficiency maximization.

The key constraint of this approach pertains to the content comparability of organizational goals. The dependable identification of comparable and practically appropriate goals within groups of organizations is thus a serious problem. What a company declares as its formal goals don't always echo the organisations actual goals. Therefore, an organisations formal goals are typically dependent upon its standards of social desirability. As goals are dynamic, hence they will probably change as time passes, simply because of the political make-up of an organisation. An organisations short-term goals are usually not the same as their long term goals. The utilization of goals as a standard for assessing Organizational Effectiveness is challenging. The goal approach presumes consensus on goals. Considering the fact that there are numerous goals and varied interests inside an organisation, consensus, is probably not possible.

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2. Functional Approach

This approach solves the problem of identification of organizational goals. Parson states that since it has been assumed that an organization is identified in terms of its goal, focus towards attainment of these goals should also aim at serving the society. Thus, the vital question in determining effectiveness is how well an organization is doing for the super-ordinate system.

The limitation of this approach is that when organizations have autonomy to follow its independent courses of action, it is difficult to accept that ultimate goal of organization will be to serve society. As such, it cannot be applied for measuring organizational effectiveness in terms of its contributions to social system.

Both the goal and functional approach do not give adequate consideration to the conceptual problem of the relations between the organization and its environment.

3. System Resource Approach

System-resource approach of organizational effectiveness emphasizes on inter-dependency of processes that relate the organization to its environment. The interdependence takes the form of input-output transactions and includes scarce and valued resources such as physical, economic and human for which every organization competes. The limitation of this model is that an acquisition of resources from environment is again related to the goal of an organization. Therefore, this model is not different from the goal model.

Thus, discussion of organizational effectiveness leads to the conclusion that there is no single indicator of effectiveness. Instead, the approach should focus on operative goals that would serve as a basis for assessment of effectiveness. Managerial effectiveness is a causal variable in organizational effectiveness. It has been defined in terms of organizational goal-achieving behavior, i.e., the manager's own behavior contributes to achievement of organizational goals. This approach to Organizational Effectiveness was developed in response to the goal approach. The System Resource Approach sees an organisation as an open system. The organisation obtains inputs, participates in transformation processes, and generates outputs. This approach emphasizes inputs over output. It sees most organizations as entities which function in order to survive, at the same time rivaling for scarce and valued resources. It assumes that the organisation consists of interrelated subsystems.

If any sub-system functions inefficiently, it is going to influence the performance of the whole system. The disadvantages of this approach relate to its measurement of means. An issue with this approach is that a higher amount of obtained resources is not going to promise effective usage. In addition, it is tough to define an ideal degree of resource acquisition across distinct organizations.

4. Internal-Process Approach

This approach has been developed in response to a fixed output view of the goal approach. It looks at the internal activities. Organizational effectiveness is assessed as internal organizational health and effectiveness. According to **Internal-Process Approach** effectiveness is the capability to get better at internal efficiency, co-ordination, commitment and staff satisfaction. This approach assesses effort as opposed to the attained effect.

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Some experts have criticized the internal-process approach, like the system-resource approach, cannot lead to legitimate indicators of organizational effectiveness itself. Rather, it is accepted as an approach for studying its assumed predictors. Similar to the system-resource approach, the internal-process approach could possibly be applied only where comparable organizational outcomes can hardly be assessed accurately.

5. Strategic Constituencies Approach

This approach suggests that an efficient organisation is one which fulfills the demands of those constituencies in its environment from whom it needs support for its survival. It assesses the effectiveness to satisfy multiple strategic constituencies both internal and external to the organization.

Strategic Constituencies Approach is ideal for organizations which rely highly on response to demands. The Strategic-constituencies approach takes explicitly into consideration that organizations fulfill multiple goals: each kind of organizational constituency (like proprietors, workers, consumers, the local community, etc.) is supposed to have distinct interests vis-à-vis the corporation, and will thus use different evaluation criteria.

However, the job of isolating the strategic constituencies from their environment within which they function is a challenging and tricky task. Because the environment swiftly changes, what was a crucial goal today might not be so tomorrow. Individual constituents may create significantly diverse ratings of an organisations effectiveness. These constituents may use diverse factors or weight the same criteria in a different way.

Criteria of Organizational Effectiveness

There are many ways to measure the effectiveness of an organization. Campbell (1977) lists over 30 different criteria from productivity, profits, growth, turnover, stability and cohesion (Scott p. 343). Different theoretical perspectives can account for the diversity in usage of effectiveness measurements.

Rational perspectives emphasize goal attainment and focus on output variables such as quality, productivity, and efficiency. Natural system perspectives focus on the support goals of the organization such as participant satisfaction, morale, interpersonal skills, etc. Open system perspectives focus on the exchanges with the environment -- this includes information processing, profitability, flexibility, adaptability. Effectiveness criteria also vary with time, and often subgroups have different effectiveness criteria.

Also often there are different evaluation criteria applied by those who assign tasks and those who evaluate performance (Scott p. 346). Often effectiveness criteria involve self-interest, are stated as universalistic and objective, and cause conflict and disagreement among subgroups. (Scott p. 348).

The major criteria for effectiveness is Return on Investment, Market Share, New Product Innovation and Job Security.

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Factors Affecting Organizational Effectiveness

Likert has classified the factors affecting organizational effectiveness into following three variables:

Causal Variables: Causal variables are those independent variables that determine the course of developments within an organization and the objectives achieved by an organization. These causal variables include only those independent variables, which can be altered by organization and its management. Causal variables include organization and management's policies, decisions, business and leadership strategies, skills and behavior.

Intervening Variables: Intervening variables according to Likert are those variables that reflect the internal state and health of an organization. For example, loyalties, attitudes, motivations, performance goals and perceptions of all the members and their collective capacity for effective interaction, communication and decision-making.

End-Result Variables: End-Result variables are the dependent variables that reflect achievements of an organization such as its productivity, costs, loss and earnings.

Inter-Relationship of Variables

The three variables such as causal, intervening and end-result are interrelated. The inter-relationship may be visualized as psychological process where stimuli or causal variables acting upon the organism or intervening variables and creating certain responses or end-result variables. The causal, intervening and end-result variables comprise a complex network with many interdependent relationships. The causal variables are the key to organizational effectiveness. Hence, to make organization effective, attempt should be made to improve the causal variables, while other variables will be corrected or improved automatically because of causal variables.

Organizational Effectiveness Model

The organizational effectiveness model can be presented in a more complex way i.e. at three different levels such as the individual, group and organizational levels in order to make the organization more effective. The effective organization is built of effective individuals who work collectively in groups.

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The extent to which individual and organizational goals are integrated, affects the degree of organizational effectiveness, i.e., each individual tries to satisfy his goal by working in an organization and simultaneously satisfying organizational goals. He may see his goal satisfaction in satisfying organizational goals. If there is no perfect integration of individual and organizational goals then organizational effectiveness is affected adversely. However, organizational effectiveness is not a result of integration between individual and organizational goals only but there are other causal variables affecting it.