CHAPTER - III

Organisational Effectiveness: A Psycho-Behavioural Analyses
This is a world of organisations. We are born, educated and spend all our lives in organisations. In fact, we are invaded by organisations from different quarters, large ones, small ones, formal and informal ones, groups that are primarily religious, military, governmental, educational, social or political. We are affected enormously by organisations. Most of what we require is to fulfill our needs, what we do and where we go are in fact, the part of these organisations. So, organisations: a group of people working together for a common goal affect every aspect of human life.

Every organisation is concerned with being effective. The success and survival of any organisation depends upon its effectiveness in achieving the given objectives. In case an organisation does not function properly, the whole system will have to face its ill effects. In plain terms effectiveness can be termed as a situation in which the organisation is able to achieve desired objectives with maximum efficiency. Efficiency in turn determines the ability to produce a particular unit of output with resources such as to eliminate wastage and thus with minimum inputs, whereas, effectiveness implies that to what extent any performed task or to be performed task would contribute in achieving the overall objective of the organisation. Therefore, efficiency leads to the organisational effectiveness.

There is an intimate relationship between morale and organisational effectiveness. Since, man has become more or less dependent upon organisation, his morale is directly dependent upon its effectiveness. Greater the satisfaction he will derive from the organisation, ultimately boosting up his morale. Likewise, higher morale leads to an effective organisation. Thus, for the successful accomplishment of organisational objectives, employees ought to have efficiency on one hand and high morale on the other in such a manner that they are able to put their minds and hearts in the work.
Organisational effectiveness— the degree with which the organisation realises its goal, has passed through different phases of development. These phases are:— (i) Single variate (ii) Multi-variante and (iii) Pragmatic.

**Single-Variate**

The early approach upto 1950’s may be described as a single-variante approach. During this period the concept of effectiveness was confined merely to the realisation of organisation’s goals. Goal was taken to be the ‘survival’ for the organisation. If an organisation succeeds in achieving its goal it is apt to ‘survive’ otherwise it will die. This was a simple interpretation of the concept of effectiveness.

Chris Argyris thinks that an organisation increases its effectiveness as it obtains:

1. Increasing output with constant or decreasing inputs.
2. Constant output with decreasing inputs, and
3. Is able to accomplish this in such a way that it can continue to do so.

He further clarifies that effectiveness is related to:

1. Achieving its objectives
2. Maintaining itself internally, and
3. Adapting to its external environment.

In this perspective Argyris defines organisational ineffectiveness as “the state of a system when it manifests increasing inputs for constant and decreasing out-puts and it does so continuously.”

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In single variate emphasis was on goal achievement. Goal achievement cannot necessarily be equated with survival. There are many public enterprises in India which continue to survive inspite of non achievement of goals of production or efficiency including the case in point.

Multi-variate

There is proliferation in ‘organisational effectiveness’ studies in 1960s and 1970s. Researchers could identify various criteria for judging the effectiveness of the organisation. These criteria were multifacet in nature ranging from general measures in the form of quality, morale, production to accidents and absenteeism.

The multi-variate composition numbering thirty as detailed hereafter is, however, no answer to present the concept of effectiveness in all dimensions because of the following considerations:-

(i) The list of criteria should be more exhaustive by adding some more criteria, (ii) All the (30) identified criteria may not be relevant to every organisation, (iii) Each of the criteria is not necessarily dependent on one another.

Pragmatic

The development in organisational effectiveness as a concept could not be stated as pragmatic because each one of the models developed so far was lacking in one account or the other. It was therefore felt relevant to point out that a synthesis of all the approaches provide the basic parameters which may be helpful to develop the concept of effectiveness of an organisation.

While there is much disagreement on “the one single universally acceptable variable” of effectiveness, there is one dimension that is generally agreed upon, i.e
Time: whether or not an organisation sustains itself over time in the environment. Survival of the organisation is a long-run measure of effectiveness. But to see that an organisation survives, management must have adequate indicators. The short run indicators comprise of production, efficiency and satisfaction measurements. The intermediate indicators include adaptiveness and development. The relation between time dimension and these effectiveness criteria are shown in the following figure:

Figure 3.1

<table>
<thead>
<tr>
<th>Time</th>
<th>Short run</th>
<th>Intermediate</th>
<th>Long run</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criteria</td>
<td>Production</td>
<td>Adaptiveness</td>
<td>Survival</td>
</tr>
<tr>
<td></td>
<td>Efficiency</td>
<td>Development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Satisfaction</td>
<td></td>
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</table>

Production

It reflects to the ability of the organisation to produce whatever is demanded by the environment. The measure of production includes profits, sales, market-share, client served and the like.

Efficiency

Defined as the ratio of output to inputs, efficiency includes rate of return on capital or assets, unit cost, scrappage and wastage, downtime, and the like.
**Satisfaction**

It is the criterion that organisation has satisfied the needs of its employees, participants and clients. Measures of this satisfaction include employee attitudes, turnover, absenteeism, and grievances.

**Adaptiveness:**

It is the extent to which the organisation can and does respond to internal and external changes. It shows the management’s ability to read the pulse of the changes in the environment. If the organisation cannot adapt to changing demands of the environment, its survival is in jeopardy. Unfortunately, there are no specific measures to see whether an organisation is effectively adaptive or not.

**Development:**

An organisation must invest in itself to enhance its capabilities to survive in the long-run. Development efforts include training programmes for managerial personnel and new incumbents to the organisation.

It should be noted that there are no fixed relationship among these variables. For instance, it is generally agreed that production leads to satisfaction, the two are not always positively related. Further the measure of production, satisfaction and efficiency are relatively more concrete, specific, varifiable and objective than the intermediate measures of adaptiveness and development.

**Achieving Organisational Effectiveness:**

Every organisation makes efforts to increase its effectiveness. In this process an organisation must diagnose the sources, nature and causes of low effectiveness.
According to Alfym Brown, seven reasons may-be attributable to failure of organisations to achieve effectiveness.

(i) **Failure of administrators to act when they need to.**
(ii) **Delay in taking action.**
(iii) **Taking the wrong action.**
(iv) **Lack of sufficient effort.**
(v) **Excessive effort in relation to the need.**
(vi) **Excessive quality or effort in relation to the problem.**
(vii) **Wasted efforts.**

Having diagnosed the causes of low effectiveness, organisations can take necessary and corrective action over the controllable factors. John P. Compbel while prescribing “criteria & measurement of organisational effectiveness” has identified a list of thirty following factors for the necessary corrective action by the organisations.

(1) **Overall effectiveness.**
(2) **Productivity.**
(3) **Efficiency.**
(4) **Profit.**
(5) **Quality.**
(6) **Accidents.**
(7) **Growth.**
(8) **Absenteeism.**
(9) **Turn over.**
(10) Job satisfaction.
(11) Motivation.
(12) Morale.
(13) Control.
(14) Conflict/Cohesion.
(15) Flexibility/Adaptation.
(16) Planning and goal setting.
(17) Goal consensus.
(18) Internationalisation of organisational goals.
(19) Role and norms congruence.
(20) Managerial interpersonal skills.
(21) Managerial task skills.
(22) Information management and communication.
(23) Readiness.
(24) Utilisation of environment.
(26) Stability.
(27) Value of human resources.
(28) Participation and shared influence.
(29) Emphasis on training and development, and
(30) Achievement emphasis.
The list is undoubtedly not exhaustive and can therefore be extended according to the nature of an organisation. Similarly, all these criteria may not necessarily be relevant to every organisation\(^6\). The relevant parameters for effectiveness may therefore be selected from amongst the list of such parameters available in the organisation as they may change from organisation to organisation depending on the area where it is operating and the nature of goods and services it is producing. It may, however, be relevant to point out that the parameters so selected may be tested statistically.

Besides the enumerated list of "criteria & measurement," organisational effectiveness is affected by different factors of which the following are more relevant to the present discussion.

1. **Size of the Organisation**:

   As an organisation grows, it increases in size, in the number of functional departments, the number of employees with different responsibilities and so on. This gives rise to the problems that have a direct bearing on organisational effectiveness. The number of people working in an organisation would therefore determine which type of organisational structure would be more effective\(^7\).

2. **Strategy**:

   Strategy understood to conote broad programmes that create a unified direction for the organisation and are spelled out in terms of the objective function. Since strategy guides the deployment of resources to be used to move the organisation
in line with the objectives, it has a direct bearing on the effectiveness of an organisation.

(3) **Design:**

Organisational design defined as a formal mechanism through which the organisation is managed has close relationship with the organisational strategy. In fact the long term goals of an organisation help to determine its design and as such the structure follows the strategy adopted by an organisation. Any mismatch between the strategy and the design has a direct bearing on organisational ineffectiveness.

A highly structured hierarchal system of superior and subordinate is the **classical design** organisational structure, which is the earliest to be used. It is a system of complex mechanisms, rules, regulations etc. that are highly disciplinary in nature. The employees responsibilities are denoted by their positions in the hierarchy. Also, authority, accountability and lines of command are clearly defined and established. Here the objectives are predetermined and personnel are enabled to communicate to a pattern and coordinate their efforts to achieve those objectives.

Highest degree of efficiency, stability and reliability can be attained through **Bureaucratic organisation** with principles and rules. Other advantages include consistancy in employees behaviour, predictability of the behaviour, elimination of over lapping and conflicting job duties and optimising use of human resources specialising in trade enabling and performing more effectively.

The simplest form of organisation is the **line organisation** where authority is based on the hierarchal structure. In this communication is fast and decision making is
easier and quicker. In line and staff organisation functional specialists are added to the line, giving line the advantage of specialisation. Their advice improves the quality of decisions leading to operational economics as well as enables strategic planning and analysing possible effects of expected future events.

The functional organisations overcome the disadvantages that line executive's lack, specialisation and staff specialist do not have the authority to enforce their recommendations. Here, the greater the degree of specialisation higher will be the operational efficiency. It will also improve the quality of the product.

All the above approaches have been criticized by exponents of modern behavioural sciences as being mechanical and ignoring the human aspects. They ignore more and more participation of lower ranks in the decision making process, making the structure less formal and more democratic.

Another type of organisational structure that has come into focus recently is the Organic structure. It features decentralised authority, fewer rules and procedures, less formalised definition of jobs, more emphasis on flexibility and adaptability, more informal and more personalised communication network, and self control rather than hierarchal control. This seems to be the answer for 'problems solving' needed in times of dynamic and rapid ' technological changes as of today."

(4) Technology:

Technology is a combination of tools, technique and know-how. Simple and routine low technology jobs would not need any complex organisation. Here a classical structure would be more suitable. But where technology is complex in terms
of problem solving requirements and higher interdependence among members of the work force, the organic structure can bring out optimal results

(5) Environment:

Effectiveness of an organisation is related to the efficiency with which the organisation has carefully studied its environmental setting. Its programmes and policies, strategies for growth and development are intimately related to the economic, technological, social & psychological environments which have an important bearing on the effectiveness of an organisation.

(6) Cultural Dynamics:

Cultural dynamics consisting of values, beliefs and attitudes which is the result of the socio-cultural environments also influences the effectiveness of an organisation. These psychological factors are as important as other factors discussed earlier. The organisations shall have to continuously study the paradigm of inter-personal behaviour, inter-group behaviour and in fact the total organisational behaviour in order to be both efficient & effective.

Approaches to organisational effectiveness:

There are four broad approaches to organisational effectiveness:

a) Goal attainment approach.
b) Systems approach
c) Strategic constituencies approach.
d) The behavioural approach.
e) The competing value approach.
a) **The Goal Attainment Approach:**

Achievement of goal in the most widely used criterion of organisational effectiveness. In the words of Chester I Barnard, “What we mean by effectiveness is the accomplishment of recognised objectives of co-operative effort. The degree of the accomplishment indicates the degree of effectiveness.” In other words, organisation’s effectiveness is appraised in terms of the accomplishment of ends rather than means. To make this approach useful, following assumptions must be made:

i) **Organisations have ultimate goals.**

ii) **The goals of the organisations are well defined and properly understood by all the members of the organisation.**

iii) **There must be general consensus on these goals.**

iv) **The goals must be few enough to be manageable.**

v) **Progress towards these goals must be measurable.**

Etzioni defines a goal as “an image of a future state”. This definition includes goal statements about a single variable such as rate of investment or profit, production or sales or complex variables satisfying the multiple criteria of the systems theory model. But whether goals are single or multiple, official or operational, once these goals are identified it would be necessary to develop some measurement device to see how well these are realized. Not only that the tangible, verifiable and quantifiable goals are to be developed, but conditions under which they are to be accomplished and the degree to which each goal must be satisfied should also be specified. Actual performance is then measured and compared with the goals or the standards set to see the degree of effectiveness.
Goal attainment approach faces some problems which have been identified as follows:-

1. Organisations have different types of goals: short run, long run, individual, operational and organisational. But the questions are whose goals are to be considered and who measures them? There are no straight forward answers to these questions.

2. This approach is difficult to apply in those organisations which do not produce tangible outputs (service oriented organisations).

3. It assumes concensus on the goal of the organisations which for diverse interests and multiple goals may not be possible.

4. Organisations have multiple goals which create great difficulties. These goals compete with each other and sometimes are even incompatiable.

5. Another problem is about the measurement and evaluation of performance parameters.

Inspite of the problems discussed above, goal approach continues to dominate the scenario of organisational effectiveness.

b) Systems Approach:

Systems approach emerged as a reaction—to goal attainment approach confirming itself to inputs, their acquisition and processing. In this approach, an organisation is part of larger system with which it constantly interacts. It takes inputs (resources) from the system (environment), processes these resources and returns them to the environment in the processed form (outputs). An organisation can be called ineffective if it does not contribute to the environment enough in relation to the resources it draws.
Organisational effectiveness should depend on the capacity of the organisation to adjust to its environment. While making such adjustments, the capacity of organisation to hold together has also to be observed.

In systems context, effectiveness can then be defined in terms of optimum balance among various adaptations and maintenance activities which are as follows:

(i) Acquisition of resources which has to be done efficiently at the minimum cost.

(ii) Use of resources for processing.

(iii) Producing outputs which should be useful to society and good in quality.

(iv) Performing technical and administrative tasks efficiently and rationally.

(v) Conforming to codes of behaviour.

(vi) Satisfying various client groups and people.

(vii) Generation of surpluses.

(viii) Maintaining good internal working environment.
c) The strategic-Constituencies Approach:

This approach is similar to systems approach in appearance with a fundamental difference that in the later all components of the environment acting interdependently have to be carefully regulated and controlled to ensure effectiveness, whereas, in the former, it is the regulation and control of the critical constituencies which will automatically bring about effectiveness in an organisation. An effective organisation is one which satisfies the demands of those constituencies in its environment from which it requires support for its continued existence\(^{16}\).

Strategic constituencies approach assumes that an organisation faces competing demands from various interest groups both within and outside the organisational environment. Management must take all unimportant and non-competing demands out and select only those critical or strategic constituencies in the environment which may be of help in the survival and growth of the organisation. To achieve effectiveness through this approach following steps should be taken:

(i) Management should identify all integral constituencies in the environment on which the survival of organisation depends.

(ii) The relative power of each constituency should be evaluated by considering the degree of dependence of organisation on them.

(iii) Identify the expectations of the constituencies from the organisation.

(iv) Arrange these constituencies in order of their power and expectations.

(v) Organisational effectiveness ought to be assessed in terms of its ability to satisfy these constituencies that are ranked.
This approach is not so popular because of its fundamental problems. One of them, the task to separate strategic constituencies from the larger environment is not easy, because with changing environment, these critical areas also change rapidly or change within no time.

d) **Behaviour Approach:**

This approach emphasizes the role of individual behaviour as it affects organisational success or failure. When employees agree with the objectives of the organisation, then it results in perfect integration of the individual and organisational goals, which, however, can aptly be labelled as 'myth' as it represents an 'ideal' situation. Individual's goals vary and differ with organisational goals and greater the disintegration, the lesser will be the effectiveness. Diagram below shows the degree of effectiveness between organisational and individual goals.

**Figure 3.3**

- Organisational Goals
- Individual Goals
- Ineffective Organisations

The degree of effectiveness is low

The degree of effectiveness is high
The figure shows that high degree of organisational effectiveness prevails when integration of individual and organisational goals is of very high degree. The reverse is true when there is low integration. When the number of combinations of individual and organisational interests emerge it may be conflicting and results in ineffective organisation.

e) Competing Value Approach:

This approach believes that different people in the organisation evaluate effectiveness of the organisation from their own point of view. The difference may probably be due to difference in values of the evaluation. The approach also known as competing-value approach is based on the following assumptions:

(i) There are competing values which are likely to create conflict within the organisation because each conflicting value will create conflicting goal.

(ii) There may be no single goal on which consensus may be arrived at in an organisation.

(iii) Due to difference in value system there will be different criteria of organisational effectiveness.

The competing-value approach given by Robert E. Quinn and John Robrbaugh (1979) has the following elements:

(i) There are three basic sets of competing values.

(ii) These values give rise to eight cells which may be described as organisational effectiveness criteria.

(iii) These cells may be arranged to define an effectiveness model.

(iv) An integrative view of different effectiveness criteria in relation to the life cycle of the organisation.
The three basic sets of competing values have been put as three dimensional model of organisational effectiveness.

**Figure 3.4**

1) The first set relates to flexibility-control dimension in an organisational structure. There is equal emphasis on flexibility which implies change adaptability as well as competing element of control implying authority, order, control etc.

2) The second set relates to people and organisation. There is emphasis on well being and development of the people as well as similar emphasis on well-being and development of the organisation.

3) The third set relates to means and ends “from an emphasis on processes to an emphasis on final outcome”. The competing values of whether the organisation should be valued on long term criteria (means) or short-term criteria (ends) are reflected in this dimension.

These three sets of competing values may be combined to create eight cells which may be identified as organisational effectiveness criteria.
The eight cells | Definitions of Eight Criteria
--- | ---
OEC | Productivity/Efficiency. Value of output, the ratio of output over input.
OCM | Planning and Goal setting. The amount of emphasis of the planning, objective setting and evaluation process.
OFE | Resource acquisition. The capacity to capture assets and develop external support.
OFM | Flexibility-readiness. The ability to adapt to shifts in external conditions and demands.
PCE | Stability-control. Smoothness of internal conditions, continuity, equilibrium.
PCM | Information management-communication; sufficiency of information flows; adequacy of internal orchestration.
PFE | Value of human resources training. The enhancement and maintenance of overall staff capacity.
PFM | Cohesion-morale. The level of communality and commitment among the staff members.

These cells may be arranged to obtain four effectiveness models, such as:
(i) Human relations model, (ii) Open system model, (iii) Internal Process model and (iv) Rational Goal model.

The human relations model concentrates mainly on human resource development i.e, ends; through cohesion and morale which is the means. Hence flexibility and people are the frontiers of human relations model.

The open system model encompasses the value of flexibility and organisation. Organisational development is viewed as organisation's growth with resource acquisition (ends) through flexibility and readiness (means). Organisation's growth is not possible without the element of flexibility or readiness to change.

The internal process model relies on the element of people and control. In other words control of people and organisation is possible through information management and communication to achieve the goal of stability and adherence to the objective decided by the organisation.
The rational goal model emphasises organisation's control which is reflected in productivity or efficiency. The efficiency is the end and planning, goal setting & evaluation are the means.

**Figure: 3.5**

![Diagram of organizational models]

One of the important characteristics of value-competing approach is that effectiveness values of different models are competing with one another. For instance, the flexibility and people criteria of Human Relations Model are at variance with the criteria of organisation and control of Rational Goal Model. Similarly, the flexibility and organisation value of Open System Model are apt to conflict with people and control elements of the Internal Process Model.

In spite of competing values of different models each of these models can be used by an organisation depending upon the life cycle of the organisation. Every organisation passes through four sets of life cycles:
i) **Entrepreneurial Stage:** This is the stage which is marked by innovation, creativity and marshalling of resources;

ii) **Collectivity Stage:** This is the stage of informal communication and structure. In this stage a sense of co-operativeness is developed among different compartments of organisation;

iii) **Formalisation Stage:** This is the stage of efficiency in production, stability of organisation and designing rules and procedures to carry the activity of organisation; and

iv) **Growth and Development:** It is the stage which takes stock of external environments and readjust itself to changed situation in the light of feedback received by it. Any thing short of it will hinder the process of growth and development.

For each of these stages different set of criteria is needed to ensure effectiveness, in organisation. The first stage requires the Open System Criteria of effectiveness, the second stage the Human Relations Model, the third stage the Internal Process Model and the fourth stage the Rational Goal Model.

This shows that though different models have competing values, yet all have the application not only to different organisations but to the same organisation depending on the stages of development. So it is important to identify the stage through which the organisation is passing so as to choose the effectiveness criteria enshrined in the model.
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