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Organizational Effectiveness: Conceptual Issues, Criteria for Measurement and Review of Political Aspects

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ABSTRACT

This article discussed about the nature of organizational effectiveness. Started from conceptual issues and classic view about organizational effectiveness. Effectiveness is one of the strongest and most persistent themes in the literature on organizations. This article suggest how criterion measures of organizational effectiveness should be developed. Eight problems of such models are discussed which appear to reduce their utility for the study of organizational effectiveness. Four sets of multiple constituency models of organizational effectiveness, which employ relativistic, power, social justice, and evolutionary perspectives, are reviewed. At the end also discussed about political perspectives on organizational effectiveness measurement.

Keywords: Organizational Effectiveness, Measurement, Political Issues, Performance.

1. Introduction

Pfeffer (1982) divides organizational theory on a horizontal dimension with an on-action perspective which consists of three dimensions, namely action that is directed by goals and rational, actions that are limited and controlled by external factors and actions that are random and depend on processes and social constructions. Next, Pfeffer's (1982) vertical dimension divides it based on the unit of analysis, consisting of individual, coalition and subunit dimensions (micro level) and overall organizational dimensions (macro level). Next Astley and Van de Ven (1983), divide organizational theory based on two dimensions; (1) the unit of analysis, (2) human tendencies are deterministic or voluntaristic. Based on this categorization, topics related to organizational effectiveness fall into the macro level of analysis and tend to be directed by organizational goals and at the same time constrained by external factors.

The topic of organizational effectiveness has been widely researched and published, but the understanding of this construct is still ambiguous. Although organizational effectiveness is an attractive attribute for evaluating organizational performance, very little effort has been made to describe it accurately in either a theoretical or empirical context.

The development of organizational effectiveness measurement criteria is useful as an instrument for comparison between organizations, evaluating the various efforts that have been made to develop the organization, and identifying organizational characteristics that are significantly related to organizational effectiveness.

Topics related to organizational effectiveness will also be related to various other topics. For example, to identify the right criteria for measuring organizational effectiveness, you will have to deal with how to measure individual performance. Although the topic of organizational effectiveness has unique characteristics, the problems and issues that arise are not unique and have been widely discussed in various other fields.

2. Literature Review

Next, we will discuss the importance of organizational effectiveness in organizational development and the assumptions used to explain the meaning of organizational effectiveness.

2.1 The Importance of Organizational Effectiveness

Based on a general theory, a limited conceptualization of organizational effectiveness can be made for specific purposes. According to Campbell (1977) organizational effectiveness is an important issue for several reasons, including:

- It is important to assess whether the aspects in the system are in a “good” or “bad” condition. For example indicators in the form of turnover rate, profitability, return on investment, frequency of occurrence of acts of racism and so on.
- Diagnostics is required to identify why the system is in a “good” or “bad” state. For example, what causes high turnover, why profitability is high or low, why so many incidents of a racial nature occur.
- Planning related actions to be taken to change the condition of the system. How to reduce the turnover rate and the level of racism in the organization.
- Comparison between organizations is quite important for public decision making. For example, for making regulations or laws, indicators are needed that can be used as an instrument for comparison between organizations.
- Change management experts need measurement criteria for organizational effectiveness to measure the effectiveness of organizational planning.
- Scientists need it to rank organizations based on certain criteria.

The question of whether an organization has been effective or not, is not a question that can be answered simply. Organizational effectiveness is not something singular. Organizational effectiveness includes various aspects that are independent of one another. It takes a theory that will be the basis for how to perceive organizations and achieve organizational effectiveness. It is not possible to immediately identify an organization that is more effective than other organizations or determine relevant and irrelevant variables as criteria for measuring organizational effectiveness without being based on a specific theory or perspective that is more specific.

2.2 Classic Approach

Two classic approaches to organizational effectiveness are the goal centered view and the natural systems view. Goal centered view uses the assumption that the organization is controlled by rational decision makers, who have predetermined a number of goals to be achieved. The set of goals is not too numerous and well defined to understand. This allows the organization to develop a series of strategies to achieve the goals that have been set. In this context, organizational

effectiveness is perceived as how far the organization can achieve the goals it has set. There are several variations regarding the goal centered view, management by objectives is one of them. Another variation is cost benefit analysis.

Next, the natural systems view uses the assumption that the organization is the entire element contained in the organization, the demands that arise within the organization are dynamic and complex. It is not possible to define organizational goals in a limited way. In general, the goal of the organization is to survive over time. Based on these assumptions, organizational effectiveness can be identified with many criteria that reflect the organization as a system consisting of various elements. The questions raised are whether the organization is internally consistent, whether the resources are well distributed, whether the use of resources is faster than they should be and so on (Campbell, 1977).

To identify differences in the practice landscape for the two approaches to organizational effectiveness, the following illustration is used; illustrated an organizational development consultant is asked by an organization to measure the organizational effectiveness that has been achieved. The analysis carried out by the consultant will be influenced by the perspective he uses to perceive organizational effectiveness. If the consultant conducts an assessment based on a goal centered view perspective, the first thing to do is identify the party responsible for making organizational decisions or policies, then they will be asked to explain the goals of the organization concerned. The consultant will also ask to translate the organization's objectives into operational objectives. After defining organizational goals, measurement criteria are developed to identify how far the organizational goals that have been set have been met.

If the consultant uses a natural systems view perspective, the questions raised are not related to how far the organization's goals have been achieved. The consultant will identify the various elements inherent in the organization as a system. For example, the question is; the level of conflict that occurs between groups, smooth communication within the organization, the level of racist actions within the organization, the percentage of work carried out by workers who have relevant skills, job satisfaction from employees and so on. Consultants are not too concerned with the tasks or work that have been completed by the organization, but with the strength of the system that the organization has. The consultants already have a criterion that is perceived as a strong system.

The two perspectives if operationalized at a certain level will tend to converge at the same point. The use of a goal centered view perspective will focus on explaining the success or failure of the organization in achieving its goals. The next explanation will be related to the factors that influence the success or failure of the organization. These factors are the elements contained in the organization as a system. It is possible that the organization did not perform well in a certain period due to the frequency of racist actions that occurred within the organization (Campbell, 1977).

3. Comparing Organizational Effectiveness

The majority of definitions of organizational effectiveness use normative standards. Effectiveness is different from efficiency, effectiveness is related to the achievement of goals while efficiency is related to the costs needed to achieve these goals. Effectiveness is not contained in the commitment to the resources used, while efficiency shows a comparison of the costs required. Effectiveness can be well defined if an understanding of the goals and outcomes is available and comparisons between the two are useful.

Organizational goals are relatively difficult to define conceptually and also difficult to measure. The next outcome has a simpler conceptual definition, but is also difficult to measure. Evaluation related to the achievement of organizational goals will have a meaningful meaning if it is carried

out in an organization where the organizational goals are thoroughly understood by all organizational members who have the potential to become respondents. Organizational effectiveness is incomparable and the proposition that effectiveness is comparable tends not to be tested (Hannan and Freeman, 1977).

Simon (1964) defines goals as a premise that serves to provide input in the decision-making process and equate goals with preferences. The problem with defining goals is because goals can be identified using multiple perspectives. For example, the general purpose of a university is “research and teaching”, a correctional institution (LP) has a general purpose of “care and rehabilitation” and so on. This shows that each organization has goals that vary greatly from one another. Among government institutions that only function to serve the public, there are relatively high variations in objectives. This is exacerbated by the existence of private goals (special goals) for each organization which are often also referred to as operational goals that are more technical in nature. What is interesting about special goals is that there is a tendency that special goals are raised by the most dominant coalition in the organization. This perspective will be discussed further in this paper.

The next problem related to the meaning of organizational goals is the specification of organizational goals. Specifications in this case are interpreted as specificity or goals that are more specific and provide strict limits on the operationalization of the organization's goals. Often organizational goals have a very broad and general meaning. For example, the goal of a university is to “increase useful knowledge” or the goal of a police agency is to “protect the public interest”. These goals tend to have very broad boundaries and open up opportunities for the emergence of goals that are more specific. This phenomenon can be found in units in the organization or departments that have different support functions (Hannan and Freeman, 1977).

4. Organizational Effectiveness Construct Measurement

The use of organizational goals to measure organizational effectiveness by many researchers is intended to avoid bias that arises because of the objectivity of researchers. This is opposed and stated that the goal approach has a subjective tendency because it eliminates the values perceived or adopted by researchers. Furthermore, it is also stated that the goal as a norm that indicates the target to be achieved is a cultural entity, while the organization as a system that coordinates the activities of many actors is a social system (Yuchtman and Seashore, 1967).

The above statement indirectly opposes and rejects the use of a goal centered view approach to identify organizational effectiveness. The two main reasons put forward are that organizational goals are ideal conditions of an organization that are not easy or have little possibility to be achieved or fulfilled in real terms. The second reason is that organizational goals are cultural entities that appear outside the organization as a separate social system and cannot be attributed as properties of the organization (Yuchtman and Seashore, 1967). Steers (1975) stated various issues related to the measurement of the concept (construct) of organizational effectiveness. It is identified that there are 8 problems in measuring organizational effectiveness that must be considered, namely:

- ***Construct validity***

Construct is an abstract idea, not a concrete phenomenon. The construct is based on a hypothesis in which there are several variables that will work together to form a unified whole. In general, construct validation includes: (1) identification of the domain of the relevant criteria (eg productivity, satisfaction, profitability, and others). (2) determine the

pattern of how these variables are related or influenced by external factors. The problems that arise are related to determining the right criteria to represent organizational effectiveness. The criteria will vary depending on the reference. For business owners organizational effectiveness is profitability, for employees organizational effectiveness is satisfaction and for the wider community are social values. A valid and acceptable construct has not been found that represents all perspectives.

- ***Criterion stability***

The criteria used to assess organizational effectiveness differ from time to time. A measurement criterion will be good to use at a certain time period, but the same criteria will be less precise at other times. For example, the criteria for measuring the effectiveness of a business in good economic conditions is different from the criteria for measuring the effectiveness of a business in a bad economy. A possible solution to criterion instability is to develop a contingency model capable of anticipating changes in the environment or shifts in goals regarding organizational effectiveness. Developed more flexible criteria.

- ***Time perspective.***

Different criteria are used in the short, medium, and long term. Problems will still arise, because the time perspective problem is cyclical. The outcome of an achievement of organizational effectiveness at one time will be the input for the next organizational decision or action. Priority is given to ways to balance a short-term perspective with a long-term orientation in an effort to maximize stability and growth over time.

- ***Multiple criteria.***

There are a number of criteria that conflict with other criteria in measuring organizational effectiveness. For example, taking into account aspects of productivity and employee satisfaction, research shows that productivity can be increased, at least in the short term by maximizing the effort of employees, but that action actually decreases employee job satisfaction. This shows that the organization cannot maximize two different dimensions at the same time.

- ***Precision of measurement.***

It is assumed that in measuring organizational effectiveness it is possible to quantify concepts accurately and consistently. However, such quantification of concepts is difficult, because of the interrelation and complexity of the concepts.

- ***Generalizability.***

How one criterion used in assessing organizational effectiveness can be generalized to other organizations. For example, criteria for assessing organizational effectiveness in large business firms are inappropriate for nonprofits and public organizations.

- ***Theoretical relevance.***

In building the model, it is necessary to pay attention to the problem of its relevance to the theory. It is necessary to identify the purpose of the model and whether the model improves understanding of activities within the organization. A good model also serves to help make predictions about future behavior. It is questionable whether the model built regarding organizational effectiveness has met these requirements.

- ***Level of analysis.***

Many models examine organizational effectiveness and conduct analysis at the macro level, ignoring the link between individual behavior and issues related to organizational effectiveness. If the model developed regarding organizational effectiveness is intended to be a reference for managers regarding the decision-making process, then the organizational

effectiveness model should consider the relationship between processes that occur at the individual level and organizational behavior.

To overcome this problem, Steers (1975) suggests the use of flexible operative goals to anticipate or adapt to various variations of organizational goals. The operative goal meant here is not a static goal. The next suggestion from Steers (1975) is to assign a weight to each criterion that represents the difference in valence between each different goal. Furthermore, Steers also suggests using a contingency approach in measuring the construct of organizational effectiveness. We recommend that the analysis model used is a multivariate model and not a univariate model, this is important to identify the relationship between variables that affect organizational effectiveness.

5. Political Perspective in Measuring Organizational Effectiveness

In the process of measuring organizational effectiveness constructs, resource dependence theory perceives organizations as consisting of various groups that have different interests and power. This will potentially cause problems when the organization is required to respond to changes in the external environment. There is a tendency to dominate each other between these various interests which have an impact on the different responses that must be given to the external environment. Organizational coalitions are not the only rational instrument in discussing organizations, organizations as systems have activities other than coalitions created in achieving their goals. The most important thing for the organization is the contribution and participation of members of the organization through the management of various inputs, workforce, authority and collaboration to achieve organizational goals (Donaldson, 1995).

The multiple constituency model perceives the organization as consisting of various constituencies that have different interests. Organizational effectiveness is identified with the selection of the most appropriate constituents based on the perspective of each model. The question that arises is related to the preferences of various constituents in identifying organizational effectiveness. Next, the preferences of the constituent groups that must be met are identified in order to achieve organizational effectiveness. The four models developed in the multiple constituency perspective offer different answers to this question.

The political perspective is quite prominent related to the multiple constituency approach compared to the classical approach. Organizations are perceived to consist of various constituencies with different backgrounds and interests. Justification for effectiveness is no longer identified using organizational goals that reflect the ideal conditions to be achieved, but based on constituent preferences. Constituent preferences have a tendency to change over time. Each constituency group will compete to offer its preference for the criteria for measuring organizational effectiveness. Resource dependence theory tries to offer a method to sort requests from various constituencies based on their level of benefit to the organization.

6. Discussion

The resource dependence perspective departs from sociology and politics. Various basic concepts, among others; the organization consists of various coalitions (interest groups); the environment is assumed to have a variety of rare and valuable resources; power is obtained by controlling or controlling resources; the organization affiliates with other parties to reduce uncertainty about the availability of resources; Organizations can modify the environment through regulations, norms and laws. The unit of analysis in the resource dependence perspective is the organization, organizational success is measured by mastery or control over resources. The concept of

organizational design aims to facilitate the formation of coalitions to obtain resources. Coalitions can take the form of mergers, joint ventures, trade associations and so on (Ulrich and Barney, 1984).

Pfeffer and Salancik (1978) in the book *The External Control of Organization*, discuss how the organization's ways or efforts to survive, the main key lies in the organization's ability to control and maintain resources. This problem would be simple if the organization had full control over all the components needed to operate. However, no organization is completely self-sufficient to meet all its needs without interacting with the environment. The organization has power, which is related to its environment, to the extent that the organization has the ability to meet the needs of these elements and to the extent that the organization has a monopoly on that capability. Increased dependence can result in increased power, so this possibility is the basis for coalitions.

Resource Dependence Theory was originally pioneered by Emerson (1962). The theory is defined in the form of a causal relationship between the concept of power and the concept of dependence which is assumed to consist of A and B; A's influence on B is based on dependence on resources. Emerson saw that dependence can be understood as a major part of power. The concept offered by Emerson includes relations between actors, in the form of relationships between individuals, relationships between individuals and groups and relationships between groups.

It is stated that social relations are formed on the basis of mutual benefit. A is dependent on B if in the process of achieving its goals it is facilitated by activities carried out by B. In the context of this interdependence relationship, both parties (A and B) have the same position to give (facilitate) or refuse to contribute to the fulfillment of their respective goals. -each. This shows that the power to exercise control or the power to influence lies in the ability to control or control something that is considered valuable by other parties.

Dissatisfaction with the goal centered view approach and the system approach in measuring organizational effectiveness, led to various critical reviews that led to the development of various methods to measure these constructs. There is a new perspective called multiple constituency. The multiple constituency perspective refers to the main questions raised by Pfeffer and Salancik (1978) regarding organizations;

Who want what and how important is it that the demand be satisfied? And what are the implications of the satisfaction of one demand for the satisfaction of other demand? (p. 87)

7. Conclusion

Topics related to organizational effectiveness are topics that attract the attention and interest of researchers and practitioners in the field of organizational behavior. Organizational effectiveness is considered as a concept that can be used to provide an assessment of the aspects contained within the organization as a system. The results of the assessment will then be used as input for the organization's decision-making process.

Organizational effectiveness has problems related to conceptual definitions that are still ambiguous. Giving meaning to organizational effectiveness will be influenced from the perspective or theoretical basis used. Different perspectives in identifying the notion of organizational effectiveness will produce very varied meanings. Understanding organizational effectiveness will also be influenced by the background context and the characteristics of the organization concerned.

The classical perspective identifies organizational effectiveness based on the achievement of organizational goals (goal centered view) and the conditions and characteristics of organizational

components as a system (natural system view). The use of organizational goals as a measurement criterion of organizational effectiveness causes ambiguity regarding the identification of the goals of each organization. Organizational goals have a very wide range of dimensions and vary widely between organizations. The definition of organizational goals that are still ambiguous causes difficulties related to determining the criteria for measuring the achievement of organizational goals. Various dimensions related to the scope of goals that are general or specific, the time perspective used in determining organizational goals, the few measurement criteria used make it difficult to compare effectiveness between organizations.

There is a lot of dissatisfaction with the use of the goal centered view in identifying organizational effectiveness. Organizational goals are expressed as an ideal state that requires extraordinary efforts to achieve them. In addition, organizational goals are also perceived as a cultural entity whose existence is outside the organizational system and cannot be attributed as an inherent part of the organization itself.

A multiple constituency model was introduced that adopted a different perspective with a goal centered view. The multiple constituency model perceives the organization as a coalition of various interests. An organization is declared effective if it is able to meet the demands of its various constituents. The question that arises next is, which constituency whose demand must be prioritized to be met so that organizational effectiveness can be achieved. The four models that appear in multiple constituencies provide different answers according to the perspective of each model.

The interesting thing here is that the criteria for measuring organizational effectiveness, which originally consisted of various criteria, were simplified into a choice of actions that had political overtones. The manager or leader of the organization must determine which group or coalition must take precedence in fulfilling his request or demands.

The power model that fully adopts resource dependence theory states that the first thing to do is identify the level of importance or priority of each coalition in the organization. The order or ranking is arranged, then the party with the most important order is selected. The consequence of coalition domination according to resource dependence theory is ownership of power. Dependence on certain resources has implications for increasing power over those who have the dependence. The organization must play its political role to achieve its organizational effectiveness. The measurement criteria are no longer in the form of an assessment of the elements within the organization but are turning into politically nuanced actions to negotiate with various coalitions of interests that exist within the organization. The justification for effectiveness will depend on the perceptions of the constituents.

The next question relates to the implications of the multiple constituency model in measuring organizational effectiveness. Whether the justifications of the constituents will reflect the real conditions of the organization. There are two assumptions related to the use of the multiple constituency model, (1) organizational effectiveness will be determined by the results of political negotiations within the organization, (2) the perspective of managers, decision makers, or researchers as well as assessors will have a major role in determining which constituent groups will be prioritized.

Discussions related to the topic of organizational effectiveness will continue, because the forming factors are dynamic so that different time perspectives will result in different measurement criteria. Although various methods of measuring organizational effectiveness have been introduced, the goal centered view remains the main reference for researchers and practitioners in identifying



organizational effectiveness. It takes a construction model that can adopt multiple perspectives, is flexible over time and has adequate empirical evidence support.

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