



STUDY OF ORGANISATIONAL EFFECTIVENESS: AN EMPIRICAL INVESTIGATION THROUGH COMPETING VALUES APPROACH

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ABSTRACT

Organizational effectiveness is a concept which has overwhelmed academicians since a long time in terms of its conceptualization and measurement. Managers have also found the concept difficult to tackle since it is often critically important for managers to define and defend their organizational effectiveness to different target groups.

The objective of this study is to explore the organisational effectiveness of service organizations using Competing Values Approach. The Competing Values Approach is used to assess the organisational effectiveness as perceived by the employees of the Indian service sector.

The composite score for various components of organisational effectiveness namely Human Relations, Internal Process, Rational Goal and Open Systems is calculated through measurement modeling. Then the one sample t-test was used to analyse the organisational effectiveness in the service sector. It is found that the organisational effectiveness in the Indian service sector is significant. It is found that the out of the four components of organisational effectiveness Human Relations is showing the best results in the service sector. Internal Process and Rational Goal is showing moderately good results. Open Systems needs to be tremendously

worked upon to enhance the organisational effectiveness of the organizations in the service sector.

keywords: organisational effectiveness, Competing Values Approach, service sector, measurement modeling, one sample t-test

Introduction

The concept of organisational effectiveness is central to the investigation of organisational structures, processes, and outputs. The main purpose of organisation development is to increase effectiveness in organisational performance and to improve organisation health with the ability to remain effective. Workers, managers, departments and organisations are always asked to be effective and that simply means to produce some form of results.

For evaluating organisational effectiveness it is important to understand how the organisation functions, how it is structured and what it emphasizes. There is considerable variation in the definition of organisational effectiveness.

Cameron (1986) proposes five consensual propositions mostly agreed by researchers as reasonable. They are: 1) Despite the ambiguity and confusion surrounding it, the construct of Organisational effectiveness is central to the Organisational sciences and cannot be ignored in theory and research. 2) Because no one conceptualization of an organisation is comprehensive, no conceptualization of an effective organisation is comprehensive. As the metaphor describing an organisation changes, so does the definition or appropriate model of organisational effectiveness. 3) Consensus regarding the best, or sufficient, set of indicators of effectiveness is impossible to obtain. Criteria are based on the values and preferences of individuals, and no specifiable construct boundaries exist. 4) Different models of effectiveness are useful for research in different circumstances. Their usefulness depends on the purposes and constraints placed on the organisational effectiveness investigation. 5) Organisational effectiveness is mainly a problem-driven construct rather than a theory-driven construct.

The services sector with more than 50 per cent contribution to the Gross Domestic Product (GDP) has made rapid strides in the past decade and a half to emerge as the largest and one of the fastest-growing sectors of the economy. Unlike other countries where economic growth has led to a shift from agriculture to industries, in India there has been a shift from agriculture to the service sector. The services sector is not only the dominant sector in India's GDP, but has also

attracted significant foreign investment flows, contributed significantly to exports as well as provided large-scale employment. It is the second largest employer after agriculture. In fiscal year 2009, services accounted for 57.3 percent of India's GDP which was less than that of countries such as the United Kingdom at 78.4 percent and the United States at 78.2 percent but higher than that of the People's Republic of China at 41.8 percent (Mukherjee, 2013).

In India, at present the National Industrial Classification 2008 is used for classifications of services. India's services sector covers a wide variety of activities such as wholesale and retail trade; accommodation and food service; transportation and storage; information and communication; financial and insurance; real estate; professional, scientific and technical activities; administration and support services; education; public administration and defense; compulsory social security; human health and social work activities; arts, entertainment and recreation; other service activities; activities of households as employers; undifferentiated goods and services producing activities of households for own use; activities of extraterritorial organisations and bodies.

In order to increase the effectiveness of the organisations it is important to study and understand this concept clearly. This study will explore the concept of organisational effectiveness. The study is undertaken in the service sector as the Indian service sector has experienced extensive growth over the last few years so it will be useful to explore the organisational effectiveness of organisations operating in this sector. In order to have a comprehensive understanding of organisational effectiveness, it is required to identify the key components constituting effectiveness. The competing values framework identifies the diverse underlying assumptions in organisational effectiveness hence offering such an integrative framework.

Review of Literature

Organisational effectiveness is a comprehensive measure of success of any organisation or how well an organisation is doing. Campbell's (1973) study to measure the organisational success resulted in the identification of 19 variables that were widely used. The most important of these were: (1) overall performance (2) productivity (3) employee job satisfaction (4) profit or rate of return on investment and (5) employee withdrawal. .

Steers (1975) studied 17 models of organisational effectiveness. Each model brought forward three or four defining characteristics. Only one characteristic adaptability/flexibility was mentioned in more than half the models.

The present literature on organisational effectiveness broadly discusses the following major approaches:

In the first approach, Etzioni (1961) defines effectiveness in terms of how well an organisation accomplishes its **goals**. Using this perspective, evaluators usually focus on the outputs of an organisation—that is, the closer the organisation's outputs come to meeting its goals, the more effective it is.

A second approach to effectiveness is the **system resource approach** by Yuchtman & Seashore (1967). Under this approach, an organisation's effectiveness is judged on the extent to which it acquires needed resources—that is, the more of the needed resources an organisation can obtain from its external environment, the more effective it is.

A third approach to effectiveness by Likert (1967) focuses on the **internal processes** and operations of the organisation. That is, effective organisations are those with an absence of internal strain, whose members are highly integrated into the system, whose internal functioning is smooth and typified by trust and benevolence toward individuals, where information flows smoothly both vertically and horizontally, and so on. Organisational interventionists often refer to such organisations as "healthy systems."

The fourth approach to effectiveness by Keeley (1978) is the **strategic constituencies approach** or the **participant satisfaction model**. This approach defines effectiveness as the extent to which all of the organisation's strategic constituencies are at least minimally satisfied. A strategic constituency is any group of individuals who have some stake in the organisation.

The fifth approach to effectiveness by Quinn and Rohrbaugh (1983) is the **competing values approach**. It acknowledges the diverse preferences and offers an integrative framework for the underlying assumptions. They started their research by looking into Campbell's (1977) list of thirty indices of organisational effectiveness. After several rounds of panel reviews and multidimensional scaling analysis, they came to the conclusion that three value dimensions underlie the conceptualization of organisational effectiveness: control-flexibility, internal-external and means-end. When these values are juxtaposed, a spatial model emerges. This further leads to the identification of four basic models or components of organisational effectiveness. These are as follows:

Human Relations Model: this places a great deal of emphasis on flexibility and internal focus and stresses criteria such as cohesion and morale to achieve human resource development. *Internal Process Model*: It lays emphasis on control and internal focus. It stresses on the role of information management and communication as means. Stability and control represent the ends. *Rational Goal Model*: It places a great deal of emphasis on external focus and would lay stress on planning, goal setting, productivity and efficiency. *Open Systems model*: The focus of the open systems model is flexibility and external orientation. It emphasizes readiness, growth, resource acquisition and external support.

Price and Mueller (1986) define effectiveness as the financial viability of an organisation. According to them, Return on Asset (ROA) and Return on Equity (ROE) are easier to measure and capture the effectiveness of the organisation. Further, they say that comparisons should be made between similar organisations and in historical context. Majority of researchers are of the view that ROA and ROE alone are not sufficient to capture effectiveness. They are two of many possible determinants of effectiveness.

Limited research has been undertaken for assessing organisational effectiveness of service-oriented businesses. Only few studies in this area are available, Kraft et al. (1996) being one of them. They used the Organisational effectiveness Menu (instrument) as an operational means to measure the relative importance of various criteria in determining organisational effectiveness. Their instrument was based on the Quinn & Rohrbaugh (1983) competing values framework. Kraft et al. (1996) noted that measurement in service firms is difficult because they have to count outputs which are largely intangible. After reviewing literature in service industries they noted that there are several characteristics of the services which are quite different from products and hence the problems in measurement are magnified. These are perishability, heterogeneity, production/ consumption simultaneity and labour intensity. The study found that personnel is the most important category of concern for service sector employees. The reason why the personnel are important in a service organisation is because they are the primary source of tangible contact with the customers. The study also found that while there were strong similarities between service sector executive ratings of organisational effectiveness criteria, significant differences exist across the two industries.

Bowen & Jones (1986) noted that measuring effectiveness in service-oriented firms is particularly difficult because of the dynamics involved in customer participation. Consumers

participate in the receipt of the service and hence the consumer affects the process. It was suggested by Uttal (1987) that appropriate measurements of customer service can improve the overall performance.

Sharma & Kaur (2011) conducted study on organisational effectiveness in the banking sector in India. They used the competing values framework for measuring organisational effectiveness. In this study the scores for all the four models or components of organisational effectiveness: Human Relations, Internal Process, Rational Goal and Open Systems were found to be significant and high in the positive direction.

Objective

This study explores the organisational effectiveness using the Competing Values Framework in the service sector.

Research Methodology

This research study is of descriptive nature and has used the quantitative research method. The data for this study was collected via a questionnaire survey. The Organisational Effectiveness Scale used here is a five-point likert rating scale (strongly disagree to strongly agree) which has been developed by Kaur (2013). The Reliability test was carried out using SPSS software and the reliability of the 46 items was measured. The Cronbach Alpha for the same was reported as 0.937. The closer the reliability coefficient gets to the value of 1.0, the better the reliability of the measures is (Cronbach, 1951). So, the questionnaire is highly reliable. A non probability convenience sampling is employed in various service sector companies (which included companies operating in banking and financial services, Information Technology and logistics) and response is taken from employees working at supervisory level or above in the same industry. The sample size has been consisting of 440 respondents.

Organisational effectiveness is a latent variable which is represented by four variables: Human Relations, Internal Processes, Rational Goal and Open Systems. The measurement model specifies how the hypothetical constructs are measured in terms of observed variables and describes the measurement properties. The researcher performs Principal Component Analysis (PCA) which is a data-driven modeling technique that transforms a set of variables into a smaller set of new variables (principal components) that retain most of the original information. The

intermediate variables emerged by fitting PCA through AMOS. The assessment of the variables is done on the basis of estimates. By following a standard procedure for acceptance and rejection of items in measurement modeling the latent variables are being used for further analyses.

One-sample t-test was applied on the data. The One- sample t-test compares the mean score found in an observed sample to a hypothetically assumed value. Typically the hypothetically assumed value is the population mean or some other theoretically derived value. In this study the test value is taken as 2.5. AMOS & SPSS software is used for data analysis.

Results

The objective of this study is to explore the organisational effectiveness of service organisations using the Competing Values Framework. The following hypotheses were framed for the same.

H₀₁: There is no effectiveness of Human Relations in service sector organisations

To test the above hypothesis the mean value of Human Relations was calculated. One-sample t-test was applied on the value. If the p-value is less than the pre-specified alpha level (usually .05 or .01) we will conclude that mean is statistically significantly different. From Table no. 2 it can be seen that p-value = .000 for Human Relations. So the null hypothesis is rejected. This implies that there is effectiveness of Human Relations in the service sector organisations.

H₀₂: There is no effectiveness of Internal Process in service sector organisations

To test the above hypothesis the mean value of Internal Process was calculated. One-sample t-test was applied on the value. From Table no. 2 it can be seen that p-value = .000 for Internal Process. So the null hypothesis is rejected. This implies that there is effectiveness of internal processes in the service sector organisations.

H₀₃: There is no effectiveness of Rational Goals in service sector organisations

To test the above hypothesis the mean value of Rational Goal was calculated. One-sample t-test was applied on the value. From Table no. 2 it can be seen that p-value = .000 for Rational Goal. So the null hypothesis is rejected. This implies that there is effectiveness of Rational Goals in the service sector organisations.

H₀₄: There is no effectiveness of Open Systems in service sector organisations

To test the above hypothesis the mean value of Open Systems was calculated. One-sample t-test was applied on the value. From Table no. 2 it can be seen that p-value = .000 for Open Systems. So the null hypothesis is rejected. This implies that there is effectiveness of Open Systems in the service organisations.

Table no. 1: One Samples Statistics

	N	Mean	Standard Deviation	Standard Error Mean
Human Relations	440	4.1933	.78413	.03738
Internal Process	440	3.2509	.54438	.02595
Rational Goal	440	3.6624	.65797	.03137
Open Systems	440	2.6248	.42418	.02022

Table no. 2: One Samples Test

	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Human Relations	112.175	439	.000	4.19333	4.1199	4.2668
Internal Process	125.262	439	.000	3.25086	3.1999	3.3019
Rational Goal	116.757	439	.000	3.66237	3.6007	3.7240
Open Systems	129.799	439	.000	2.62478	2.5850	2.6645

Discussion

This study is conducted to analyse the organisational effectiveness of companies operating in the service sector using the Competing Values framework. After testing the various hypotheses and looking at the results we can say that:

Since the mean value of Human Relations is more than 4 (table 2) we can say that the Human Relations is quite good in service organisations. This means that, organisations place a great deal

of emphasis on internal focus and flexibility and value cohesion and morale and human resource development. They take periodic feedback from employees and value employee suggestions. They have good people friendly policies and open and trust worthy atmosphere in the organisation. Periodic training is provided to the employees for updating their knowledge and skills. Proper grievance redressal procedure is in place in the organisation. The level of commitment is high and employees identify with the organisation. Criticism of the company is taken positively and employees are able to discuss their problems with their superiors.

Seeing the mean value of Internal Process from table 2 we can say that Internal Process is significant and in positive direction. But there is still scope for paying attention on these processes and improving them further. To make the organisation more effective they should have better internal processes. They should focus more on transparency within the organisation, better sharing of information, better upward and downward communication, and more people friendly bosses. There should be more clear-cut policies for resource allocation, managers should be informed and knowledgeable about staff responsibilities and willing to take tough decisions which are consistent with the corporate values and routine processes should be made simpler.

Seeing the mean value of Rational Goal from table 2 we can say that Rational Goal is significant and in positive direction. But in order to enhance the effectiveness further there is need to pay more attention towards having a mission statement that is known and understood by all and guides all the activities. Strategic plans and annual plans should be consistent with the mission and the mission should be used as a parameter for success. The organisation should follow a systematic process for identifying opportunities in the environment, the annual action plans should indicate the deadline for achievement and it should be continuously monitored to achieve planned objectives and targets. Also, the employees should accept the organisational goals as appropriate targets for themselves.

In this study we see that out of the four models or components identified by Quinn & Rohrbaugh (1983) for organisational effectiveness the least mean value is observed for Open Systems (table 2). The mean value is significant and in positive direction but it is very low. So this means that in the service sector there is a major need to make the organisations more flexible to pursue and implement new ideas and make the work challenging and stimulating. The organisation should discuss and pursue new ideas with customers, improve its infrastructure to meet the customer demands and conduct regular and systematic surveys to check the level of customer satisfaction.

There should be effective mechanisms to facilitate interaction between and among disciplines. The organization should maintain good relations between its agents/ vendors and suppliers and be well informed about its competitors. The findings of the survey should be discussed and appropriate action should be taken. The service quality is of utmost importance in the service sector, so this should be given top priority. It is desirable for the mean values of these indicators to reach between 4 and 5.

Studies on organisational effectiveness are available in the banking and Information Technology companies where the organisational effectiveness is good. The researcher did not come across research on organisational effectiveness in logistics companies.

The results of this study are in line with Sharma & Kaur (2011) where organisational effectiveness in the banking sector is observed to be good for all the four components of organisational effectiveness.

In this study it is seen that Human Relations emerges as the most important component out of the four components. This result is in line with Kraft et al. (1996) where the study found that personnel is the most important category of concern for service sector employees.

Suggestion

From the results it is seen that the mean value of the four components of organisational effectiveness is significant and positive. The Human Relations is coming out to be quite good. But the Internal Process and Rational Goal can be improved further by focusing more on these areas. So by improving the internal processes and proper planning and goal setting organisational effectiveness can be improved upon on these two models. Open Systems needs special attention as out of the four this is showing the weakest results. So there is need to focus more on increasing the flexibility of the organisations, increasing the acceptability of new ideas and having more fruitful interaction with the external agencies for achieving higher effectiveness of the organisations.

Conclusion

Indian service sector is growing at a fast rate so there is a need to study the organisational effectiveness of companies in this sector. This study has tried to fill the gap created by lack of studies on organisational effectiveness in the service sector with special focus on Information

Technology companies, banking and financial services and logistics companies. This study has used the Competing Values Framework to evaluate the organisational effectiveness in the service sector. It is found that the out of the four components of organisational effectiveness Human Relations is showing the best results in the service sector. Internal Process and Rational Goal is showing moderately good results. Open Systems needs to be tremendously worked upon to enhance the organisational effectiveness of the organisations in the service sector.

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