

ORGANISATIONAL RESEARCH

Measuring effectiveness

While many say “The research of organisational effectiveness is like wearing the emperor’s new clothes – we know it’s flawed but we keep doing it”, there are ways around the flaws 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 reliability and comparability of effectiveness measures of different organisations.

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 the extent to which an organisation achieves its explicit official goals, but the extent to which it achieves its implicit operating goals.

It can also be argued that the method of combining criteria in order to represent effectiveness is a value judgement, since there is no algorithm or higher order truth to determine it. The result is that, as the research is repeated, different results may arise according to whatever value judgements were originally made.

In the past, researchers have measured overall effectiveness by weighting each criterion value and then adding them up. In doing this it is hoped that an increment in the weighted score corresponds with an increment in organisational effectiveness. An alternative to weighting, given in practice that organisations select strategic goals from a fairly limited set of criteria, like profit, efficiency and job satisfaction, is to use these criteria individually. While any one of

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these criteria is not fully representative of the overall effectiveness of the organisation, they may still be of great value in research.

Other noteworthy issues relate to criterion stability, time perspective, measurement precision and level of analysis. Criterion stability recognises that indicators of success are likely to change over time, for instance as economic conditions change; while time perspective questions how short run should be considered in conjunction with long run indicators. The issue of measurement precision recognises that measurement errors are made when, for example, responses to survey questions or staff turnover rates are used to measure employee satisfaction. Finally, the levels of

analysis issue acknowledges the flaws that are likely to happen if by studying the organisation level, researchers ignore the critical relationship between individual or departmental behaviour at the micro level and organisational effectiveness at the macro level.

RESEARCH OPPORTUNITIES

However, there are now a number of techniques that can result in insightful research which is of practical value to organisational managers today.

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.

To accommodate issues surrounding levels of analysis, 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 when data is aggregated or disaggregated.

It is also appropriate to recognise that differences exist between organisations in a number of ways, for example in their contexts and value systems. Cluster analysis identifies sets of organisations that share common profiles. 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 resort to an arbitrary weighting scheme as mentioned earlier or to making limiting assumptions about the variables being examined. This form of analysis enables comparison of organisations on the basis of productivity or efficiency related indicators.

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ONLINE FORUM

Collaborative innovation

In February 2008, Prime Minister Kevin Rudd said: "As I roll around Australia and talk to people, there's a whole bunch of ideas out there amongst our brightest and best... there's a bunch of expertise outside government, and we need to call forth the talents and energies of the nation."

The Australia 2020 Summit on April 19 and 20 will bring together 1,000 Australians to help shape a long-term strategy for the nation's future.

To participate in a nationwide discussion of the Australia 2020 Summit issues, log on to the Wisdom of Oz website www.wisdomofoz.com.au, a joint project developed by Monash University's Faculty of Business and Economics' Social and Economic Interface Research Network (SEIRnet) and Brandaide Communications.

"Unlike blogs and social networking sites that generate data without insight, the Wisdom of Oz uses specialised analysis tools and algorithms to identify the real issues that are critical to all Australians," Professor Charmine Härtel from Monash University's SEIRnet says.

The Wisdom of Oz will allow people to post their suggestions on any of the 10 future challenges identified by the Government, comment on the suggestions of others and start 'Open Talk' on topics not included by the Government in their 10 future challenges.

Guy Carvalho, CEO of Brandaide Communications, says, "Unlike the Federal Government's 'email us' style of feedback, our online community allows all submissions to be viewed by anyone for comment, agreement, disagreement or enhancement and facilitates many-to-many dialogue, rather than one-way chatter."

Also bookmark: CEDA 2008 Innovation Forum: Towards a clever culture and streamlined innovation frameworks for a competitive Australia. Melbourne, Friday May 23. www.ceda.com.au