Journal of Advances and Scholarly Researches in Allied Education
Vol. III, Issue-5, January-2012, ISSN 2230-7540

Survey on Organizational Effectiveness in India

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ORGANIZATIONAL EFFECTIVENESS

Any organization, commercial, industrial or educational comes into existence when a group of people join hands for attainment of certain common objectives. Historians have evidence that in ancient Egypt, a permanent work force of several thousand skilled workers was found to have built the pyramids (Romer, 2007). Similarly, the emperors of China used organizations a thousand years ago to construct its great irrigation system (Needham, 1986). As such, it is safe to say that organizations are not new inventions. What is relatively new is the formal study and investigation of organizations-how they work, what makes them effective, their pitfalls, and ways that they can be managed and improved.

In the last three or four decades numerous articles and monographs have been published with phrases like “effective organizations” or “efficient organizations” in their titles. Social developments, such as, regulation of business, new public welfare programmes, decline in productivity, technological developments and changing opinion of educational management practitioners, management consultants have focused public attention on the need for optimum organizational performance in order to achieve the best allocation of society’s resources.

When the study of organizational effectiveness emerged as a hot area of interest in the 1960s, effectiveness was an exciting construct at the forefront of the field of organizational behavior. In fact, the concept of effectiveness, which has long been a part of the modern study of organizations, had already become "a classic problem" in the study of organizations by the late 1960s. For example, Price's (1968) inventory of propositions on organizational effectiveness drew on 50 in-depth studies of organizational effectiveness published since World War II.

Modern industrial societies are distinguished from their pre-industrial counterparts by the number, size and scope of organizations. The truth is that life in modern industrial society is mostly conducted in organizational settings. According to Jonker (2000), organizations have become the dominant institutions of contemporary society.

Organizational Effectiveness is not only a topic to be discussed in the practical sphere but it is also the central theme in the organizational theory as well. In fact, it is difficult to conceive a theory of organizations that does not include the construct of effectiveness. Indeed, Pennings and Goodman (1977) wrote that “it is difficult to conceive of a theory of organizations that does not include the construct of effectiveness.” Still, researchers began to question more seriously the validity of the organizational effectiveness construct. While organizational effectiveness may have seemed coherent intuitively, it proved impossible for theorists to agree on how to define or operationalize the construct (Shenhav, Shrum & Alon, 1994).

Although there has been a growing interest in Organizational Effectiveness, the literature on the topic is still in nascence. There are no definite theories or agreement on a comprehensive and widely accepted definition for Organizational Effectiveness.

However, for the purpose of this study, it is crucial to define Organizational Effectiveness so as to identify the factors, especially Managerial Creativity, and their influence on the level of Organizational Effectiveness in Indian IT Organizations.

CHARACTERISTICS OF AN ORGANIZATION

The characteristics of the organization as given by Kumar and Sharma (1997) are:

- Division of Labour: organization consists of many sub-systems, popularly known as ‘division of labour’. Division of labour implies dividing work into narrow parts to perform the work efficiently. In a way, the idea of division of work is closely linked to the idea of differentiation of operation or function. Every function is assigned to the employee who is the most fit to perform the particular function. People vary in their skill, competency, knowledge etc.

- Coordination: this is the most fundamental characteristic of an organization which means "Unity is the strength." Human beings require several things to survive such as food, shelter and safety. Some of these things usually are either unattainable by individuals working alone or, if attainable individually, are achieved more efficiently through group efforts. People could do more by coordinating their efforts than one could have done singly. Co-operative Group Housing Societies in our country is the clearest example of coordinating group efforts to fulfill the individual needs of shelter.

- Integration: Different functions performed by persons in an organization need to be combined together so as to achieve the consensual goal of the organization. This is called 'integration'. The efforts made by different people working in different functional areas need to be integrated through hierarchy of authority like superior-subordinate relationship.

- Common Goal: in an organization different members have their own individual goals, but they also share a common goal to be achieved. The consensus organizational goal is supported the individuals outside the organization who have expectation about what the organization should be doing. For example, universities like Guru Jambheshwar University of Science and Technology are expected to educate people, hospitals are expected to treat the sick, and manufacturing companies are expected to produce products.

- Conscious Rationality: there is a deliberate attempt on the part of organization to specify norms and standards for every action and behavior of its members. Members' behavior is expected to be logical. The behavior is governed by reward and penalty system of the organization which acts as a binding force on its members. Hence, organizations are intended rational.

- Continuing System: an organization may outlast its creator by century. Members may join and leave the organization. But, organization continues and enjoys eternal entity. There are organizations like General Motors, being in existence for centuries.

- Structure: the coordination and integration of human activities require a structure wherein various individuals are fitted in. Organization structure refers to how tasks are to be allocated, who reports to whom and the formal coordinating mechanisms and interaction patterns that will be followed. Structure, thus, serves as a means for attaining the objectives and goals of an organization.

MATERIAL AND METHOD

In general sense, Organizational Effectiveness means aligning the workplace to the strategic business initiatives and earnings. It means ensuring business agility, enabling your workforce to be adaptable and respond swiftly to changing market conditions. Organizational effectiveness also means fostering innovation and workforce productivity by making it easier for people to find, reach and collaborate with each other, and with the right information at the right time and place and all of this must be done while optimizing costs and delivering return on investment.

Organizational Effectiveness represents a desirable attribute in organization. It can be viewed as a general level of organizational goal attainment (Etzioni, 1964). Effectiveness is typically measured in terms of performed productivity, profit and so forth. An initial attempt by industrial psychologists and sociologists to measure organizational effectiveness was in terms of goal attainment of some ultimate criterion. Organizational Effectiveness means different things to different people. To an economist, financial analyst, it is synonymous with profit or return on investment, to a production manager it means the quality or quantity of output of goods or services, to a research scientist, it means number of patents, invention of new products of an organization, and to social scientists it is the quality of working life. To managers and organizational analyst effectiveness means appropriate evaluation criterion for effectiveness.

The first step towards understanding organizational effectiveness is to understand organizational goals and strategies, as well as the concept of fitting design to various contingencies. Organizational goals represent the reason for an organization's existence and the outcomes it seeks to achieve. Goals are the desired future state of the organization. Organizational Effectiveness is the degree to which an organization realizes its goals. Effectiveness is a broad concept. It implicitly takes into consideration a range of variables at both the organizational and departmental levels. Effectiveness evaluates the extent to which multiple goals - whether official or operative - are attained.

Some important definitions of Organizational Effectiveness are given below:

Chester I. Barnard (1938), explained Organizational Effectiveness as "the degree to which operative and operational goals have been attained while the concept of efficiency represents the cost/benefit rate incurred in the pursuit of these goals."

According to Richard Steers (1977), "Organizational Effectiveness is the degree to which organizational goals are achieved within the constraints placed upon the organization."

As per Katz and Kahn (1996), "Organizational Effectiveness reflects the degree to which an organization maximizes all forms of energetic return (i.e., inputs and outputs) in its relationship with the environment."

Difference between Organizational Effectiveness and Organizational Efficiency

From the above definitions, it can be said that, "Organizational Effectiveness is the degree to which an organization realizes its goals."

Effectiveness is, as such, a broad concept. It implicitly takes into consideration a range of variables at both the organizational and departmental levels. Effectiveness evaluates the extent to which multiple goals-whether official or operative-are attained.

According to Daft (2008), Efficiency is a more limited concept that pertains to the internal workings of the organization. Organizational efficiency is the amount of resources used to produce a unit of output. It can be measured as the ratio of inputs to outputs. If one organization can achieve a given production level with fewer resources than another organization, it would be described as more efficient.

Sometimes efficiency may lead to effectiveness, but in most of the cases, efficiency and effectiveness are not related. An organization may be highly efficient but fail to achieve its goals because it makes a product for which there is no demand. Likewise, an organization may achieve its profit goals but be inefficient at the same time. Efforts to increase efficiency, particularly through severe cost cutting, can also sometimes make the organization less effective.

APPROACHES TO ORGANIZATIONAL EFFECTIVENESS

Daft (2008) has explained various approaches used to conceptualise the term Organizational Effectiveness which are grouped into four categories as discussed below:

- Goal Approach: this approach consists of identifying an organization's output goals and assessing how well the organization has attained those goals. This is a logical approach because organizations do try to attain certain levels of output, profit, or client satisfaction. The goal approach measures progress toward attainment of those goals. The important goals to consider are operative goals. The goal approach is used in business organizations because output goals can be readily measured. Business firms typically evaluate performance in terms of profitability, growth, market share, and return on investment. Managers rely on information from customers, competitors, suppliers, and employees, as well as their own intuition, when considering these goals. The goal approach seems to be the most logical way to assess organizational effectiveness mind that the actual measure of effectiveness is a complex process.

- Resource based Approach: the resource based approach is focused on the input side of the transformation process. It assumes organizations must be successful in obtaining and managing valued resources in order to be effective. From a resource-based perspective, organizational effectiveness is defined as the ability of the organization, in either absolute or relative terms, to obtain scarce and valued resources and successfully integrate and manage them. Indicators of effectiveness according to the resource-based approach encompass the bargaining position of the organization e.g. obtaining resources, including financial resources, raw materials, human resources, knowledge, and technology, the abilities of the organization's decision makers to perceive and correctly interpret the real properties of the external environment and the abilities of managers to use tangible (e.g., supplies, people) and intangible (e.g., knowledge, corporate culture) resources. The resource-based approach is valuable when other indicators of performance are difficult to obtain.

- Stakeholder Approach: this approach integrates diverse organizational activities by focusing on organizational stakeholders. A stakeholder is any group within or outside an organization that has a stake in the organization's performance. Creditors, suppliers, employees, and owners are all stakeholders. Each stakeholder will have a different criterion of effectiveness because it has a different interest in the organization. Table 1.1 shows each stakeholder and its criterion of effectiveness:

- Internal Process Approach: in the internal process approach, effectiveness is measured as internal organizational health and efficiency. An effective organization has a smooth, well-oiled internal process. For example employees are happy and satisfied and departmental activities mesh with one another to ensure high productivity. The important element in effectiveness is what the organization does with the resources it has, as reflected in internal health and efficiency. The effectiveness of an organization as seen from an internal process approach can be measured in terms of strong corporate culture and positive work climate, team spirit, group loyalty, teamwork, confidence, trust, and communication between workers and management, decision making near sources of information, regardless of where those sources are on the organizational chart, undistorted horizontal and vertical communication, rewards to managers for performance, growth, and development of subordinates, interaction between the organization and its parts. The internal process approach also has shortcomings. Total output and the organization's relationship with the external environment are not evaluated. Also, evaluations of internal health and functioning are often subjective, because many aspects of inputs and internal processes are not quantifiable.

Table 1.1

Stakeholder	Effectiveness Criteria
1. Owners	Financial return
2. Employees	Worker satisfaction, pay, supervision
3. Customers	Quality of goods and services
4. Creditors	Creditworthiness
5. Community	Contribution to community affairs
6. Suppliers	Satisfactory transactions
7. Government	Obedience to laws, regulations

CRITERIA OF EFFECTIVENESS

Measuring all seven stakeholders provides a more accurate view of effectiveness than any single measure. The strength of the stakeholder approach is that it takes a broad view of effectiveness and examines factors in the environment as well as within the organization. The stakeholder approach is gaining popularity, based on the view that effectiveness is a complex, multidimensional concept that has no single measure.

CONCLUSION

Assessment of organizational effectiveness is crucial to determine how successful an organization is in achieving its stated purpose. A thorough assessment can help in understanding the capacity of an organization and its strengths and weaknesses. It can also prepare the ground for substantial change and implementation of results-driven strategic and performance plans.

Extensive work has been done in attempting to define and measure organizational effectiveness. Steers (1975) reviewed the organizational effectiveness literature and noted a distinction between univariate and multivariate performance measures. He compared seventeen multivariate models in the literature. He found a lack of consensus about what constitutes a useful and valid set of effectiveness measures and very little overlap across the various approaches (Campbell, 1977; Pennings & Goodman, 1977). Cameron and Whetten (1983) asserted that no single, universal model of effectiveness is possible. Based on his analysis, Steers (1975) identified eight general problems in assessing organizational effectiveness: (1) Construct validity; (2) criterion stability; (3) time perspective; (4) generalizability; (5) theoretical relevance; (6) multiple criteria; (7) precision of measurement; and (8) level of analysis. Since effectiveness is often so hard to define and measure, Cameron (1984) suggested a model of organizational ineffectiveness. Its basic assumption is that it is easier, more accurate, more consensual, and more beneficial for organizations to identify ineffectiveness (problems or faults) than it is to identify criteria of effectiveness (competencies). An organization is viewed as having achieved effectiveness when it is free from characteristics of ineffectiveness.

Cameron (1984) also presented a tabular comparison among seven major models of organizational effectiveness, giving definitions for each model and describing the conditions under which each is the most useful. For example, the goal model of effectiveness declares that an organization is effective when it accomplishes its stated goals. This model is only useful when goals are measurable and time-bound. Other models listed include the system-resource model, internal process model, and strategic-constituencies model. Different models of effectiveness are useful in different circumstances and it is important to consider the fit of the model to the organization being measured (Lewin & Minton, 1986; Melone, 1990). Cameron (1980) suggested 6 critical questions that must be considered in assessing effectiveness, subsequently expanded to 7 questions by Cameron (1984) and 7 guidelines for assessing organizational effectiveness by Cameron and Whetton (1983). These 7 guidelines are listed below:

- Perspective: it is important to make explicit who is defining and assessing effectiveness, since each constituency will use different criteria. As such, we must identify from whose perspective effectiveness is being assessed.

- Domain of Activity: the customer, process, and output/service define the domain being assessed and it's important that this be explicitly stated, since many different domains exist in organizations and each one should be assessed differently.

- Level of Analysis: effectiveness assessment can be made at many levels: individual, subunit, organizational, industry, societal. The appropriateness of the level depends on the constituency being used, the domain being focused on, the purpose of the evaluation, etc.

- Purpose of Assessment: the assessment almost always is affected by the purpose(s). Different data will be available, different sources will be appropriate, different amounts of cooperation or resistance will be encountered, different strategies will be necessary based on differences in purpose. The purposes also help determine appropriate constituencies, domains, levels of analysis, etc.

- Time Frame: long-term effectiveness may be incompatible with short-term effectiveness, and sometimes effects and outcomes cannot be detected using the wrong time frame, since they may occur suddenly in the short term, or incrementally over the long term. The time frame should be made explicit.

- Type of Data: it must be ascertained the type of data used in the assessment - objective data or subjective, perceptual data. Objective data will tend to be more reliable, more easily quantifiable, and more representative of the 'official' position. These also limit the scope and usefulness of the data. Subjective data allows assessment of a broader set of criteria, but can be biased, and lack validity and reliability.

- Point of Comparison: it must be ascertained as to what point of comparison will be used. Comparing competitors, comparing to a standard, comparing to the organizational goals, comparing to past performance, or evaluating on the basis of characteristics the organization possesses are all possible methods for comparison. Each one will yield different effectiveness judgments; therefore, the referent being used should be made clear.

Carefully considering the above guidelines "should help clarify the meaning of organizational effectiveness in each type of evaluation and guide evaluators in the selection of appropriate criteria" (Cameron, 1980).

FACTORS INFLUENCING ORGANIZATIONAL EFFECTIVENESS

There are many ways to measure success, a number of factors consistently show up in effectiveness metrics. It is also important for a manager to identify the underlying factors in organizational effectiveness**.** Individually, each factor matters in affecting organizational effectiveness. But, the more important is each factor’s relationship to the entire organization. Singh and Chhabra (2000) classified the factors influencing organizational effectiveness into following three groups:

- Casual Factors: these are the factors that cause or influence development within an organization. Basically, casual factors are the independent variables that determine the course of development within an organization. The casual variable can be changed by the organization and its management. Examples of casual variables are organizational structure, managerial policies, leadership styles, and skills.

- Intervening Factors: intervening factors are those factors which get their reflection in the internal state of organization. Casual variables cause intervening variables or factors. Intervening factors are reflected as the loyalties, attitudes, motivations, performance goals and communication and so on.

- End-result Factors: these are the dependent factors caused by casual and intervening factors. These are often in terms of the factors which managers use to measure effectiveness of organization. Production, sales, earnings, etc., are examples of end-result factors.

For any given organization, measures of effectiveness vary, depending upon its mission, environmental context, nature of work, the product or service it produces, and customer demands. Thus, the first step in evaluating organizational effectiveness is to understand the organization itself—how it functions, how it is structured, and what it emphasizes.

LIMITATIONS IN MEASUREMENT OF EFFECTIVENESS

There are certain limitations in the measurement of effectiveness as discussed by Sharma (1982) are as follows:

- Criteria of Effectiveness: one reason is that no one is able to say whether an organization should be regarded effective if profits are high but there is high labor unrest, absenteeism, dissatisfaction etc., or vice versa or if an organization is manufacturing a poor quality product but selling it at a very high price and making huge profits. Like this, one is faced with a serious problem of developing a criterion of effectiveness.

- Measurement of Effectiveness: another reason is that if one wants to measure attainment of objectives, some of the goals are measureable or tangible and some others are less measurable or are not so tangible. It is very easy to say whether an organization has failed or succeeded in the construction of a dam, but it is very difficult to ascertain whether the foreign policy of the government of India has failed or succeeded, Hence, goals which are highly measurable do not pose in the study of effectiveness, but goals which are not subject to so much measurement create several problems of estimation.

- Degree of Effectiveness: another important reason is that there is no way of estimating the degree to which a great number of variables other than the organizational elements may have contributed to the achievement of certain objectives. Organizations can hardly be classified as good or bad on the basis of their earnings record alone.

- Frame of Reference: still another problem relates to frame of reference. Often people try to apply their own yardstick and proclaim an organization as a success or failure. Individuals within an organization often see and opt for entirely different indicators of performance than do individuals or groups outside the organization. Public agencies point with corporate officials talk about efficiency in response to questions about social goals. The choice of effectiveness criteria depends on whether one is inside or outside a given organization.

Stability of Criteria: lastly the criteria used to measure effectiveness may not be sufficiently stable. Their meaning for organizational performance may change. In times of fast changing price levels, comparing profits for one year with those of another year may be of no use. Instability effectively precludes the possibility of a long-lasting, generalized set of performance indicators on which the manager, administrator or researcher can relay