

**Designing Work Organization**  
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**Lecture-6**  
**Assessing Organizational Effectiveness-1**

In this particular session, we will talk about the assessing the organizational effectiveness and in the first we have to understand that is what is the effectiveness and the efficiency and who decides to determine the organizational effectiveness, indicators to measure the effectiveness, approaches to measure the organizational effectiveness that is about the goal approach, the resource-based approach is there and as usual we will discussing about the case study, research papers, book recommendations and the references are there. So, we will start with this particular quote that is the operational effectiveness and strategy are the both the essentials to superior performance is there. Earlier session we have talked about that is operational strategies are there and that is a task and activities are there. So, you can decide that these will be the task, this will be the activities which you will be using for achieving the operational goals. But if there is not the outcome as per the expectation, then we will say that is a strategy was good, but there is no effectiveness. So, to avoid this we have to understand how what is the effectiveness and what is the efficiency and how to achieve the effectiveness and efficiency.

So, effectiveness is the broad concept, it implicitly takes into consideration a range of variables right and at both the organizational and departmental levels. So, effectiveness evaluates to the extent to which the multiple goals whether the official or the operating are attained are there. So, effectiveness is that is the right things to do that is the input is right and the output is right. Efficiency is that is the you are making the lesser input and there the more output is there.

So, efficiency is more limited concept that pertains to the internal workings of the organization. Organization efficiency is the number of resources used to produce a unit of output is there. So, if one organization can achieve a given production level with the fewer resources, then the another organization it will be describes as the more efficient is there, like here you find the difference into the size. So, the size difference into these the input is there. So, this is the input and this is output is there.

There is another organization suppose this is A organization, when we talk about the B organization and the B organization is having the better input is there, more input is there. Then in that case, we will say this B is more efficient than the A is there. So, it is always important that is the what we are going to make the sure that is this is efficiency is going

to be the lower or the higher is there and input. So, here when we talk about the number of inputs are there. So, these number of resources whatever number of resources there.

So, minimum number of resources and the maximum output is there, we will say it is having the better efficiency is there. So, here another organization which is having this comparatively what input and what output and accordingly we will say which organization A or B is more efficient in the using the resources are there. Sometimes efficiency leads to the effectiveness, but in other organization efficiency and effectiveness are not related in an organization may be highly efficient, but fail to achieve its goal because it makes a product for which there is no demand. So, here in that case, you will find this particular example and in this example, you have seen that we are talking about this is the bigger one. So, you will say yes, this organization is more efficient, but the point taken here is that is the it might be leads to effectiveness, but maybe highly efficient fail to achieve its goal, it makes a product for which there is no demand.

So, you are making a bigger product, you are making the more products, you are very efficient, but in the market there is no demand. So, therefore, there is no point to be efficient like this. So, it will not give you any actually the mileage. So, we have to be very careful that is we should not go just by the efficiency which has the no use. So, otherwise you are busy into a one task very efficiently you are doing that task, but that is not demanded, you have to understand this particular difference.

For example, one regional fast food change wants to increase the efficiency decided to reduce the food waste by not cooking any food until it was the ordered and the more reduced the chain's cost, but it also leads to the delayed service and the irritated customers and the lower sales are there. So, overall effectiveness is difficult to measure in organization. Organizations are large, diverse and fragmented. They perform many activities simultaneously pursue the multiple goals and generate the many outcomes some intended and some are the unintended are there. So, overall effectiveness is difficult to measure of the any organization is there because you have to understand that is the what are the tasks are there at what cost this task are performed and even the task are performed very efficiently, but then it we have to be very careful.

So, four approaches to measure the organizational effectiveness are there the goal approach, the resource based approach, the internal process approach and the strategic constituents approach are there. And therefore, in this case, when we are talking about the efficiency or organizational effectiveness is there, then we have to understand the resource based approach is there. In the resource based approach, you will find that is the inputs are there, here are the inputs. Now these inputs, then they are giving to the

internal process is there and in the internal process the activities and processes and that will give you the output is there, the products and services are there. So, this is the input, this is the process and this is the output is there.

Now, in this case, you have to understand when you have to measure the organizational effectiveness, then you have to strategic constituents approach is there. Overall all these aspects, your supplier, creditors, resource persons, the employees, donors, government, they are your internal activities and processes are there and the your outcome is the customers and the community is there. So, this is an umbrella and this umbrella will be creating this the what type of the your organization you are going to develop. So therefore, here it is important whether you are going into the right process or the right resources or into the right output is there. So overall organizational effectiveness and that will be decided on the basis of that is the how you are making these particular aspects of the organizational effectiveness is there.

When you are going for these particular organizational effectiveness, then definitely in that case you will find that is you are able to go for these particular dimensions of these organizations effectiveness where you can take the decisions for making the more efficient and the more effective organization. So, the key people in charge of the organization such as a top managers or the these board members may have to concise a decision about how they will be determined the organization's effectiveness is there. So, organization effectiveness is a social construct and meaning that it is created and defined by an individual or group rather than the existing independently in the external world is there. So, always we have to understand that is whenever we are talking about the organizational effectiveness it is the within the group, it is not independent. So therefore, organization is a part of community, organization is part of a society and it is having the interaction, interaction of the organization with the community and society.

So therefore, you have to be very clear that it is a social construct. An analogy from the baseball that clarifies the concept of the story of the three empires explaining how they call balls and strikes. The first says, I call them as they are, the second says I call them as I see them and the third takes a social construct approach and says they are nothing till I call them. So therefore, similarly the organization effectiveness is nothing until the managers, stakeholders they call it. So, unless and until the society does not respond.

So there is no question of your product. So therefore, in that case the existence of the organization is called by the society is there. So an employee might consider the organization is effective if it issues are accurate the paychecks on time and the provides the promise benefits are there. Because employee is working for the salary and if he is getting the salary and perks and benefits timely, he will say organization is very effective.

A customer will say if it provides a good product at a low price is there, then he will say yes organization is very effective.

And a CEO might consider the organization effective if it is profitable is there. So everybody is having its angle and therefore, in that case it is the providing a particular the goal of the stakeholder, whether it is an employee or customer or CEO and they will define the organizational effectiveness as they call them. So effectiveness is always the multidimensional and thus assessments of effectiveness are typically multidimensional as well. So managers in business typically use profits and stock performance as indicators of effectiveness, but they also give the credence to the other measures such as the employee satisfaction or the customer loyalty is there. Normally there are the 15 indicators to measure the effectiveness is there.

And managers of the large multinational organizations reported using to this assess the effectiveness. First and foremost is and that is about the meeting deadline on time delivery is there. So whenever you are having that on time delivery, then definitely your organization is effective. If we delayed then definitely we will say that is then organization is not effective. Timely material and equipment acquisition is there.

So therefore, in that case the raw materials, material supplied and the machineries they are timely available organization is effective. Customer satisfaction are the number of complaints. So therefore, if customers having the more complaints organization is not effective. But when the customers are having nowadays the feedback and then you take especially in the service industries you find on the social media, you will take the comments of the organization about the services and all and then the customer satisfaction is very high, the reviews are there, then the organization is more effective. So, material share compared to the competitors are there.

Employees training and development is there that is the number of hours are there. Because with periodically and right from beginning I am talking about that organization designing is flexible and when it is flexible provide the training and development. What you were yesterday, if you are not improved today, you are finished, you are nowhere. So therefore, in that case your effectiveness that will be depending upon that is the what type of the training and development you are providing each and every day. The staying within the budget is there, shareholders satisfaction is there, reduction in the cost, supply chain delays or improvements is there.

Nowadays, there is lot of focus is done there on the cost leadership. In the previous session, I have talked about the cost leadership and in this cost leadership you will find that is it is depending upon that is the whether you are going for the low cost or the high

cost as a differentiation whatever you are making is there. But it is very important that is the you are having the reduction in cost and supply chain delays are the improvements are there. Productivity is a dollar spent for the each unit of output, employee engagement, how much the employees are engaged, achieving sales targets and the product development cycle time reduction in the cycle time is there and the number of hours, days, etcetera to complete task is there. So, these are the initial items derived from the interviews and team effectiveness in multinational organizations, evaluation across context is there and this is a group and organizational management's journalists volume 28 number 4, December 2003 on the page numbers are 444 to 474.

They have talked about that is the what are the measure of the effectiveness is there and on basis of this effectiveness these parameters. However, you can create your own parameters. So, these all are the indicative parameters are there where the most of the large multinational organization at least include these parameters and many more. Measuring the organizational effectiveness as a goal approach is there. So, goal approach is to effectiveness consists of the identifying an organization's output goals and assessing how will the organization has attained these goals are there.

So, this is a logical approach because organization do try to attain certain levels of the output, profit or the client satisfaction. So, the goal approach measures the progress towards the attainment of these goals are there. So, everything is focused towards the goals. Every stakeholder who is connected with the organization, he is connected with the organizational goal, whether it is a overall vision vision goal or it is an operational goals are there, but everyone is concerned with the goal approach and achievement of goal. Unless and until that is the goal approach indicators are not there, then you will not be able to get the recognition of the efficient organization.

The important goal to consider are the operating goals because the official goals mission tend to be the abstract and difficult to measure because they are value based. I have talked about this in the previous session that is these the organizational goals are the value based goals are there. So, operating goals reflect the activities organization is actually performing. So, indicators tracked with these the goal approach include the profitability, the positive gain from the business operations or the investments of the other expenses are the subtraction. So, here whenever we are talking about the profitability, it is always gain whatever you are there and whatever the investment you have subtracted.

So, market share is the promotion of the market, the firm is able to capture the relevant to the competitors are there and that is the goal related to the market share is there. Then the indicators are there, the growth is there. So, if the growth is there, then organization

is efficient, ability of the organization to increase its sales, profits or client base the overtime is there. Social responsibility is there, this serves the interest of the society as well as itself is there. Product quality is there, the ability of the organization to achieve the high quality in its products or services and therefore, in that case, the growth, social responsibility, product quality all are concerned with whether they are providing the services and organizational effectiveness or not.

So, measuring the organizational effectiveness that is a usefulness, the goal approach is used in business organization because the output goals can be readily measured. The government to assess its performance on the various targets by using its goal approach is there and goal approach in businesses as well as in the government initiatives, identifying operating goals and measuring the effectiveness are not always easy. So, the two problems that must be resolved are the issues of the multiple goals and the subjective indicators of the goal attainment are there. Since the organizations have multiple and something conflicting goals, the effectiveness cannot be assessed by a single indicator. High achievements of one goal might mean the low achievement and another goal is there.

So, the other issue to resolve with the goal approach is how to identify operating goals for an organization and how to measure the goal attainments. For business organizations, there are often the objective indicators for the certain goals such as the profit or the growth is there. So, there should not be a conflict between the organizational goals and the operational goals are there. So, when we talk about the goal approach is there, then the goal approach is hanging in the attainment of the overall business organizational goals with the certain parameters are there. Now, the another approach for the measuring the organizational effectiveness, those 15 indicators, I have already mentioned about those 15 indicators by which the organizational effectiveness is measured.

Now, this is the another approach and this approach is called the resource based approach is there. In the resource based approach looks at the input side of the transformational process. So, when an organization has to be transformed, you want to make the changes in your organization. So, it assumes must be successful in obtaining and managing the valued resources in order to be effective. I would like to give example that is the downsizing, downsizing of the manpower, then in that case, if this is the goal, then the organization must be will be successful only when the valued resources are there.

For example, voluntary retirement scheme, the VRS has been introduced and what has happened is in the VRS, those who are the staff performers they have applied. So, you were not able to retain the valued resources rather than the valued resources are the float

away which is not right and because of strategically valuable resources give an organization a competitive edge is there. So, be careful, there is a strategy which you are creating for making your organization more effective, you are required to be the more concerned with that particular competitive edge is there. Now, we are develop a strategy that seeks to exploit the firm's existing resources, capabilities and the core competencies. Relative to the external opportunities and are seek to exploit new ones that need to be developed.

So, strategies, business capabilities and resources are there and definitely it has been giving you these core competencies there. So, one side you are using what are the resources inputs for the each capability process, people and the technology is there, people process and technology whenever you are using, then you are using making this particular use of resources and these resources are giving you the business capabilities. And whenever you are developing those business capabilities and with the help of the strategies, you are able to develop a core competency. A core competency is creation of a strategic architecture and the both current states and the future states that will give you the success. So, sources of the sustainable competitive advantage will give you the core competency of your organization and that is possible whenever measuring the organizational effectiveness from a resource based perspective.

Organizational effectiveness is defined as the ability of the organization in either absolute or the relative terms to obtain the scarce and valued resources and successfully integrates and manage them. So, whenever you are integrating your men machine material and money method and minutes, then you are required a very creative and creative you making the utilization of your resources and developing for them that is the what will be the output. Obtaining and successfully managing resources is the criteria by which the organizational effectiveness is assessed in a broad sense. A resource indicator of the effectiveness encompasses the following dimensions. Bargaining position is there, the ability of the organization to obtain from its environment and the scarce and valued resources.

So therefore, in that case, no organization is having the free resources and therefore, an environment scarce and the valued resources are required including the tangible resources are there. So, measuring the organizational effectiveness resource based approach in the abilities of the organizations are decision makers, I already mentioned that is the if you want to be more efficient and effective organization, you require a creative people in your organization. So, decision makers to perceive and correctly interpret the real properties of the external environment and supply forces are there. So, the abilities of the managers to use the tangible and intangible resources are there and specially in case of the intangible resources and that is the capabilities of the manpower, what knowledge,

skill, qualifications they have and what capabilities they have. So, therefore, in these days to day organizational activities to achieve the superior performance is there.

The ability of the organization is to respond to changes the resource sectors of the environment is there and that is the organization from the environment, how much it is able to develop those resources, it will make it more effectiveness is there. Now, here I would like to take a case study and a case study of the this Tata Nano. So, India automobile industry is dynamic change with the advice of the Tata Nano and as you know that is the we know that is Tata is an organization which is totally based on the social philosophy and that is working for the nation and that is working for the people those who are employee oriented and making ensuring that is the social values are the remain intact. So, the fast growth of the automobile industry in the India in recent years can be attributed to the socio economic development and just these however, this case study of the Nano will talk about the different dimensions and I know that is the some people will be having this perception that is the these small car the project that has initiated the concept of these the economic size of these cars and they as a result of which the in the growth in the country that has been expanded for the in the automobile industry for the people those who are looking forward for the this type of the facility. So, growth in the segment at the competition from the both local and the foreign players is there.

In an attempt to win the this is the fierce competition automobile manufacturing got to engage a battle that they miss the low and mass market and the manufacturing of this segment targeted. And the demand of the personal mobility saw a boost as a result of the socio economic development. Two wheelers were the entry level choice for such Indian families who wishes wish to enter the world upon the motor vehicles. The Tata Nano was thus conceived to appeal to this vast population of people neglected by the automobile industry. While traveling in this car, a rainy afternoon in Bangalore in the year 2002 Ratan Tata encountered a scene typically witnessed on the Indian roads a family of four on scooter, the father driving and one child between his legs and the mother seated at the back holding the on to a baby in her arms.

And this proved him to come up with the idea of safe, affordable and the all weather transport. And thus come the idea of using the scooter parts to build a four wheeler vehicle, different platforms chassis, engine, transmission, powertrains and the materials were used by the team. In their attempt to build a rock bottom low cost car, which would meet the rupees one leg the price point. After all their experimentation, the team reached the conclusion that the although the great and the technology innovations could not be used to build a one leg car on a scalable basis. The team faced many challenges and with the technology being only one of the many, the more difficult challenge was to create a



real car and that would not be perceived as a toy car due to its cheaper build by the Indian masses.

For example, in spite of these good intentions and its having met all performance and the safety standards, a car made of the plastic would be perceived as a toy car by the Indian buyers. So, several design proposals were turned down by the Ratan Tata after which the team realized that they needed revolutionary way of designing and building a car. Since the cutting cost around boards to create a low cost car would not be enough to enrich the Indian customer. So, therefore, the car needed to come with the promises of the guaranteeing offer social mobility if it inspired to be the embassy by the Indian buyers. To lower the cost of the car for the users the team did not limit itself to product innovation, but went a step further by reducing the total cost of the ownership and did by not only lowering the unfriendly price of the purchase, but also lowering the fixed monthly expenses and operating expenses after sales, services and maintenance as well as the interest repayments on loans are there.

Prices of oil, metal and other commodities, witness and unexpected steps rise in the spring of 2008. As a result of this the price of its derivatives also increased and this led to an increase in the cost of manufacturing and transportation. As a team of Tata Nano was well on way of achieving the cost target, the project team was forced to go back to the drawing board and reassess the cost of the every single item to figure out the further prospects of the cost cutting and the 6 months before their scheduled start of the production. And then less than a year before the commercial launch of the Tata Nano. So, pricing of every item with the key suppliers was the also they are renegotiated.

In order to help Tata Motors achieve their cost target, the all suppliers the series of the deliberations agreed to cooperate by not only keeping their original prices, but also engaging in further cost reduction. The challenge that almost derailed the project however came from a completely different source. Tata Motors was a corporation that has a strong reputation for the social responsibility as I mentioned earlier. Therefore, the management proposed to locate the manufacturing facility of Nano in one of the poorest areas in the country aiming to create jobs for the local community. They believed that doing so would help to generate a socially and economically lagging part of the country.

So, Singur, West Bengal was selected for this purpose as the government of the state to offer Tata Motors attractive incentives for setting up their manufacturing plant, there in anticipation of the employment opportunities and economic prosperity if it would be brought to their local community. Since the time of Tata Nano's commercial launch was approaching, the need for an interim manufacturing site was failed at the time the plant in Sanand was being built the Tata Motors and the stock plant located in the Pantragar

agreed to shoulder this responsibility. In less than the 4 months Tata Nano's team was able to manage to roll out 5 cars although heroic the process of relocation inevitably lead to sustainable additional cost for Tata Motors. Further it distracted the management from its original strategic plan and the distribution plan is there. Initially, the car reached to the existing car owners who were looking to buy a second cheaper car rather than the two wheeler owners aimed at the since they were too hesitant to walk into a large car showroom.

As a result, the perception of Nano changed from being a people's car to the cheapest car something which did not go down well with the two wheeler owners who were not only looking for the better mobility, but also an upgradation in their socio economic status. This is the research paper. So, from these above the case study, we understand the strategies which you design and then you have to understand that what will be your efficiency and what will be your effectiveness and then as we said that is the efficiency does not mean that is you are producing a big product from the minimum resources, but also that is the effective that is there is a demand for that particular product also. So, visionary leadership and its relationship to the organizational effectiveness is there. In this particular paper, the purpose of this to investigate the relationship between the visionary leadership and the perception of organizational effectiveness.

In nonprofit organizations, leaders with the high levels of transformational leadership were predicted to be reported as having the more effective organizations are there. These papers finding that is the visionary leadership and the perceived organizational effectiveness regression analysis also showed some significant correlation between the high leadership behavior and the perceived organizational effectiveness. Visionary leaders with the high leadership skills and facilitated the greatest and the perceived organizational effectiveness in their respective organizations are there. The application of this particular study which may be adopted visionary leadership and this style visionary leaders and the skills to typically impact on organizational effectiveness. And the existing literature focused on these relationship between the leaderships child and the organizational effectiveness is there.

So, as we discussed in the previous session that is about that is how your efficiency and effectiveness that will depend on your creative people, creative leaders. This is a book recommendation on organizational effectiveness, a comparison of the multiple models and in this book written by the Kim S. Cameron and David A. Vatten, I am sure that is you will be able to understand how we should be measuring the effectiveness and how we should be enhancing the effectiveness of the organization is there. In scholars and researchers measure the organizational effectiveness who face with the problem of managing and improving their organization's effectiveness.

These are the references for your further studies that is you can understand how organizational effectiveness that can be measured and that can be improved for your organization. These all references will help you for this particular concept. Thank you.