

CHAPTER TWO

LITERATURE REVIEW

An organization is established 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 is labeled to be effective when it succeeded in meeting its explicit and implicit organizational objectives, strategy and prevailing societal expectations in the near future, and when it can swiftly adapt to the changes in the environment (Griffin, 1999).

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 measurement of organizational effectiveness. However, Collier, Lewin and Whyte (1940) argue that organizational diagnosis or assessment needs to be closely linked to action if organization members were to use it to manage change (Cummings & Worley, 2001). By analyzing the functioning and structure, its members will be able to assess problems faced by the organization, which will be useful in devising and implementing necessary solutions to overcome any inefficiency and ineffectiveness (Lee, Shiba, & Wood, 1999). Thus, organizational diagnosing provides a systematic understanding of organizations so that appropriate interventions may be developed for solving problems and enhancing effectiveness.

Cummings and Worley (2001) states that organizational diagnosing involves collecting pertinent information about current operations, analyzing those data, and drawing conclusions for potential change and improvement. Effective

diagnosis will provide the systematic understanding of the organization that is vital for designing appropriate and effective interventions. In order to be clear and effective, the assessment or diagnosis on an organization should be guided by diagnostic models (Nadler, 1980). Diagnostic models derived from conceptions about how organizations function. They represent a road map for discovering current functioning of the organization. The models also describe the relationship among different features of the organization, its context, and its effectiveness. In sum, diagnostic models point out what areas to examine and what questions to ask in assessing how an organization is functioning.

There are many potential diagnostic models that can be adopted for assessing organizational performance and its viability. Any collection of concepts and relationships that attempts to represent a system or explain its effectiveness can potentially qualify as diagnostic models (Cummings & Worley, 2001). Yusof Omar (2001a & 2001b) suggests three models for assessing organizational performance and viability. They are the Soft System Model, the Open-Systems Model and the model based on the system requirements of ISO 9001:2000.

SOFT SYSTEM MODEL

Soft system perspective focuses on the exchanges with the environment that include factors such as information processing, profitability, flexibility and adaptability. One of the current ideas under the soft system perspective is learning organization. Senge (1988) mentions in learning organization, the organization learn to change their structure and systems to suite with environmental changes, which also include changes in technological areas. Mullin (1993) also argues that 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 Soft System Model or Management System. 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 (Yolles, 1999).

In determining organizational effectiveness, Soft System Model also focuses more on inputs such as the type of resources needed, the type of structure to be established and the processes of channeling and transforming all resources as quality outputs. The benchmark for organizational effectiveness is for an organization to be more competitive and successful, it would have to synergize all its resources, functions and activities with structure and system that can work well and blend altogether (Drucker, 1997).

Based on the Soft System Model, the methodological inquiry of a system's effectiveness and viability may be assessed through several diagnostic tools. Yolles (1999) introduces three methods for assessing organizational stability, survivability and effectiveness towards change. They are Self-Actuation System Diagnostic, Actor System Diagnostic, and Dissipative Structure System Diagnostic.

The concept of self-actuation was first originated by Cannon in 1937. According to the concept, active organizing in autonomous systems involves self-actuation, which is things organization do for maintaining its stability and existence in the situation of change (Yolles, 1999). These characteristic (self-actuation) exists in all organizations but they differ in terms of degree. The more self-actuating an organization is, the more viable it gets to be. This means an organization with high degree of self-actuation has a higher chance of surviving a change than those with low degree of self-actuation (Yusof Omar, 2001a). Through the Self-Actuation System Diagnostic, organizational viability and effectiveness towards change process can be assessed by examining to what extent is the system self-actuating and closing itself in (boundary forming).

Actor network theory, derived from recent research in the sociology of science and technology, provides the framework for modeling the decision process as moving from a moment of problem definition, negotiated and controlled by the most powerful actor, through communication, argument and resistance between members of the network, to nodal judgments and finally the power resolution of judgmental arguments (Parkins, 1996). The actor system encompasses two sub-system, namely individual identity and generic identity (Yusof Omar, 2001a). The individual identity enables system differentiation to occur and is unitary since it is unique to a given actor system. Generic identity, on the other hand, is pluralistic and provides a qualitative description, enabling it to be placed in a conceptual class that will provide a general expectation about its behavioral possibilities. In this connection, the Actor System Diagnostic needs to be utilized in order to understand more about the organization (Yolles, 1999). The methodology is taken to be a process of social inquiry which aims to bring about improvement in areas of concern by articulating the learning cycle (based on systems concepts) which can lead to action (Checkland, 1999).

The concept of dissipative structures, which is adopted from the field of complexity theory, is used to develop and explain a specific sequence of activities that underpin effective transformation. This sequence integrates selected concepts from the literatures on strategic change, organizational learning and business process. By managing at the level of deep structure in social systems, organizations may gain some influence over self-organizing processes, which are typically regarded as unpredictable in natural sciences (MacIntosh and MacLean, 1999). According to Yolles (1999), dissipative system is in continual fluctuation, oscillating from one instability to another, which resulted in the modifications of the organization's behavior. Schwartz (1996) argues that this ability of the system to spontaneously shift to a new form as a result of changes in its environment enables the organization to maintain its system integrity as well as survivability and stability in the situation of change (Yolles, 1999). Through Dissipative Structure System Diagnostic, one will be

able to understand about the dynamics of an organization's system that will be helpful in deciding the level of changes that can be implemented effectively in the organization (Yusof Omar, 2001a).

OPEN-SYSTEMS MODEL

The Open-Systems Model views system as unitary wholes composed of parts or subsystems in which the system serves to integrate the parts into a functioning unit (Cummings & Worley, 2001). Based on this model, an organization serves to coordinate behaviors of its departments so that each will function together in service of a goal or strategy. In open system, organizations exchange information and resources with their environment. They cannot completely control their own behavior and are influenced in part by external forces. Understanding how these external forces affect the organization can help explain some of its internal behavior, which is important in designing effective interventions for the organization.

Open systems display a hierarchical ordering. Each higher level of system comprises lower-level systems. In specific, systems at the level of society comprise organizations, organizations comprise groups (such as departments), and finally groups comprise individuals. Aldrich (1979) argues that although systems at different levels vary in many ways, they have a number of common characteristics by being open systems, and those properties can be applied to systems at any level.

According to Cumming and Worley (2001) when viewed as open systems, organizations can be diagnosed at three levels. The highest level is the overall organization and includes the design of the organizational strategy, structure, and processes. The next level is the group or department level, which includes group design and such devices for structuring interactions among members as norms and work schedules. Lastly, the lowest level is the individual position or

job. This includes ways in which jobs are designed to elicit required task behaviors. The diagnosis can occur at all three level organizational levels, or it may be limited to issues occurring at a particular level. However, Yusof Omar (2001b) argues that the key to effective diagnosis on the organizational performance is to assess each level as well as to examine how the levels affect one another. In doing so, he introduces the extended version of Cummings and Worley (2001) Open-Systems Model, which is referred as the Six-Level Organizational Diagnostics.

ISO 9001:2000 MODEL

In system of world activity, an entity is required to work out a particular conceptual issue as its boundaries (Checkland & Scholes, 1990). The ISO 9001:2000 is one of the formal system concepts that can be used as a guide for this purpose. The value of the formal systems model is that it enables questions to be framed and allows the influences of the model on the environment to be measured by taking into account the system's activities (Checkland, 1999)

The ISO 9001:2000 system is about evaluating how and why things are done, documenting how things are done and recording the results as a means of performance indicator. Implementation of this system will not automatically lead to improvement of work processes or produces quality products. However, the system should be used as a mean for having a more systematic approach to the business or activities done.

In general, ISO 9001:2000 specifies requirements for a quality management system for any organization that needs to demonstrate its ability to consistently provide outputs that meets customer and applicable regulatory requirements that is aimed to enhance customer satisfaction. The new ISO 9001:2000 offers standards-development procedures which are open and transparent. The ISO system has a strong capacity to resolve differences. The standards represent the

best possible consensus between all affected parties on the technical requirements needed to facilitate exchange of goods, services and ideas among the peoples of all nations. The system specifies twenty-one systems requirements that need to be incorporated in the organization in order for it to be fully effective and efficient. As such, assessment on an organization's current system in comparison to the systems requirements of ISO 9001:2000 will be valuable for improving its performance.

INTERVENTION STRATEGIES

As mentioned earlier, one of the objectives in implementing the organizational diagnosis is to come out with appropriate interventions for solving problems and enhancing effectiveness in the organization. The term intervention refers to a set of sequenced planned actions or events intended to help an organization increase its effectiveness as well as efficiency (Argyris, 1970). Interventions purposely disrupt the status quo and they are deliberately aimed to change an organization or subunit toward a different and more effective state.

According to Cummings and Worley (2001) there are three major criteria that define an effective intervention. First is the extent to which it fits the needs of the organization. This concerns the magnitude to which the intervention is relevant to the organization. Second is the degree to which it is based on causal knowledge of the intended outcome. Lastly is the extent to which it transfer change management competence to organization members. This involves the extent to which it enhances the organization's capacity to manage change.

In order for intervention to be effective, certain organizational issues need to be addressed. Cummings and Worley (2001) list four interrelated issues that are key targets of Organizational Development interventions. They are the strategic issues, the technology and structure issues, the human resources issues, and the human process issues. They further argue that effective intervention design

must have change methods appropriate to the organizational issues identified in the diagnosis. Furthermore, since organizations may function differently at different level, proposed interventions should also address the intended organizational levels and target of change.

Strategic Interventions link the internal functioning of the organization to the larger environment and transform the organization to keep pace with the changing conditions. They are implemented to bring a fit between the organizational strategy, structure, culture and larger environment. The intervention derives from the disciplines of strategic management, Organization Theory, Open-Systems Theory, and cultural anthropology. Among the strategies for this type of interventions include integrated strategic change, transorganization development, merger and acquisition integration, culture change, self-designing organizations, and organization learning and knowledge management.

Technostructural Interventions focus on an organization's technology and structure. The interventions include approaches to employee involvement, as well as methods for designing organizations, groups and jobs. It is rooted in the discipline of engineering, sociology, psychology, and in the applied fields of sociotechnical systems and organization design. Among the strategies for this type of interventions are structural design, downsizing, and reengineering.

Human Resources Management Interventions focus on personnel practices that are used to integrate people into organizations. These practices include career planning, reward systems, goal setting, and performance appraisal. The interventions are about change methods that traditionally have been associated with the personnel function in organizations. They are rooted in the disciplines of economics, labor relations, and in the applied personnel practices of wages and compensation, employee selection and placement, performance appraisal, and career development. The strategies typically emphasize on the people in

organizations, believing that organizational effectiveness results from improved practices for integrating employees into organizations.

Human Process Interventions focus on people within organizations and the processes through which they accomplish organizational goals. These processes include communication, problem solving, group decision making, and leadership. This type of intervention is deeply rooted in disciplines of psychology and the applied fields of group dynamics and human relations. The methods value human fulfillment and expect that organizational effectiveness follows from improved functioning of people and organizational processes. Among the strategies of the interventions are T-group, process consultation, third-party intervention, team building, organizational confrontation meeting, intergroup relations, large-group interventions, and grid organization development.