

CHAPTER TWO

ORGANIZATIONAL EFFECTIVENESS

GENERAL VIEW

An organization created to achieve certain goals or objectives. It has to plan, organize, control, evaluate and lead the work related activities to ensure that all available resources diverted into meeting the organizational objectives. Generally, an organization said to be effective when it succeeded in meeting its explicit and implicit organizational objectives, strategy and prevailing societal expectations in the near future, adapting and developing in the intermediate future and surviving in the distant future. However there is no consensus about how to measure effectiveness (Griffin 1999).

CONCEPTS AND THEORETICAL APPROACH

There are many concepts and theoretical approaches to measure organizational effectiveness. Campbell (1977) lists over 30 different criteria from productivity, profits, growth, turnover, stability and cohesion. On the other hand, Handy (1993) identifies 60 factors of organizational effectiveness. Different theoretical perspectives can account for the diversity in usage of effectiveness measurements.

Open system perspectives focus on the exchanges with the environment. This includes information processing, profitability, flexibility and adaptability. Current perceptions of effective organizations are learning organizations (Peter Senge, 1998). It means that organizations learn to change their structure and systems to suite with environmental changes, which mainly external such market demands and technological and value changes. According to Mullins (1993) a key factor in organizational effectiveness is

the successful management of change and innovation, and corporate renewal. Increasing international competitiveness and need for organizations to respond rapidly to constant change in their environment have drawn renewed attention to the concept of learning organization. Given the interactions between organizations and their environments, it follows that effectiveness is ultimately related to how well an organization understands, reacts to, and influences its environment (Jones 1998).

Rational perspectives emphasize on goal approach, degree to which an organization obtains its goals and focus on output variables such as profit, quality, productivity, and efficiency. Goals attainment approach by Barnwell explained that an organization's effectiveness must be appraised in terms of the goals accomplishment. The most common benchmarks or measurement in target setting that widely used by business organizations are profit maximization, market share, customer satisfaction, cost reduction, quality improvement, stakeholders satisfaction, product and service innovation.

Natural system perspectives focus on the support goals of the organization such as participant satisfaction, morale, interpersonal skills, etc.

In determining organizational effectiveness system theory focuses more on inputs such as the type of resources needed, the type of structure to be established and the process of channeling and transforming all resources as quality outputs. The benchmark for organizational effectiveness is for an organization to use its entire means to meet the ends (Zeffane, 1999). For an organization to be more competitive and successful, it would have to synergies all its resources, functions and activities with structure and system that can work well and blend altogether (Drucker, 1997).

Strategic constituencies approach focuses on the groups that have a stake in the organization (Atkinson, 1997). In this view, effectiveness is the extent to which the organization satisfies the demand and expectations of the stakeholders.

Market and non-Market Organization

Many people emphasize the difference between market and non-market organizations (Scott p. 349). The traditional view is that in properly functioning markets, effectiveness can be readily measured in the marketplace and are directly influenced by customer satisfaction. Fligstein (1990) argues however that markets, like all structures, are socially constructed and vary over time and space, so that conceptions of efficiency or effectiveness also vary.

Public organizations often operate in non-market conditions. Often this means that there is no direct link between the services an organization provides and the income it gets for providing them (Downs, 1967). Controls over these organizations emphasize control over process than over outcome (Scott p. 350). While there have been attempts to evaluate government agencies, it proves very difficult, and there continues to be rising discontent with the performance and responsiveness of public agencies. Many of these services have been "privatized" and contracted out to independent businesses.

Assessing Effectiveness

Cyert and March (1963) use an aspiration level perspective and argue that organizational goals are a function of previous goals, experience with these previous goals, and other organization's experience with these previous goals. Thompson (1967) notes that the appropriate effectiveness criteria

depend on how clear the standards and cause-effect relationships are known.

There are three basic types of indicators, those based on outcomes, process and structures (Scott p353).

(a) *Outcomes*

Outcomes focus on materials or objects on which the organization has performed some operation. These are the most common effectiveness measurements, but can be the most difficult to define and measure and are not immune to ambiguity and measurement error.

(b) *Process*

Process measures assess effort rather than effect (Scott p. 355). Some measure work quantity or quality. Though they are in some respects a more pure measurement of organizational performance, they are an assessment of conformity of a given objective that can be decoupled from output performance (and ultimately survival itself). Substituting process criteria for outcome criteria can compromise service in some situations though.

(c) *Structure*

"Structural indicators assess the capacity of the organization for effective performance" (Scott p. 357). These are often includes organizational features (equipment age or type) or participant characteristics (degree attained, licensing, etc.). Structural indicators form the basis for accreditation reviews and licensing systems, those these criteria can displace the goal of organization sometimes.

Participants, Constituents, and Measure

In general, different groups would prefer different measures. Organizational managers may emphasize structural features because they are more under

their control. Workers are more interested on process measurements. Clients and customers will naturally focus on output measurements (meets, needs and expectations, promptness, courtesy, sensitivity, etc.). It seems there is a bias in the literature toward structure and process measurements.

Since many of the proposed measures of effectiveness negatively correlated, we should not expect to "find general explanations that will distinguish effective from ineffective organizations (Scott p. 360). Given the complexity of organizations, we should not find a simple set of factors that account for effectiveness either. Much of the popular management literature identifies simple factors that only partially explain effectiveness (and thus the prescriptions based on them are only partly effective as well).

Scott notes "we are too often in thrallidom before a general principle, applying it mindlessly to situations whose complexity swamps whatever truth might have been revealed by a more thoughtful approach. Let us not misunderstood. We need the guidance of general principles". But we also require sufficiently detailed knowledge of the organizations and their technologies and environments to be able to select valid indicators of the variables to be assessed."

Ultimately, organizational effectiveness is not based only one path nor purely on technical, rational processes, but also a function of sociology and politics.

APPROACH TO ASSESS PMB EFFECTIVENESS

Various theories and concepts discuss above, indicate that there is no one standard approach to assess organizational effectiveness. It depends very much on perception, objective and motive of the evaluator. Hence the study develops a conceptual model used to assess PMB effectiveness. The

model derived from the various theoretical approaches discuss earlier such as goal attainment theory, system concept and open system perspective. The model can be explained in the form of equation below:

PMB Effectiveness = Performance + Competitiveness (PMB E=P+C).

Performance is an evaluation on actual result of past business operations based on historical data. According to Thompson (1995), the stronger current overall performance, the less likely the need for radical changes in strategy. Weak performance is usually a sign of weak strategy or weak execution or both. The study used the basic elements of business indicator to evaluate PMB performance. The indicators are profitability, which mainly focus on revenue, expenses and profit; market share of core business activities; customer satisfactions that contributed by service quality and price; and social objective fulfillments, which look into service accessibility and affordability.

Competitiveness assesses PMB competitive advantage or strategic capability to compete and exploit new opportunities and to defense from external threats created by the competitive forces. These factors will influence the future performance and thus it organizational effectiveness. The essence of strategy lies in creating tomorrow competitive advantages faster than competitors mimic the ones poses today (Hamel, Prahalad). Three main variables used are comparative position of selective indicator to assess how it performance as compare to other postal service administrator or operator in the region and advanced countries; competitive advantage comprise of resources, capabilities and core competences; and strength, weakness, opportunity and threat (SWOT).

Approach To Asses PMB Effectiveness

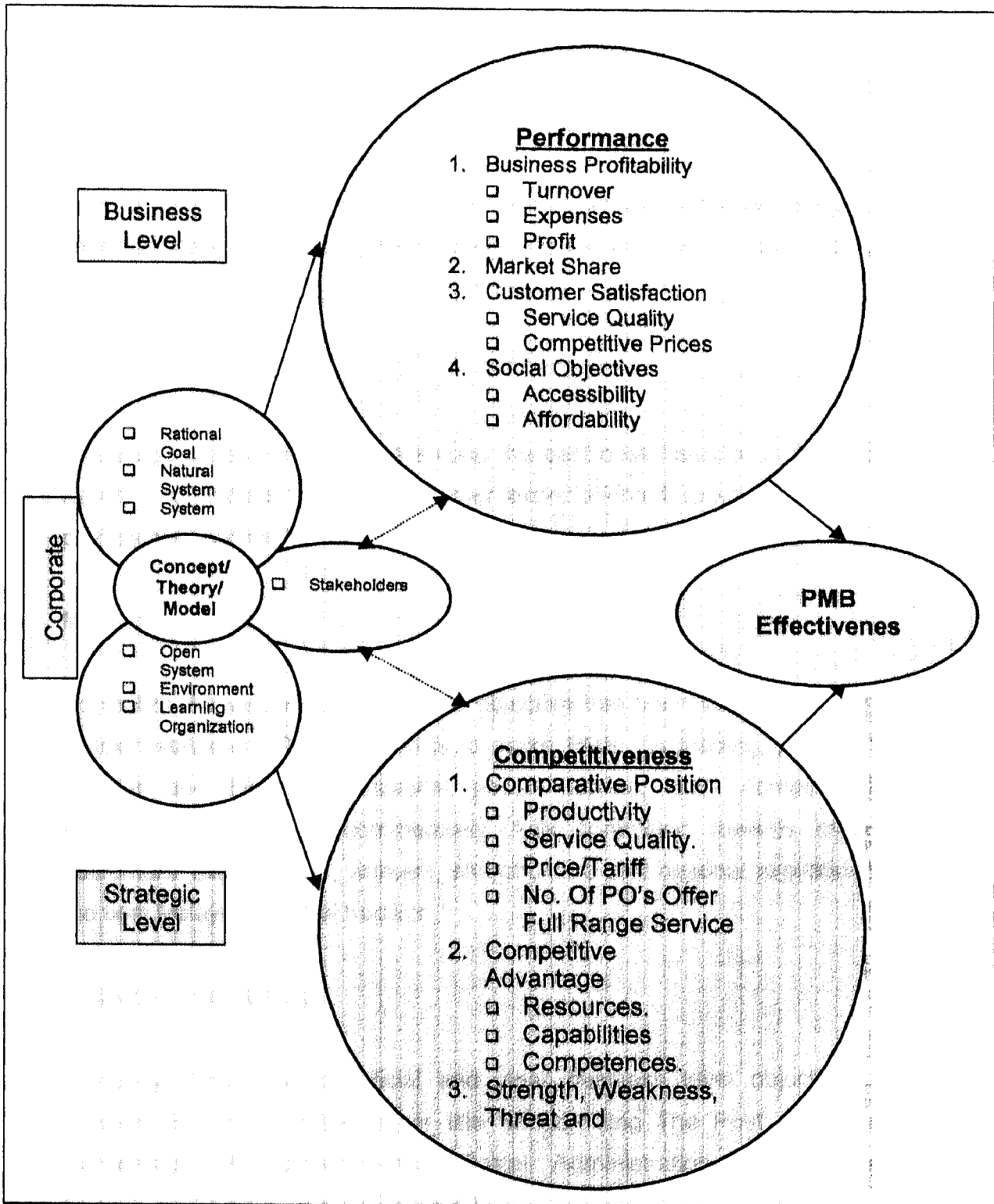


Figure 2.1: Approach To Asses PMB Effectiveness