Organisational effectiveness and what you need to know about it

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In the pursuit of organizational vision, there is but only one golden question that should be in every business leader's mind: Does the organization have the right people, processes, and structure in place to achieve its goals -- in the most *efficient* ways?

At the highest level of business, an *efficient* operating model is the cornerstone of successful strategy execution. It translates strategic intent into a blueprint for how the organization will deliver value. It includes design principles for how the organization will operate, how decisions will be made, and what behaviours will drive performance. An *effective* operating model enables organizations to deliver growth and scalability, improve customer experience, drive operational efficiency, and develop a sustainable business (Korn Ferry, 2021).

What is organisational effectiveness?

Organisational effectiveness is a construct that is grounded in the values and preferences of evaluators (Cameron, 2015). Therefore, no single and correct definition of *organizational effectiveness* exists. Several models or definitions of effectiveness have emerged in the literature, including the ideal type of bureaucratic model (*effectiveness* means matching the ideal characteristics of a bureaucratic organization), the goal model (*effectiveness* means accomplishing goals), the natural systems model (*effectiveness* means obtaining needed resources), the strategic constituencies model (*effectiveness* means satisfying important stakeholders), the internal processes model (*effectiveness* means high-quality internal processes), the paradox model (*effectiveness* means the presence of simultaneous opposites), and the abundance model (*effectiveness* means producing flourishing and virtuousness). The criteria for evaluating *effectiveness* in each of these models differ, but each has a legitimate claim to being a useful systematic approach to assessing and producing valuable outcomes (Cameron, 2015). It ensures organisational capability and develops teams by encouraging employees to collaborate within the company to achieve a common objective.

Definition 1

The organizational effectiveness points towards effective, prudent, and strategic use of all the organizational resources, namely, Human, Financial and Technological resources for creating competitive advantage. Organizational effectiveness also calls for creating sustainable growth and development by taking care of not only the shareholders' expectations but also the expectations of other stakeholders. It also means that management takes the right ethical decisions in the interest of all the stakeholders. - Jaharkanti Dattagupta (2014).

Definition 2

Organizational effectiveness which also aligns with organizational performance can be defined as the efficiency with which an association can meet its objectives. This means an organization that produces the desired effect or an organization that is productive without waste. Organizational effectiveness is about each individual doing everything they know how to do and doing it well; in other words, organizational efficiency is the capacity of an organization to produce the desired results with a minimum expenditure of energy, time, money, and human and material resources. The desired effect will depend on the goals of the organization, which could be, for example, making a profit by producing and selling a product. An organization, if it operates with efficient processes, will produce a product without waste. If the organization has both organizational effectiveness and efficiency, it will achieve its goal of making a profit by producing and selling a product without waste. In economics and the business world, this may be referred to as maximizing profits. - Jorge Morales Pedraza (2014)

It is a fact that performance automatically improves when the leadership system is at its best. The function of leadership includes defining the future, setting direction, becoming organized, creating strategies, implementing them effectively, clarity in directions, clear communication, alignment of goals, developing talent, building accountability, allocating resources, and delivering results.

An organization needs to have a clear mission and vision that can deal with the ever-changing industry and side-by-side to meet its goals. Remember it is human resources that prove advantageous, and it should be the priority of a business entity to retain, motivate, and develop them to achieve *organizational effectiveness*.

The distinction between organizational effectiveness and organization efficiency…
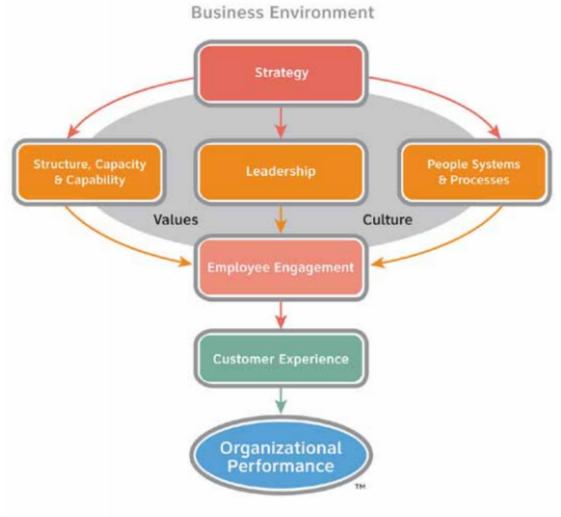
The primary difference between organizational effectiveness and organizational efficiency is that you can use effectively to evaluate just about every process that makes your business run. Efficiency, however, is always about the financial costs and the results of doing something. Efficiency is especially important when it comes to measuring the return on investment of marketing and sales. Organizational efficiency is all about figuring out how you can be more effective by using fewer resources, as well as less time and less money to achieve the common goal. Organizational efficiency is time-based, effort-based, and measurable. The main question you must ask when you're trying to determine efficiency is this: "How can I maximize the desirable results, using the least amount of money and time?"

How do you develop organizational effectiveness?

The challenge for organizations seems simple: align and engage your workforce with a clearly articulated strategy. However, this can be difficult to achieve. It requires a holistic, coordinated effort to put several key elements or building blocks in place.

Figure 1: Organizational Effectiveness Framework (Rights Management, 2010)

Business Environment

Strategy

Structure, Capacity & Capability — Leadership — People Systems & Processes

Values — Culture

Employee Engagement

Customer Experience

Organizational Performance ™

The key elements of *organizational effectiveness*, as illustrated in the figure above, are needed to drive employee engagement in an organization. Engagement influences the customers' experience and, ultimately, the overall performance of an organization in terms of productivity and profitability.

How do you develop (achieve) organizational effectiveness?

Through an integrated framework that addresses the following *organizational effectiveness* elements:

Strategy	The role, purpose, and strategic direction that summarizes the work of the organization and/or division being clear and appropriate.
Structure, Capacity, and Capability	Capable people doing the right work through a "fit for purpose" structure and clearly described role accountabilities and relationships.
Leadership	Leaders have the capability and capacity to drive sustainable business success.
People Systems & Processes	Leaders need to be supported by good people systems and processes. These systems and processes work in organizations to send messages, share information, and make well-informed decisions across the business. Organizational processes and systems are an extension of leadership, creating consistency and trust.
Culture & Values	A set of shared, basic assumptions about how to behave and carry out work within the organization that is aligned to business strategy. The systems, symbols, and behaviors that leaders and other employees are exposed to within an organization must align to the desired culture to achieve the business strategy.
Employee Engagement	High numbers of engaged employees whose hearts and minds are aligned with both the job that they do and the organization that they work for. Engaged employees are: • Satisfied with their current job and their organization as an employer. • Committed to making the job and organization successful. • Proud of their organization and the work they do. • Willing to positively talk about their job and the organization.
Customer Experience	High levels of customer satisfaction and loyalty achieved through employees being aware of customer needs, acting on customer feedback, and being supported to deliver what customers require. Organizations are environmentally responsible and support the community.

Integration of the first five elements will produce powerful and mutually reinforcing results: a true performance-based, customer-focused culture. No single initiative can create organizational effectiveness. Excellence is required across the full range of *organizational effectiveness* framework elements if competitive advantage strength is to be achieved.

Organizational effectiveness models

There are many ways to define organizational effectiveness. A model is simply a way of organizing ideas into a structure that provides a logical sequence of steps and outcomes. There is no one right way to organize information. You may need to make changes based on the nature of the problem.

- ## The Goal Approach

The first extensively used approach in the *organizational effectiveness model* is the goal approach. Its focus is on the output to figure out the essential operating objectives like profit, innovation, and final product quality (Schermerhorn, Hunt, R. N. Osborn, & R. Osborn, 2004). There are some basic assumptions for the goal approach. One of them is that there should be a general agreement on the specific goals and the people involved should feel committed to fulfilling them. The next assumption is that the number of goals is limited and achieving them requires certain indispensable resources (Robbins, 2003). As Altschuld and Zheng (1995) said the weakened significance of the goal-based approach for the evaluation of the effectiveness of research organizations and academic establishments is depicted in the accurate and clear measurement of the results. It is crucial in the vividness of the goals and output measures. The goal model is suitable only when these conditions are met.

• The System Resource Approach

The second approach is named the system resource approach which pays attention to the input of the figure. It explains the effectiveness from the point of view of the ability to obtain necessary resources from the environments outside the organization (Schermerhorn et. al., 2004). The application of system resources can be effective if a vivid relation exists between the resources which an organization receives and the goods or services it produces (Cameron, 1981). This systematic approach invites managers to consider the organization not only as a whole but as a part of a larger group as well. The dominating attitude is that any part of the activities of an organization affects all other parts (Mullins, 2008). Also, due to their quantitative features, the uses of input and output measures of effectiveness in the system resource approach seem appealing. However, they will not display the entire story of the performance, because it is not possible for new thoughts and discoveries to have an immediate and directly observable effect. It is also possible that the academic and research organizations will not give out outstanding results even after a long period of funding. Considering the prospect of making remarkable contributions in the future, and even though there may be no adequate evidence of effectiveness, founders may go on offering support (Altschuld & Zheng, 1995).

• The Process Approach

The third approach is known as the process approach which pays attention to the transformation process and is dedicated to seeing to what extent the resources are officially used to give services or produce goods (Schermerhorn et. al., 2004). By effectiveness, it is meant that the organization is internally healthy and efficient and the internal processes and procedures in that place are quite well-oiled. In an effective organization, there is no trace of stress and strain. The members are completely part of the system and the system itself works smoothly. The relationship between the members is based on trust, honesty, and goodwill. Finally, the flow of information is on a horizontal and vertical basis (Cameron, 1981). The trend of this approach in organizations is to fulfill the objectives by providing timely and sufficient information to the employees and employers. The collection of information and communication management is of major importance here (Kleijnen, Dolmans, Muijtjens, Willems, & Van Hout, 2009).

- ## The Strategic Constituency Approach

The fourth approach is the strategic constituency approach. It deals with the effect of the organization on the main stakeholders and their interests (Schermerhorn et. al., 2004). Based on this approach, effectiveness refers to the minimal satisfaction of all of the strategic constituencies of the organization. A strategic constituency involves all the people that are somehow connected to the organization. These people may have different roles such as the users of the services or products of the organization, the resource providers, the facilitators of the organization's output, the main supporters, and the dependents of the organization (Cameron, 1981). T. Dalton and L. Dalton (1988) noted that in environments in which it is not quite easy to define the cost-benefit relations, it is sensible to make use of the strategic constituency approach. This approach assumes an exhaustive attitude toward effectiveness and evaluates the factors both in the environment and within the organization. In this outlook, the concept of social responsibility is taken into consideration. This is the notion that was not formally paid attention to in the traditional approaches, but it is of crucial importance for organizations that are financially supported by national money. Policymakers continuously pay attention to social responsibility because the resources which are available for research and development have been growing smaller and smaller at all levels of organizations. Therefore, to evaluate how answerable an organization is to the stakeholders, there arises the question of accountability of business activities and outcomes to shareholder expectations.

It is important to note that the best model for any organization will depend on a few things:

- The organizational structure
- Its culture, people, and values
- As well as more typical organizational *effectiveness metrics*, such as employee performance, delivery systems, and leadership

How do you assess organizational effectiveness?

The main measure of *organizational effectiveness* for a business will generally be expressed in terms of how well its net profitability compares with its target profitability (Pedraza, 2014). Additional measures might include growth data and the results of customer satisfaction surveys.

Highly effective organizations exhibit strengths across five areas: leadership, decision making and structure, people, work processes and systems, and culture (Pedraza, 2014). For an organization to achieve and sustain success, it needs to adapt to its dynamic environment. Evaluating and improving *organizational effectiveness* and efficiency is one strategy used to help ensure the continued growth and development of an organization.

Measuring *organizational effectiveness* can be an inexact science since each entity will have a different list of criteria and priorities to weigh and consider through self-assessment (Shabbir, 2020). Understanding a company's level of *organizational effectiveness* is important for several reasons: it serves as a check-in to see how well internal procedures are meeting an initial vision, it provides investors, donors, or employees with an idea of the company's strengths, and it highlights areas of

ineffectiveness that can be the focus of improvements (Shabbir, 2020).

In many cases, a business's success or failure cannot be measured by [financial performance](#) as well. Even a company that is currently making a profit may be ineffective if it is failing to meet the core values of its mission statement, attract and retain talented workers, and plan for the next generation of projects.

Organizational effectiveness measures the big-picture performance of a business, across a broad range of criteria. Financial performance, long-term planning, internal structure, and adherence to core values may all be critical components in understanding *organizational effectiveness.*

An efficient performance accountability system combines planning and budgeting with analyzing, assessing, and reporting results in order to improve program, operational, and cost-efficiency performance.

To get a clear idea of an [organization's effectiveness](#), it is important to create a clear list of criteria to assess (Pedraza, 2014). No two organizations will have the same list of criteria, which is why many for-profit and non-profit groups measure effectiveness through self-assessment. Employees and company personnel are often in the best position to intimately understand the needs, goals, and performance of their company. Self-assessment of effectiveness can also help company personnel reconnect with the initial mission of an organization (Pedraza, 2014). By working creatively to invent new business strategies for areas of ineffectiveness, workers may develop a stronger sense of loyalty, purpose, and dedication to the job.

Since *organizational effectiveness* is difficult to express in a concrete formula, a company may choose to state the results of an assessment through specific goals achieved or desired. Turning up areas of ineffectiveness can also be tremendously beneficial to an organization. Areas that need improvement give a company a concrete strategy for the future and allow workers, shareholders, donors, or customers to get excited about the improvements coming down the pipeline (Shabbir, 2020). Treating current weaknesses as a road map for future changes is a great way to increase effectiveness.

Conclusion

Organizational effectiveness can be associated with the achievement of goals. Strategies for organizational effectiveness vary from industry to industry. However, there are some important factors relevant to the success of every organization such as human capital, customers, quality of products and services, and effective use of technology. Today's business environment moves faster than ever. Building a business model around characteristics such as these will help your organization stay more efficient, effective, and profitable in the years to come.

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