

RESEARCH

Measuring effectiveness

Assessing organisational effectiveness is like wearing the emperor's new clothes – we know it's flawed but we keep doing it, writes *Greg Van Mourik*.

For starters, defining 'effectiveness' itself is an issue. Is it, for example, about achieving goals, using resources efficiently, or satisfying stakeholders? Different models shed light on different aspects of what it means to be effective at the organisational level. For example, an organisation with clearly defined, measurable goals is best assessed using the rational goal model, while an organisation with more ambiguous goals could be assessed by other methods.

Much of the controversy around organisational effectiveness research is due to the fact that a lot of the research assumes that organisational effectiveness is a

single variable. More recent approaches have seen an increasing use of multi-dimensional conceptions.

Another issue is whether organisational effectiveness is objective or socially constructed. If it is socially constructed, then it is determined by stakeholder judgements formed in an ongoing process of sense-making and implicit negotiation. This raises issues as to the comparability and reliability of effectiveness measures of different organisations and the degree to which repeated measurement gives similar values.

EMPIRICAL ISSUES

Determining suitable empirical criteria to measure a particular theoretical conception of effectiveness can be problematic. With goal achievement, for example, the best criteria may not be to measure the extent to which an organisation achieves its official goals, but the extent to which it achieves its defining goals.

It can also be argued that the combination of criterion is a value judgement, since there is no algorithm or higher order truth to which we can appeal. The result is that, as the research is repeated, differ-

News brief: Sugar supply

A new study has found that a raft of regulatory, structural, cultural, historical and logistical factors in the sugar mills of India's Punjab region makes imposing a supply chain management (SCM) model used by developed nations very problematic.

Along with substantial government intervention, other issues like human capital, location, personal contact networks and financial resources also add to SCM inefficiency. Findings were drawn from intensive personal interviews across two private and three cooperative mills. Those interviewed included the Manager/Director, Cane Development Officer, Accounts Officer (also handles sugar sales) and about 25 local farmers. Further information was garnered from statistical abstracts of Punjab and economic surveys of India.

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This paper was presented at the 8th International Research Conference on Quality, Innovation and Knowledge Management, New Delhi, 11-14 February 2007

DECISION-MAKING

Too much info!

The gap between the volume of information and the tools we have to assimilate it is known as 'information overload'. This phenomenon has five influencing factors: **1. Personal factor information (PFI)** such as individual attitude, qualification, experience, processing capacity and motivation level; **2. Information characteristics (IC)** such as information quality, quantity and frequency; **3. Task and processes (TP)** which represents standardised procedures; **4. Organisational design (OD)** which includes countermeasures such as co-ordination, processing capacity and creation of lateral relationships; **5. Information technology (IT)** application which includes countermeasures such as intelligent information management, preferring push

ent results arise according to whatever value judgements were originally made.

In the past, researchers have measured overall effectiveness by weighting each set criteria values and then adding them up so that a criterion increment results in the appropriate organisational effectiveness increment. In practice, organisations select the strategic goals from a fairly limited set of criteria, like profit, efficiency and job satisfaction. While this criteria is not fully representative, it is still of great value at these lower levels.

Other noteworthy issues relate to criterion stability, time perspective, measurement precision and level of analysis. Criterion stability recognises change, while time perspective questions how short run should be considered in conjunction with long run indicators. Meanwhile, levels of analysis acknowledge the relationship between individual or departmental behaviour at the micro level and organisational effectiveness at the macro level.

RESEARCH OPPORTUNITIES

Integrated, multi-dimensional models recognise that overall effectiveness is about the interaction of many performance-related indicators and draws together goal orientation, internal process and systems, and stakeholder perspectives. They also use objective and

perceptual measurements, thus mitigating the possibility that an objective measure may suggest one thing and a perceptual measure something else.

Meanwhile, hierarchical linear modelling is appropriate for nested data and can reveal variations at management and program levels, or individual and organisational levels, thereby avoiding bias research when data is aggregated or disaggregated.

It is also appropriate to recognise the differences in organisations. Cluster analysis identifies sets of organisations that share a common profile. Thus, analysis of effectiveness can proceed by comparing effectiveness within individual clusters and between clusters.

Finally, data envelopment analysis captures the complex interplay between multiple outputs and inputs, without resorting to an arbitrary weights or limiting assumptions. Because analytical process identifies organisations with similar profiles, performance can be compared relatively to enable comparisons based on productivity or efficiency.

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to pull technologies and filing systems. The questions posed in this study were: **1.** Does effective decision-making (EDM) need all five constructs? **2.** Do all five constructs contribute to EDM processes?

A random sample of 200 managers from 35 Fijian organisations were polled and 104 respondents revealed that decision-making is not straightforward but is quite individual. Information overload is a root cause of poor decisions but can be controlled with high value, convenient information. All five factors mentioned above greatly influenced decision-making. Managers also agreed that all the countermeasures of these factors helped reduce information overload and ultimately improved EDM.

In regards to the second question, only PFI (time management, training, personal information management skills, priority setting and information screening skills) and TP help in decision-making. While

earlier studies simply stated that a person's capacity to process information is limited, other studies include specific limiting factors such as personal skills, the level of experience and motivation.

The cause of information overload may be related to task and process problems, hence impacting on decision-making. TP (standardised operating procedures, collaboration with information specialists within the process teams and use of facilitators or collaborative tools) is significantly associated with EDM.

IC, OD and IT were not found to be significantly associated in this study. The scale items under IC (brand names and customisation of information) are higher order countermeasures that might not be so relevant. Meanwhile, scale items under OD (creation of lateral relationship and reducing divergence) are beyond the practice of most Fijian managers.

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