

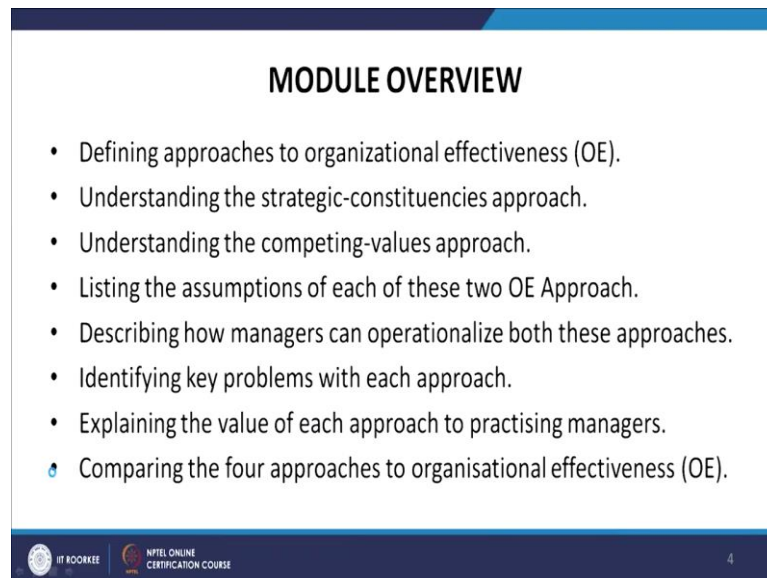
Organization Theory/Structure and Design
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Lecture - 07
Organizational Effectiveness – III

Welcome to this course Organization Theory/Structure and Design. Now, we will talk about module 7, we are discussing the part 1 of this course that is Introduction to organization theory and we were talking about Organizational effectiveness.

We have talked about organizational effectiveness in module 5 and 6 also. And in this module, module 7, we will still continue to talk about organizational effectiveness. So, let us see what are the things that we will cover in this module. So, we will start with defining approaches to organizational effectiveness.

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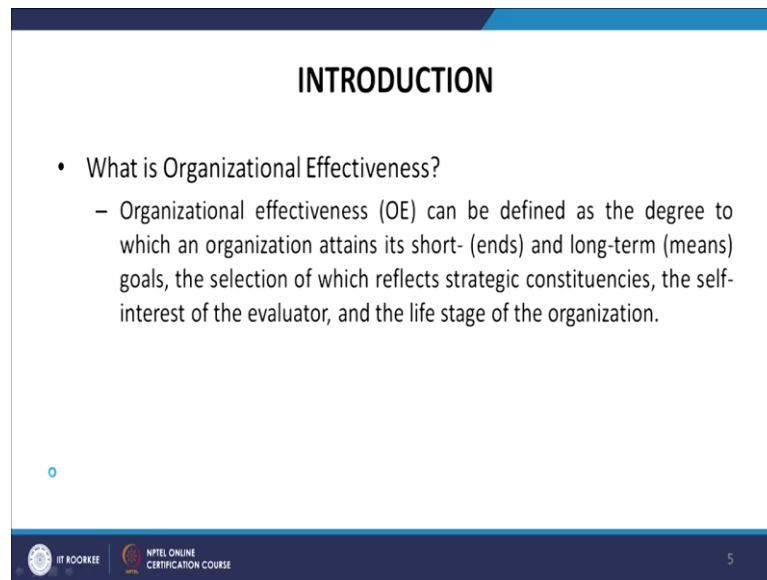
MODULE OVERVIEW

- Defining approaches to organizational effectiveness (OE).
- Understanding the strategic-constituencies approach.
- Understanding the competing-values approach.
- Listing the assumptions of each of these two OE Approach.
- Describing how managers can operationalize both these approaches.
- Identifying key problems with each approach.
- Explaining the value of each approach to practising managers.
- Comparing the four approaches to organisational effectiveness (OE).

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Then, we will understand the strategic constituencies approach, the competing values approach and then, list the assumptions of each of these two OE approaches; then, we will describe how managers can operationalize these two approaches; then, we will talk about identifying key problems with each of these approaches; explain the value of each approach to practicing managers and then, compare the four approaches to organizational effectiveness. Two approaches, we have talked about earlier and two, we will talk about in this module.

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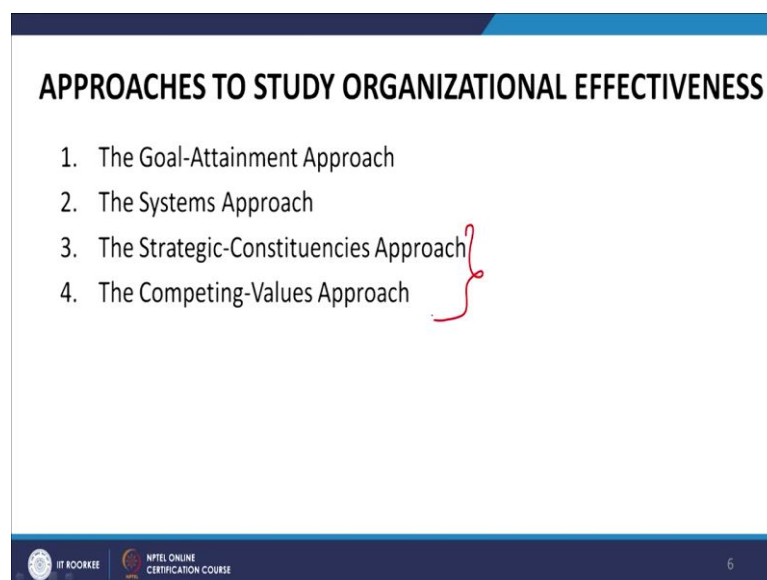
INTRODUCTION

- What is Organizational Effectiveness?
 - Organizational effectiveness (OE) can be defined as the degree to which an organization attains its short- (ends) and long-term (means) goals, the selection of which reflects strategic constituencies, the self-interest of the evaluator, and the life stage of the organization.

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So, to start with what is organizational effectiveness? Just a quick recall. Organizational effectiveness can be defined as the degree to which an organization attains its short-term goals that is the end and long-term goals that are the means, the selection of which reflects the strategic constituencies, the self-interest of the evaluator and the life stage of the organization.

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APPROACHES TO STUDY ORGANIZATIONAL EFFECTIVENESS

1. The Goal-Attainment Approach
2. The Systems Approach
3. The Strategic-Constituencies Approach
4. The Competing-Values Approach

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These are the four approaches to study organizational effectiveness. One is the Goal-Attainment approach and the second is the Systems approach that we have talked about

in module 5 and 6; the third is the Strategic-Constituencies approach and the fourth one is Competing-Values approach. So, these two, we will talk about in this module.

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THE STRATEGIC-CONSTITUENCIES APPROACH

- The strategic-constituencies approach proposes that an effective organization is one that satisfies the demands of those constituencies in its environment from whom it requires support for its continued existence.
- This approach is similar to the systems view, yet it has a different emphasis.
- Both consider interdependencies, but the strategic-constituencies view is not concerned with all of the organization's environment.

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So, now let us look at the third approach that is the strategic constituencies approach. The strategic constituencies approach proposes that an effective organization is one that satisfies the demand of those constituencies in its environment from whom it requires support for its continued existence.

So, according to this, the demands of those constituencies which are there in the environment are to be satisfied. Which constituencies? From whom it requires support for its continued existence.

This approach is similar to the systems approach, yet it has a different emphasis. Both consider interdependence, but the strategic-constituencies view is not concerned with all of the organization's environment. Systems approach takes whole of the organization's environment into consideration, while strategic constituencies just pick those strategic constituencies on which, on whom the organization is dependent for its continued existence.

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THE STRATEGIC-CONSTITUENCIES APPROACH

- It seeks to appease only those in the environment who can threaten the organization's survival.
- In this context, most public universities must consider effectiveness in terms of acquiring students but need not be concerned with potential employers of their graduates, Why?
- The survival of these universities is not influenced by whether their graduates get jobs. ↴
- On the other hand, private universities, which charge considerably more than their public counterparts, do spend a great deal of time and money in attempting to place their graduates.

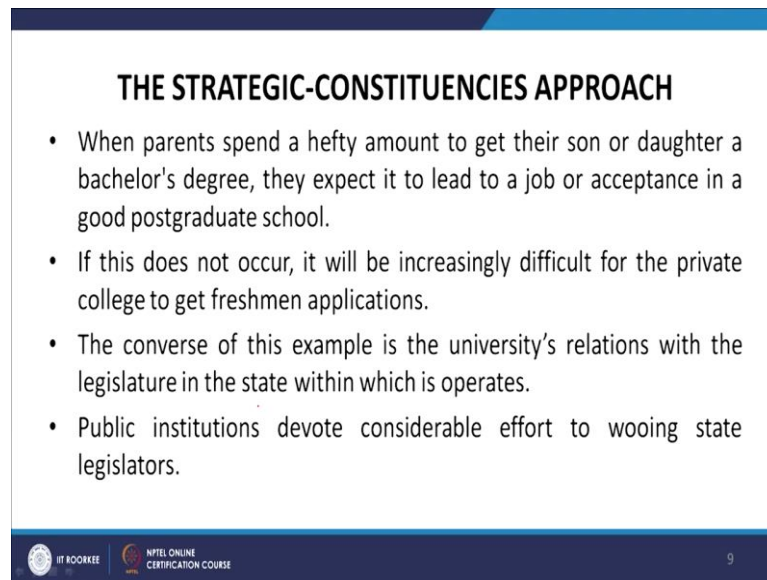
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It seeks to appease only those in the environment which can threaten its survival. In this context, most public universities must consider effectiveness in terms of acquiring students; but need not be concerned with potential employer of their graduates, why? The survival of these universities is not influenced by whether their graduates get jobs or not.

So, now you see this is also a problem with this strategic constituencies approach because the students coming to these universities and students getting a job, they are also interlinked. So, on the other hand, private universities which charge considerably more than their public counterparts do spend a great deal of time and money in attempting to place their graduates.

When parents spend a hefty amount to get their son or daughter a bachelors degree, they expect it to lead to a job acceptance in a good postgraduate school. If this does not occur, it will be increasingly difficult for the private college to get freshmen application, new applications.

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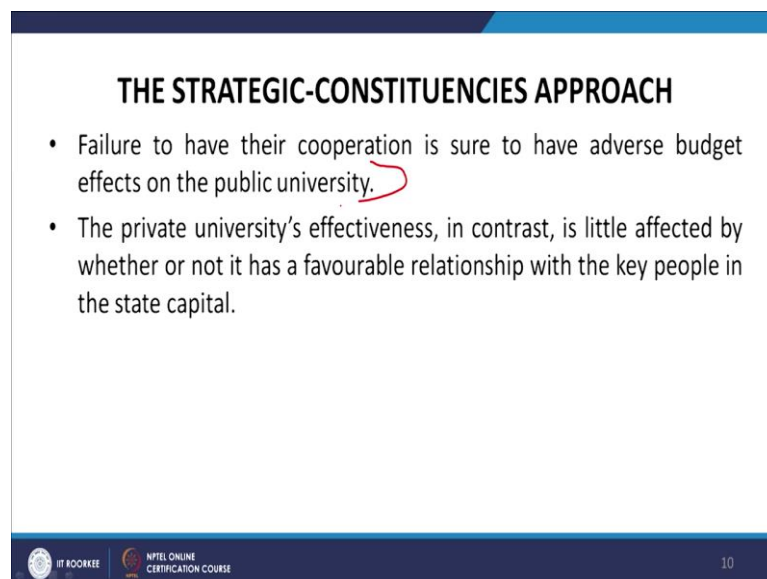
THE STRATEGIC-CONSTITUENCIES APPROACH

- When parents spend a hefty amount to get their son or daughter a bachelor's degree, they expect it to lead to a job or acceptance in a good postgraduate school.
- If this does not occur, it will be increasingly difficult for the private college to get freshmen applications.
- The converse of this example is the university's relations with the legislature in the state within which it operates.
- Public institutions devote considerable effort to wooing state legislators.

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The converse of this example is the university's relations with the legislature in the state within which it operates. Public institutions devote considerable effort to wooing state legislators.

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THE STRATEGIC-CONSTITUENCIES APPROACH

- Failure to have their cooperation is sure to have adverse budget effects on the public university.
- The private university's effectiveness, in contrast, is little affected by whether or not it has a favourable relationship with the key people in the state capital.

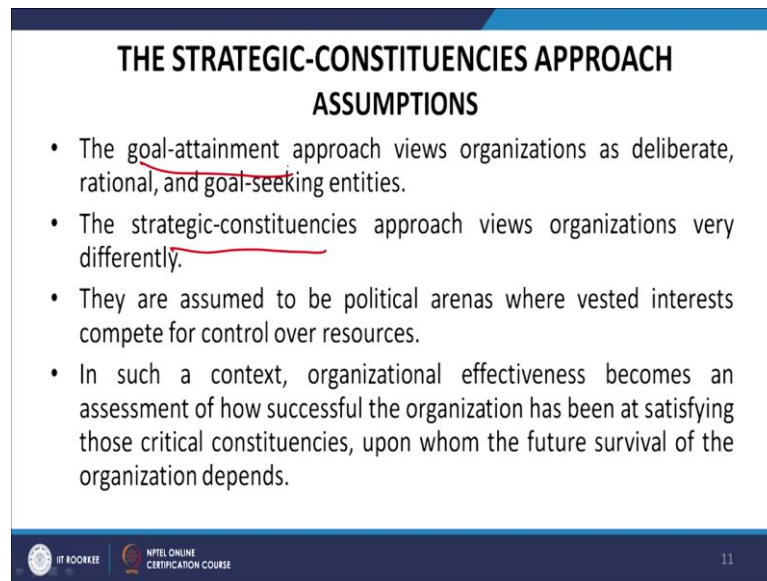
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Failure to have their cooperation is sure to have adverse budget effects on the public university. The private university's effectiveness, in contrast, is little affected by whether or not it has a favorable relationship with the key people in the state capital or the state

government. So, you see that the public universities, they are dependent on their funds from government.

Therefore, there is a need for them to have good relations with the government, which is not so in the private universities because they are not run-on government money and they run on the fees from the students. Therefore, they are not so much worried about the relations with the government.

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THE STRATEGIC-CONSTITUENCIES APPROACH

ASSUMPTIONS

- The goal-attainment approach views organizations as deliberate, rational, and goal-seeking entities.
- The strategic-constituencies approach views organizations very differently.
- They are assumed to be political arenas where vested interests compete for control over resources.
- In such a context, organizational effectiveness becomes an assessment of how successful the organization has been at satisfying those critical constituencies, upon whom the future survival of the organization depends.

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Now, let us look at the strategic constituencies approach assumptions. The first is the goal-attainment approach, which views organization as deliberate, rational, and goal-seeking entities. The strategic-constituency approach view organization very differently. So, this is how these two approaches, they are different.

They are assumed to be political arenas, where vested interests compete for control over resources. In such a context, organizational effectiveness becomes an assessment of how successful the organization has been at satisfying these critical constituencies, upon whom the future survival of the organization depends.

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THE STRATEGIC-CONSTITUENCIES APPROACH
ASSUMPTIONS

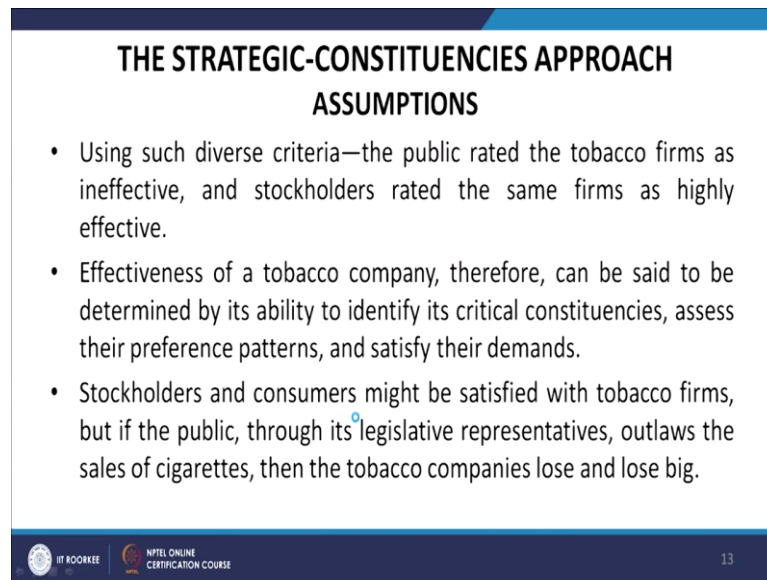
- The "political arena" metaphor further assumes the organization has a number of constituencies, with different degrees of power, each trying to satisfy its demands.
- But each constituency also has a unique set of values, so it is unlikely that their preferences will be in agreement.
- For example, a study of the major tobacco companies found that the public evaluated the companies in terms of not harming smokers' health, while stockholders evaluated the firms' ability to produce cigarettes efficiently and profitably.

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The “political arena” metaphor further assumes the organization has a number of constituencies, with different degrees of power, each trying to satisfy its demand. But each constituency also has a unique set of values, every constituency will have a different set of values, unique set of values; so, it is unlikely that their preference will be in agreement with each other.

For example, a study of a major tobacco companies found that the public evaluated the companies in terms of not harming smokers’ health, while stockholders evaluated the firms’ ability to produce cigarettes efficiently and profitably. So, now you see there are these two strategic constituencies, they have different values, they are looking at various different outcomes. Using such diverse criteria, the public rated the tobacco firms as ineffective and stockholders rated the same firm as highly effective.

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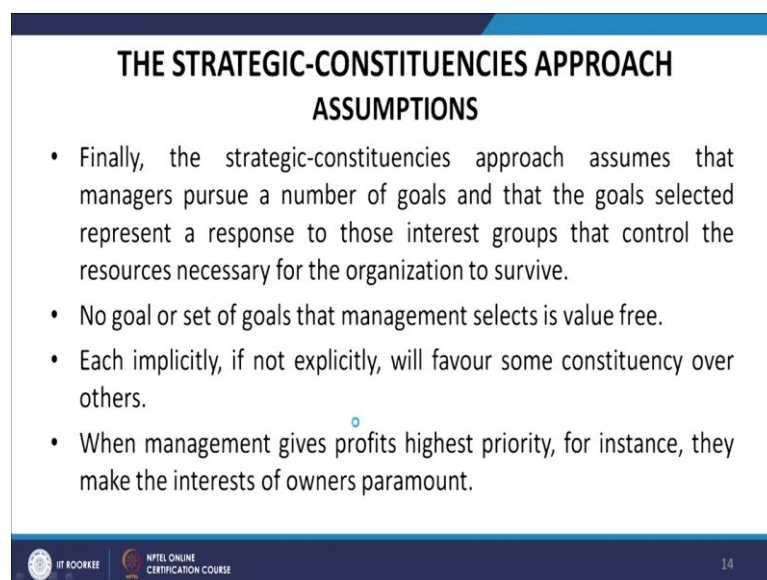
THE STRATEGIC-CONSTITUENCIES APPROACH
ASSUMPTIONS

- Using such diverse criteria—the public rated the tobacco firms as ineffective, and stockholders rated the same firms as highly effective.
- Effectiveness of a tobacco company, therefore, can be said to be determined by its ability to identify its critical constituencies, assess their preference patterns, and satisfy their demands.
- Stockholders and consumers might be satisfied with tobacco firms, but if the public, through its legislative representatives, outlaws the sales of cigarettes, then the tobacco companies lose and lose big.

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Therefore, effectiveness of a tobacco company can be said to be determined by its ability to identify its critical constituencies, assess their preference patterns, and satisfy their demands. Stockholders and consumers might be satisfied with tobacco firms, but if the public, through its legislative representatives, outlaws the sales of cigarettes, then the tobacco companies lose and they will lose in a big way.

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THE STRATEGIC-CONSTITUENCIES APPROACH
ASSUMPTIONS

- Finally, the strategic-constituencies approach assumes that managers pursue a number of goals and that the goals selected represent a response to those interest groups that control the resources necessary for the organization to survive.
- No goal or set of goals that management selects is value free.
- Each implicitly, if not explicitly, will favour some constituency over others.
- When management gives profits highest priority, for instance, they make the interests of owners paramount.

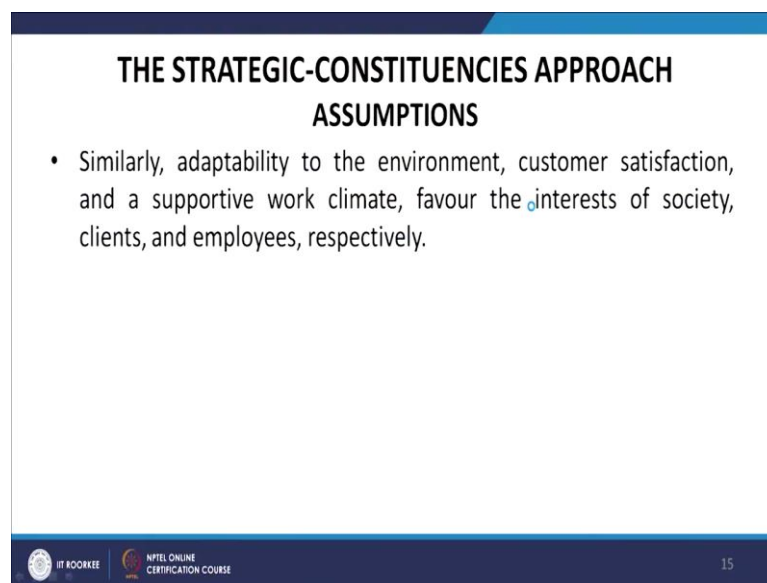
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Finally, the strategic-constituency approach assumes that managers pursue a number of goals and that the goal selected represents a response to those interest groups that control

the resources necessary for the organization to survive. So, there are different constituencies and having different goals. Therefore, this assumes that manager will pursue that number of goals. No goal or a set of goals that manager select is value free.

Each implicitly, if not explicitly, will favor some constituency over other. So, some constituency may be more favored, some may be less favored. Therefore, the goals ready to those constituency will also go the same way. When management gives profits high priority, for instance, they make the interest of owners paramount.

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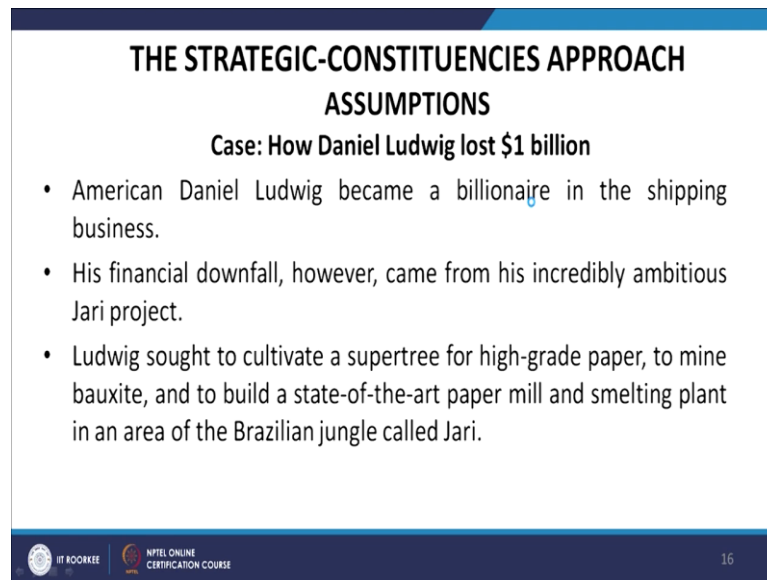
THE STRATEGIC-CONSTITUENCIES APPROACH
ASSUMPTIONS

- Similarly, adaptability to the environment, customer satisfaction, and a supportive work climate, favour the interests of society, clients, and employees, respectively.

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Similarly, adaptability to the environment, customer satisfaction, and a supportive work climate, favors the interest of society, clients, and employees, respectively.

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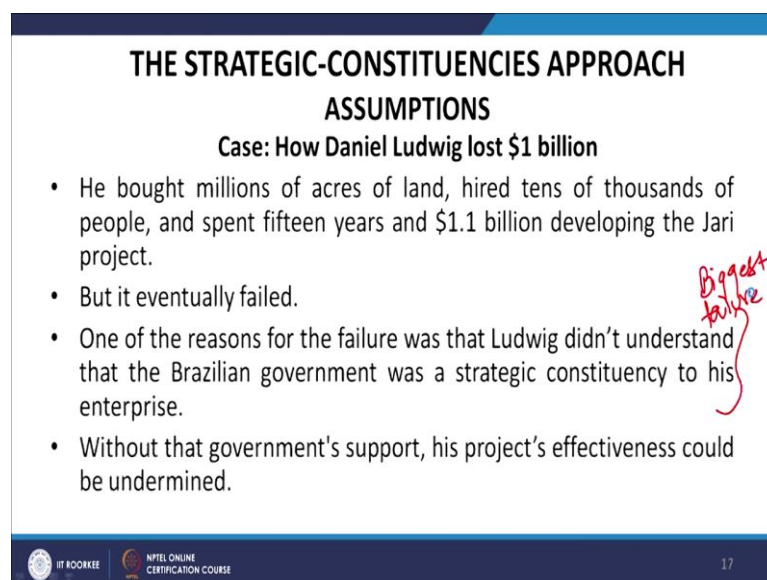
THE STRATEGIC-CONSTITUENCIES APPROACH
ASSUMPTIONS
Case: How Daniel Ludwig lost \$1 billion

- American Daniel Ludwig became a billionaire in the shipping business.
- His financial downfall, however, came from his incredibly ambitious Jari project.
- Ludwig sought to cultivate a supertree for high-grade paper, to mine bauxite, and to build a state-of-the-art paper mill and smelting plant in an area of the Brazilian jungle called Jari.

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Now, let us look at this case how Daniel Ludwig lost 1 billion dollars. So, American Daniel Ludwig became a billionaire in the shipping business. His financial downfall, however, came from this incredibly ambitious Jari project. Ludwig sought to cultivate a supertree for high-grade paper, to mine bauxite, and to build a state-of-art paper mill and a smelting plant in an area of the Brazilian jungle called Jari.

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THE STRATEGIC-CONSTITUENCIES APPROACH
ASSUMPTIONS
Case: How Daniel Ludwig lost \$1 billion

- He bought millions of acres of land, hired tens of thousands of people, and spent fifteen years and \$1.1 billion developing the Jari project.
- But it eventually failed.
- One of the reasons for the failure was that Ludwig didn't understand that the Brazilian government was a strategic constituency to his enterprise.
- Without that government's support, his project's effectiveness could be undermined.

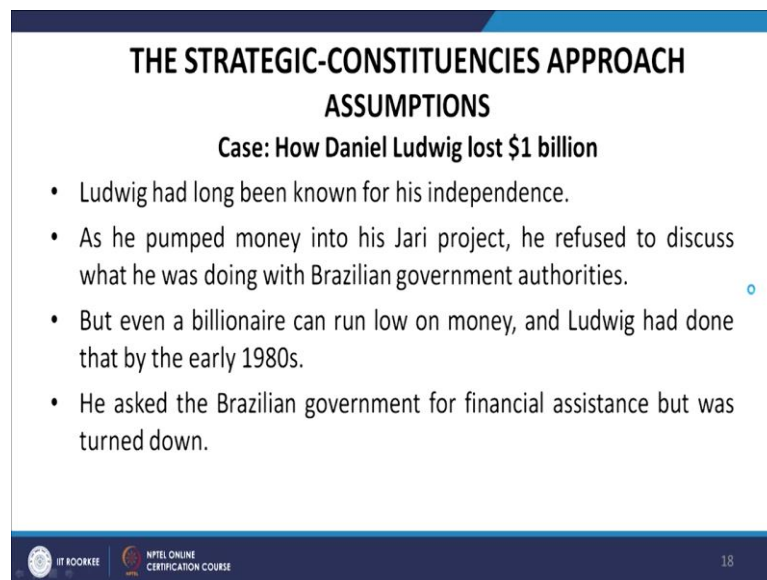
Biggest bauxite

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So, therefore, he brought billions of acres of land, hired tens of thousands of people and spent fifteen years and dollar 1.1 billion developing the Jari project. But it eventually

failed. One of the reasons for the failure was that Ludwig did not understand that the Brazilian government was a strategic constituency to his enterprise. So, that was the biggest failure, failure in identifying the strategic constituency. Without the government support, its project's effectiveness could be undermined.

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THE STRATEGIC-CONSTITUENCIES APPROACH
ASSUMPTIONS
Case: How Daniel Ludwig lost \$1 billion

- Ludwig had long been known for his independence.
- As he pumped money into his Jari project, he refused to discuss what he was doing with Brazilian government authorities.
- But even a billionaire can run low on money, and Ludwig had done that by the early 1980s.
- He asked the Brazilian government for financial assistance but was turned down.

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Ludwig had long been known for his independence and as he pumped money into his Jari project, he refused to discuss what he was doing with the Brazilian government authorities. But even a billionaire can run low on money, and Ludwig had done that by the early 1980s. He asked the Brazilian government for financial assistance, but was turned down.

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THE STRATEGIC-CONSTITUENCIES APPROACH
ASSUMPTIONS
Case: How Daniel Ludwig lost \$1 billion

- His threat to pull out of Jari unless he received government cooperation was seen as heavy-handed and an example of U.S. imperialism.
- The conflict between Ludwig and the Brazilian government escalated to the point where the government claimed that Ludwig's title to the land at Jari was in doubt.
- This cut-off any possibility for securing nongovernmental financial aid, and the project collapsed.

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His threat to pull out of Jari unless he received government cooperation was seen as heavy-handed and an example of U. S. imperialism. The conflict between Ludwig and the Brazilian government escalated to a point, where the government claimed that Ludwig's title to the land at Jari was in doubt. This cut-off any possibility of securing non-government financial aid, and the project collapsed. So, now, you see that how important this government as a strategic constituency in this project was.

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THE STRATEGIC-CONSTITUENCIES APPROACH
ASSUMPTIONS
Case: How Daniel Ludwig lost \$1 billion

- Ludwig lost more than \$1 billion and learned, one would hope, a valuable lesson articulated in the strategic-constituencies approach: *Managers must appease those constituencies who have the power to threaten their organization's survival.*

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So, Ludwig lost more than dollar 1 billion and learned, one would hope, a valuable lesson articulated in the strategic-constituency approach and the lesson is managers must appease those constituencies who have the power to threaten their organization's survival. So, that is the most important lesson. Always appease those constituencies which are necessary for your organization's survival.

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THE STRATEGIC-CONSTITUENCIES APPROACH
MAKING STRATEGIC CONSTITUENCIES OPERATIVE

- 1 • The manager wishing to apply this perspective might begin by asking members of the dominant coalition to identify the constituencies they consider to be critical to the organization's survival. ↓
- 2 • This input can be combined and synthesized to arrive at a list of strategic constituencies. ↓
- As an example, a large tire company such as Goodyear Tire and Rubber might have strategic constituencies that include:
 - a- suppliers of critical petroleum products used in the tire-manufacturing process;

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Now, let us look at how to make strategic constituencies approach operative. The managers wishing to apply this perspective might begin by asking members of the dominant coalition to identify the constituencies they consider to be critical to the organization's survival. So, that is the first step. They should ask the members of the dominant coalition. Now, then this input can be combined and synthesized to arrive at a list of strategic constituencies.

So, from first, then we move on to the second one. So, as an example, a large tire company such as Goodyear Tire and Rubber might have a strategic constituency that include suppliers of critical petroleum products used in the tire-manufacturing process. So, that can be one strategic constituency.

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THE STRATEGIC-CONSTITUENCIES APPROACH
MAKING STRATEGIC CONSTITUENCIES OPERATIVE

- b** – Officers of the United Rubber Workers union;
- c** – Officials at banks where the company has sizable short-term loans;
- d** – Government regulatory agencies that grade tires and inspect facilities for safety violations;
- e** – Security analysts at major brokerage firms who specialize in the tire and rubber industry;
- f** – Regional tire jobbers and distributors;
- g** – Purchasing agents responsible for the acquisition of tires at General Motors, Mack Truck, Caterpillar, and other vehicle manufacturers.

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Another strategic constituency for Goodyear company that makes tires can be officers of the United Rubber Workers union, then, officials at bank where the company has sizeable short-term loans. Government regulatory agencies that grade tires and inspect facilities for safety violations, security analyst at major brokerage firms who specialized in the tire and rubber industry, purchasing agents responsible for the acquisition of tires at General Motors, Mack Truck, Caterpillar and other vehicle manufacturers.

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THE STRATEGIC-CONSTITUENCIES APPROACH
MAKING STRATEGIC CONSTITUENCIES OPERATIVE

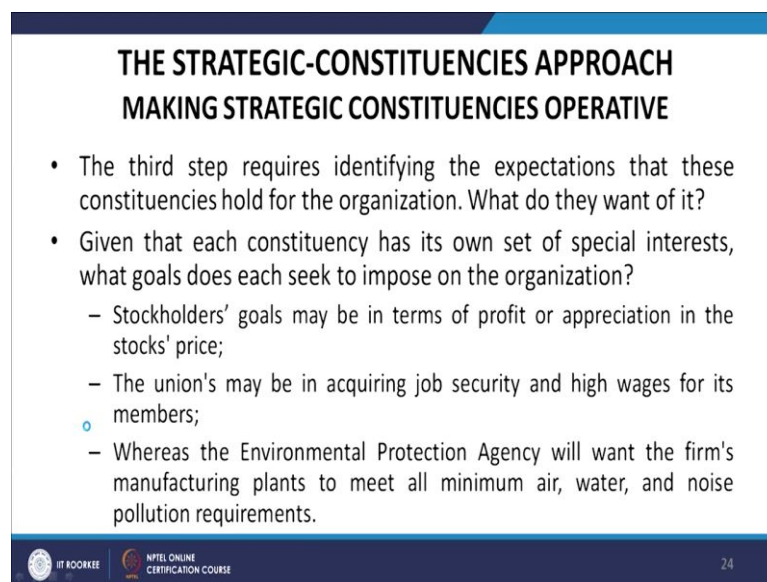
- This list could then be evaluated to determine the relative power of each.
- Basically, this means looking at each constituency in terms of how dependent on it our organization is.
- Does it have considerable power over us?
- Are there alternatives for what this constituency provides?
- How do these constituencies compare in the impact they have on the organization's operations?

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Now, this list could then be evaluated to determine the relative power of each one of them, which is more important, which is which constituency is more powerful as compared to the other. Basically, this means looking at each constituency in terms of how dependent on it our organization is.

So, sometimes b may be more important than c or d may be more important than c and so on so forth. Does it have considerable power over us? Are there alternatives for what this constituency provides? How do these constituencies compare in the impact they have on the organization's operations?

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THE STRATEGIC-CONSTITUENCIES APPROACH
MAKING STRATEGIC CONSTITUENCIES OPERATIVE

- The third step requires identifying the expectations that these constituencies hold for the organization. What do they want of it?
- Given that each constituency has its own set of special interests, what goals does each seek to impose on the organization?
 - Stockholders' goals may be in terms of profit or appreciation in the stocks' price;
 - The union's may be in acquiring job security and high wages for its members;
 - Whereas the Environmental Protection Agency will want the firm's manufacturing plants to meet all minimum air, water, and noise pollution requirements.

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The third step requires identifying the expectations that these constituencies hold for the organization. What do they want of it? Given that each constituency has its own set of special interest, what goals does each seek to impose on the organization? The stockholder's goals maybe in terms of profits or appreciation in their stock prices because they have invested money. So, obviously, they want their return on investment to go up.

The union's may be in acquiring job security and high wages for its members; whereas, the Environmental Protection Agency will want the firm's manufacturing plants to meet all minimum air, water, and noise pollution requirements and norms.

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THE STRATEGIC-CONSTITUENCIES APPROACH MAKING STRATEGIC CONSTITUENCIES OPERATIVE

- Table 7.1 (on next slide) identifies a list of strategic constituencies a business firm might confront and the typical organizational-effectiveness criteria each is likely to use.

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Table 7.1 on the next slide identifies a list of strategic constituencies a business firm might confront and the typical organizational-effectiveness criteria each is likely to use.

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THE STRATEGIC-CONSTITUENCIES APPROACH MAKING STRATEGIC CONSTITUENCIES OPERATIVE

CONSTITUENCY	TYPICAL OE CRITERIA
Owners	Return on investment; growth in earnings.
Employees	Compensation; fringe benefits; satisfaction with working conditions.
Customers	Satisfaction with price, quality, service.
Suppliers	Satisfaction with payments; future sales potential.
Creditors	Ability to pay indebtedness.
Unions	Competitive wages and benefits; satisfactory working conditions; willingness to bargain fairly.
Local community officials	Involvement of organization's members in local affairs; lack of damage to the community's environment.
Government agencies	Compliance with laws; avoidance of penalties and reprimands.

Table 7.1: Typical OE Criteria of Selected Strategic Constituencies

Source: Robbins, S. P. (1990). Organization Theory: Structures, Designs, and Applications. Pearson Education India.

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So, this is the table, table 7.1 and it shows typical organizational effectiveness criteria of selected strategic constituencies and the source of this table is given here. On the left hand side you have the constituency and then, we have the typical organizational effectiveness criteria. So, for the owners, the return on investments and growth in earnings can be the two typical criteria, for evaluating their organizational effectiveness.

For employees, it can be compensation, fringe benefits, satisfaction with working conditions.

For customers, it can be satisfaction with price quality and service. For suppliers, it can be satisfaction with payments and future sales potential. For creditors, it is the ability to pay indebtedness. For unions, it can be competitive wages and benefits, satisfactory working conditions and willingness to bargain fairly.

For local community officials, it is involvement of organization members in local affairs, lack of damage to the community environment and for government agencies; it can be compliance with laws, avoidance of penalty and reprimands.

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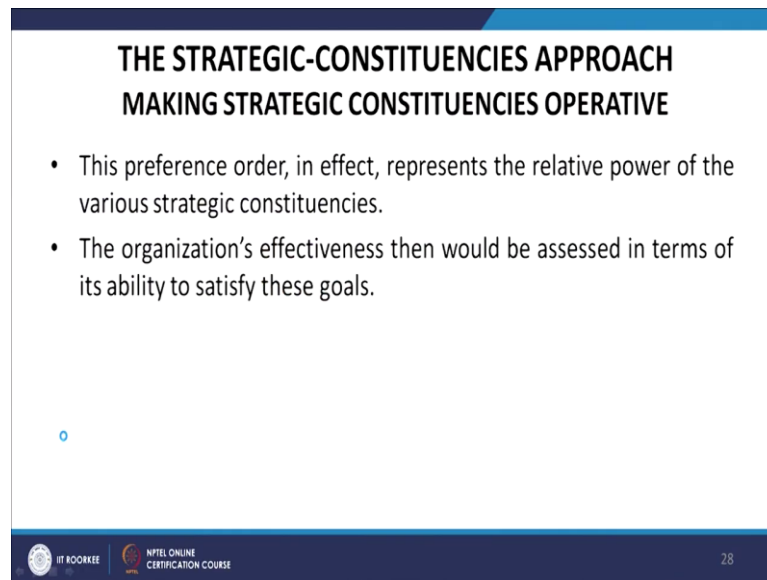
THE STRATEGIC-CONSTITUENCIES APPROACH
MAKING STRATEGIC CONSTITUENCIES OPERATIVE

- The strategic constituencies approach would conclude by:
 - 1 – comparing the various expectations,
 - 2 – determining common expectations and those that are incompatible,
 - 3 – assigning relative weights to the various constituencies, and
 - 4 – formulating a preference ordering of these various goals for the organization as a whole.

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So, the strategic constituency approach would conclude by one, comparing the various expectations; second is determining common expectations and those that are incompatible; the third is assigning relative weightages to the various constituencies and the fourth is formulating a preference ordering of these various goals for the organization as a whole. This preference order, in effect represents the relative power of the various strategic constituencies.

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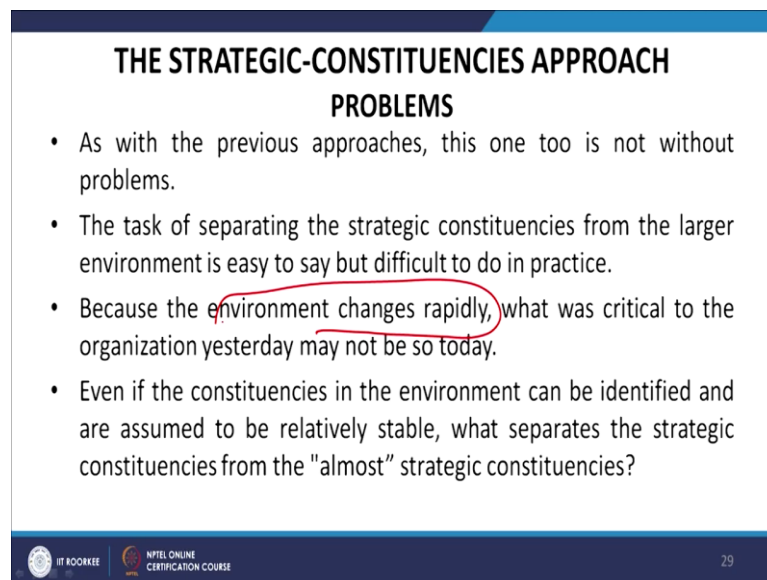
THE STRATEGIC-CONSTITUENCIES APPROACH
MAKING STRATEGIC CONSTITUENCIES OPERATIVE

- This preference order, in effect, represents the relative power of the various strategic constituencies.
- The organization's effectiveness then would be assessed in terms of its ability to satisfy these goals.

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The organizational effectiveness then would be assessed in terms of its ability to satisfy these goals.

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THE STRATEGIC-CONSTITUENCIES APPROACH
PROBLEMS

- As with the previous approaches, this one too is not without problems.
- The task of separating the strategic constituencies from the larger environment is easy to say but difficult to do in practice.
- Because the environment changes rapidly, what was critical to the organization yesterday may not be so today.
- Even if the constituencies in the environment can be identified and are assumed to be relatively stable, what separates the strategic constituencies from the "almost" strategic constituencies?

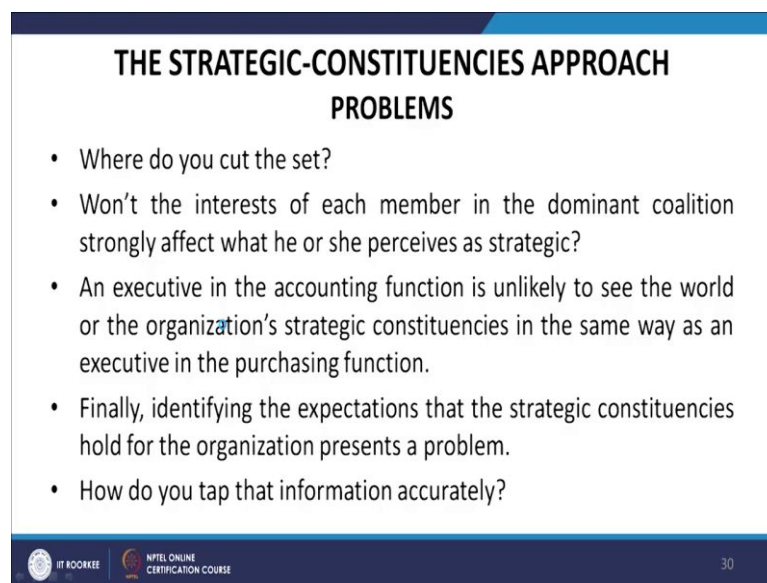
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Now, let us look at some of the problems of this approach, that is the strategic constituencies approach. So, as with the previous approaches, this one too is not without its problems. The task of separating the strategic constituencies from the larger environment is easy to say; but it is very difficult to do in practice because the

environment changes rapidly. What was critical to the organization yesterday may not be so today and tomorrow.

Even if constituencies in the environment can be identified and assumed to be relatively stable. So, that is another assumption that we are making. What separates the strategic constituency from the “almost” strategic constituency? So, how much difference is there in this strategic constituency and that strategic constituency; is it a strategic constituency, is it not a strategic constituency?

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THE STRATEGIC-CONSTITUENCIES APPROACH
PROBLEMS

- Where do you cut the set?
- Won't the interests of each member in the dominant coalition strongly affect what he or she perceives as strategic?
- An executive in the accounting function is unlikely to see the world or the organization's strategic constituencies in the same way as an executive in the purchasing function.
- Finally, identifying the expectations that the strategic constituencies hold for the organization presents a problem.
- How do you tap that information accurately?

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Where do you cut the set? Won't the interest of each member in the dominant coalition strongly affect what he or she perceives as a strategic. So, different members may perceive different things as strategic; so, where should be the cutoff? An executive in the accounting function is unlikely to see the world or the organization's strategic constituencies in the same way as an executive in the purchasing function.

So, one is in accounting, another one is in purchasing; so, they may have different viewpoints. Finally, identifying the expectations that the strategic constituencies hold for the organization, it presents a problem. How do you tap that information accurately?

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THE STRATEGIC-CONSTITUENCIES APPROACH
VALUE TO MANAGERS

- If survival is important for an organization, then it is incumbent upon managers to understand just who it is (in terms of constituencies) that survival is contingent upon.
- By operationalizing the strategic-constituencies approach, managers decrease the chance that they might ignore or severely upset a group whose power could significantly hinder the organization's operations.
- If management knows whose support it needs if the organization is to maintain its health, it can modify its preference ordering of goals as necessary to reflect the changing power relationships with its strategic constituencies.

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Now, let us look at what is the value to managers of this strategic constituencies approach. If survival is important for an organization, then it is incumbent upon managers to understand just who it is in terms of constituencies that survival is contingent upon.

So, that is very important in this approach that which constituency, whether it is a strategic constituency or not, how important that strategic constituency is in terms of the dependence of our survival on that?

By operationalizing the strategic-constituency approach, managers decrease the chance that they might ignore or severely upset a group whose power could significantly hinder the organization's operation, if management knows whose support it needs.

If the organization is to maintain its health, it can modify its preference ordering of goals as necessary to reflect the changing power relationships with its strategic constituencies.

Now, let us look at the fourth approach that is the competing values approach.

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THE COMPETING-VALUES APPROACH

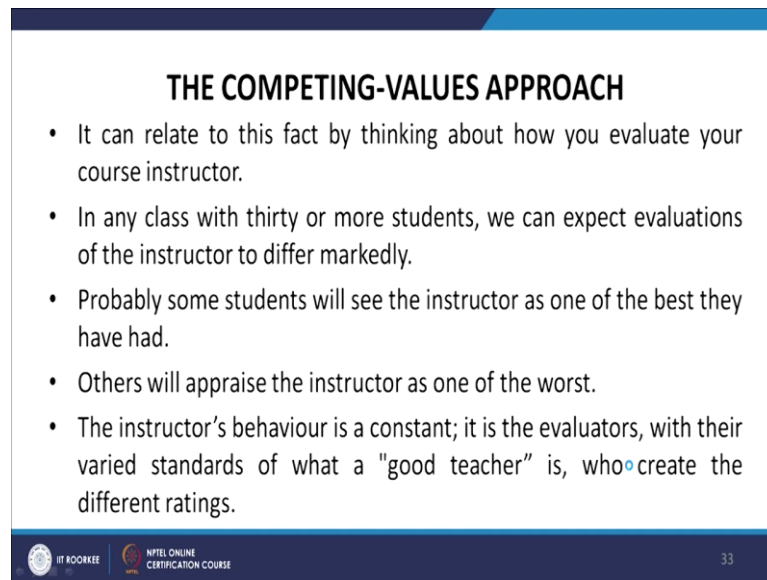
- The main theme underlying the competing-values approach is that the criteria you value and use in assessing an organization's effectiveness - return on investment, market share, new-product innovation, job security - depend on who you are and the interests you represent.
- It is not surprising that stockholders, unions, suppliers, management, or internal specialists in marketing, personnel, production, or accounting may look at the same organization but evaluate its effectiveness entirely differently.

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So, here we are talking of values, competing-values. The strategic constituency approach can be thought of as the competing constituency approach and this is the competing values approach. The main theme underlying the competing value approach is that the criteria you value and use in assessing an organization's effectiveness - return on investment, market share, new-product innovation, job security - depends on who you are and the interest you represent.

It is not surprising that stockholders, unions, suppliers, management or internal specialists in marketing, personnel, production or accounting may look at the same organization; but evaluates its effectiveness entirely differently because although, they may be looking at the same thing; but depending upon their background, depending upon which department they come from, their evaluation of effectiveness will be different because they come with different set of values.

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THE COMPETING-VALUES APPROACH

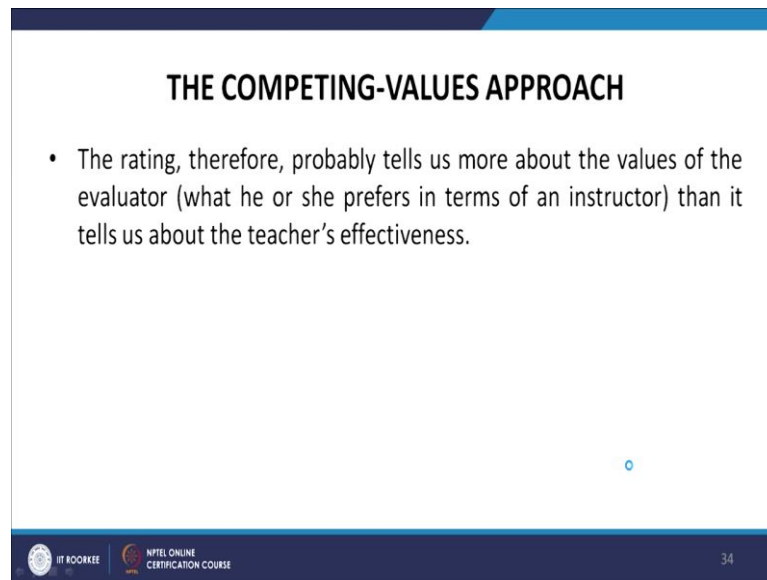
- It can relate to this fact by thinking about how you evaluate your course instructor.
- In any class with thirty or more students, we can expect evaluations of the instructor to differ markedly.
- Probably some students will see the instructor as one of the best they have had.
- Others will appraise the instructor as one of the worst.
- The instructor's behaviour is a constant; it is the evaluators, with their varied standards of what a "good teacher" is, who create the different ratings.

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It can relate to this fact by thinking about how you evaluate your course instructor. In any class with thirty or more students, we can expect evaluations of the instructor to differ markedly. Probably some students will see the instructor as one of the best they have had. Others will appraise the instructor as one of the worst.

The instructor's behavior is the constant; it is the evaluators, with their varied standards of what a "good teacher" is, who creates the different ratings. So, now you see that the instructor is the same, his way of behaving and teaching is the same; but depending upon the evaluator, his ratings can be from very good to very bad.

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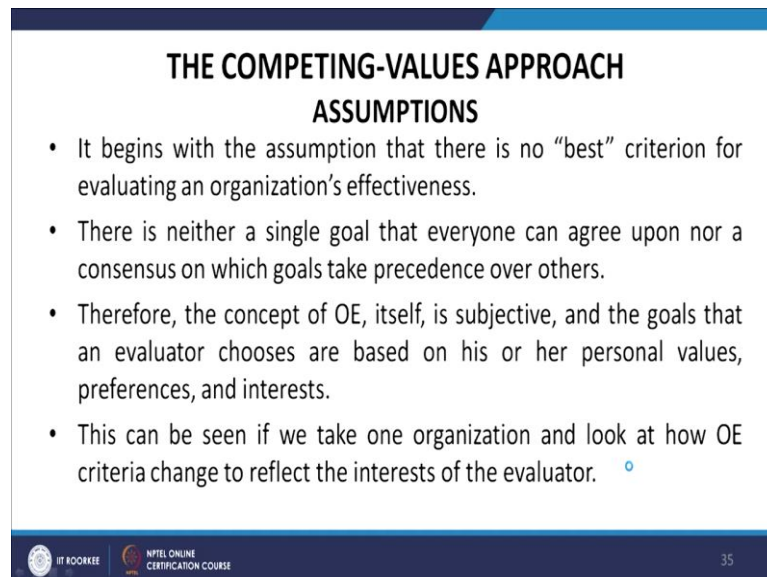
THE COMPETING-VALUES APPROACH

- The rating, therefore, probably tells us more about the values of the evaluator (what he or she prefers in terms of an instructor) than it tells us about the teacher's effectiveness.

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The rating therefore, probably tells us more about the value of the evaluator; what he or she prefers in terms of an instructor rather than it tells us about the teacher's effectiveness. So, now, here we are talking about the values of the evaluators and not the teacher's effectiveness.

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THE COMPETING-VALUES APPROACH

ASSUMPTIONS

- It begins with the assumption that there is no "best" criterion for evaluating an organization's effectiveness.
- There is neither a single goal that everyone can agree upon nor a consensus on which goals take precedence over others.
- Therefore, the concept of OE, itself, is subjective, and the goals that an evaluator chooses are based on his or her personal values, preferences, and interests.
- This can be seen if we take one organization and look at how OE criteria change to reflect the interests of the evaluator.

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Now, let us look at the assumptions of this competing values approach. It begins with the assumption that there is no "best" criterion for evaluating and organizational effectiveness. There is neither a single goal that everyone can agree upon nor a

consensus on which goals take precedence over others, which are more important than the others. Therefore, the concept of OE itself is subjective and the goals that an evaluator chooses are based on his or her personal values preferences and interests. This can be seen if we take one organization and look at how OE criteria change to reflect the interest of the evaluator.

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THE COMPETING-VALUES APPROACH
ASSUMPTIONS

- At Xerox, you might find:
 1. Financial analysts: •defining OE in terms of high profitability;
 2. Production executives: •focusing on the amount and quality of equipment manufactured;
 3. Marketing people and competitors: •looking at the percentage of market that Xerox's various products hold;
 4. Personnel specialists: •viewing OE in terms of ability to hire competent workers and absence of strikes;
 5. Research-and-development scientists: •keying in on the number of new inventions and products that the company generates;
 6. The city council of Stamford, Connecticut (where Xerox is headquartered): •defining OE as a steadily expanding work force.

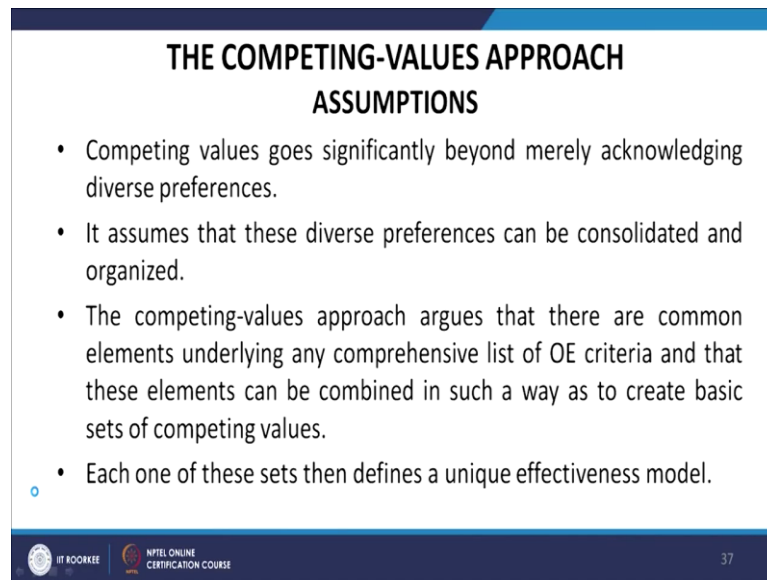
ITR ROORKEE NPTEL ONLINE CERTIFICATION COURSE 36

Now, look at this table and we are talking of Xerox that makes photocopying machines. So, you may find the financial analyst, they are defining OE in terms of high profitability.

How do production executives define it? They focus on the amount of quality of equipment manufactured. Marketing people and competitors, they are looking at the percentage of market that Xerox's various products hold. The personnel specialist view OE in terms of ability to hire competent workers and essence of strikes, work tool down, no work etc.

The R and D scientist, they will be keen on the number of new inventions and products that the company generates. The City Council of Connecticut, where Xerox is headquartered will define OE as steadily expanding workforce so that more and more people living there in Connecticut get job. So, competing values goes significantly beyond merely acknowledging diverse preferences. It assumes that these diverse preferences can be consolidated and organized.

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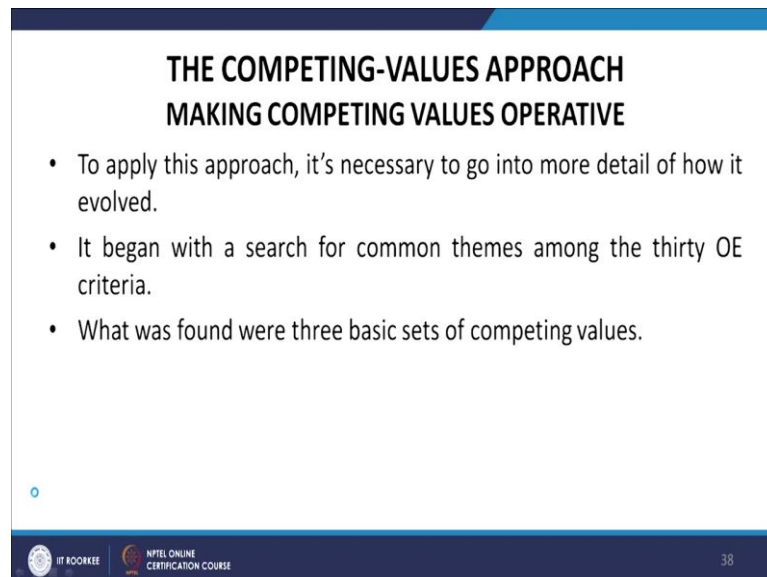
THE COMPETING-VALUES APPROACH
ASSUMPTIONS

- Competing values goes significantly beyond merely acknowledging diverse preferences.
- It assumes that these diverse preferences can be consolidated and organized.
- The competing-values approach argues that there are common elements underlying any comprehensive list of OE criteria and that these elements can be combined in such a way as to create basic sets of competing values.
- Each one of these sets then defines a unique effectiveness model.

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The competing-value approach argues that there are common elements underlying any comprehensive list of OE criteria and that these elements can be combined in such a way as to create basic set of competing values. Each one of these sets define a unique effectiveness model.

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THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

- To apply this approach, it's necessary to go into more detail of how it evolved.
- It began with a search for common themes among the thirty OE criteria.
- What was found were three basic sets of competing values.

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As we change the values, we come up with a unique effectiveness model. Now, how to go about making competing values approach operative? how to make it usable? To apply this approach, it is necessary to go into more details of how it has evolved over time. It

began with a search of common themes among the thirty OE criteria that we had talked about earlier. What was found were three basic set of competing values.

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THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

- The first set is flexibility versus control.] opposite ends
- These are essentially two incompatible dimensions of an organization's structure. Flex ← Control
- Flexibility values innovation, adaptation, and change.
- In contrast, control favours stability, order, and predictability.
- The flexibility-control dimension is very similar to the adaptation-maintenance dichotomy presented in earlier modules.

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So, the first set of values is flexibility versus controlling. Now, these are two opposite ends. If there is more control, there is less flexibility; if there is more flexibility, there is less control. So, there are essentially two incompatible dimensions of an organization structure. Flexibility values innovation, adoption and change; while control favors stability, order and predictability.

The flexibility-control dimension is very similar to the adaptation-maintenance dichotomy presented in earlier module. The second set deals with whether emphasis should be placed on the well-being and development of people in the organization or the well-being and development of organization itself.

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THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

- The second set deals with whether emphasis should be placed on the well-being and development of the **people** in the organization or the well-being and development of the **organization** itself. *people → org.*
- The people-organization dichotomy is another set of essentially incompatible dimensions:
 - The concern for the feelings and needs of the people within the organization versus the concern for productivity and task accomplishment.

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So, now, whether we are looking for development of people or organization? Here, we were talking about flexibility and control. Here, it is about people versus organization.

The people-organization dichotomy is another set of essentially incompatible dimensions. The concern for the feelings and needs of the people within the organization versus the concerns for productivity and task accomplishment. This third set of values relate to organization's mean versus end. So, this means versus end that is there in the definition itself.

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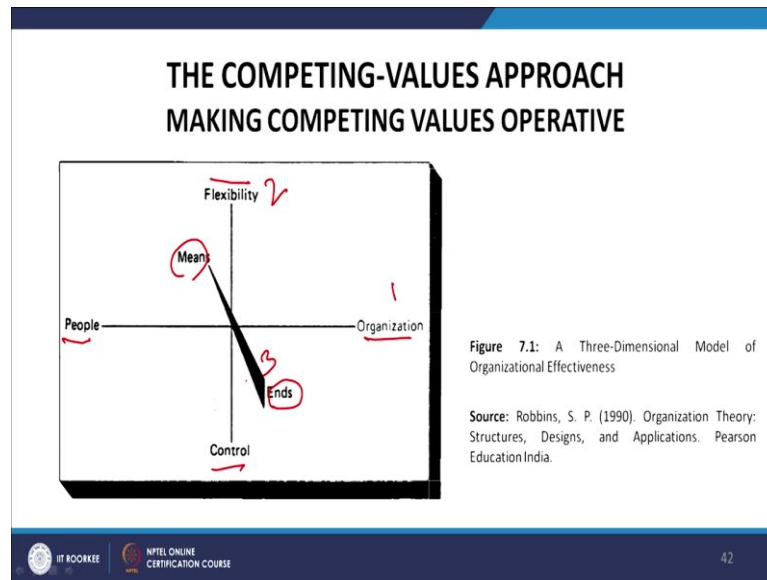
THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

- The third set of values relates to organizational **means versus ends;** the former stressing internal processes and the long term, the latter emphasizing final outcomes and the short term.
- Goal attainment focuses on ends, and system emphasizes means.
- These three sets of values can be depicted as a three-dimensional diagram.

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So, the former stressing internal processes and the long term and the later emphasizing final outcome and the short-term. Goal attainment focusses on ends, and the system emphasizes means. These three set of values can be depicted as a three-dimensional diagram.

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This is the three-dimensional model of organizational effectiveness. So, one is people versus organization; another is control versus flexibility and the third one is the means versus the ends. So, this is 1, this is 2 and this one is 3. So, these are the common themes that are to be looked for. These values can further be combined to form eight cells or sets of OE criteria.

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THE COMPETING-VALUES APPROACH MAKING COMPETING VALUES OPERATIVE

- These values can further be combined to form eight cells or sets of OE criteria.
- For example, combining people, control, and ends (PCE) creates one cell.
- Combining organization, flexibility, and means (OFM) creates another.
- Following table identifies and describes the eight possible cells formed by combining the three sets of values

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For example, combining people, control and ends create one cell. Combining organization flexibility and means that is OFM creates another cell. The following table identifies and describes the eight possible cells formed by combining the three set of values.

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THE COMPETING-VALUES APPROACH MAKING COMPETING VALUES OPERATIVE

CELLS	DESCRIPTION	DEFINITION
1 OFM	Flexibility	Able to adjust well to shifts in external conditions and demands
2 OFE	Acquisition of resources	Able to increase external support and expand size of work force.
3 OCM	Planning	Goals are clear and well understood.
4 OCE	Productivity and efficiency	Volume of output is high; ratio of output to input is high
5 PCM	Availability of information	Channels of communication facilitate informing people about things that affect their work.
6 PCE	Stability	Sense of order, continuity, and smooth functioning of operations.
7 PFM	Cohesive work force	Employees trust, respect, and work well with each other.
8 PFE	Skilled work force	Employees have the training, skills, and capacity to do their work properly.

Table 7.2: Eight OE Criteria Cells

Source: Robbins, S. P. (1990). Organization Theory: Structures, Designs, and Applications. Pearson Education India.

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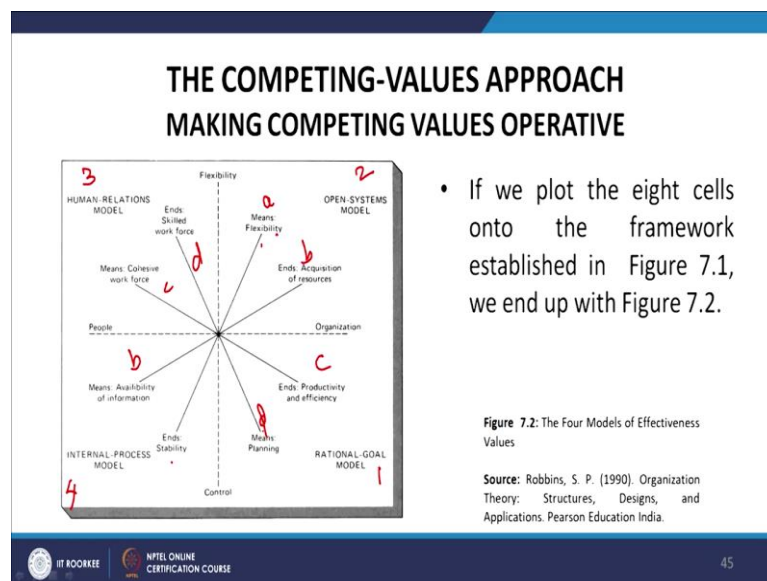
So, this is table 7.2 and it shows eight OE criteria cells. So, these are the eight criteria cells. The first is OFM. So, here the description is flexibility and the definition is, it is able to adjust well to shifts in external conditions and demands. The second is OFE that

is acquisition of resources and the definition is to be able to increase the external support and expand size of workforce.

The third is OCM that is planning and the definition is the goals are clear and well understood. The fourth is OCE that is productivity and efficiency. So, volume of output is high; ratio of output to input is high.

The fifth is PCM that is availability of information channels of communication facilitate informing people about things that affect their work. The sixth is stability; sense of order, continuity and a smooth functioning of operations. The seventh is PFM that is cohesive work force; employees trust, respect and work well with each other and the eighth is PFE that the skilled work force; employees have the training, skills and capacity to do their work properly.

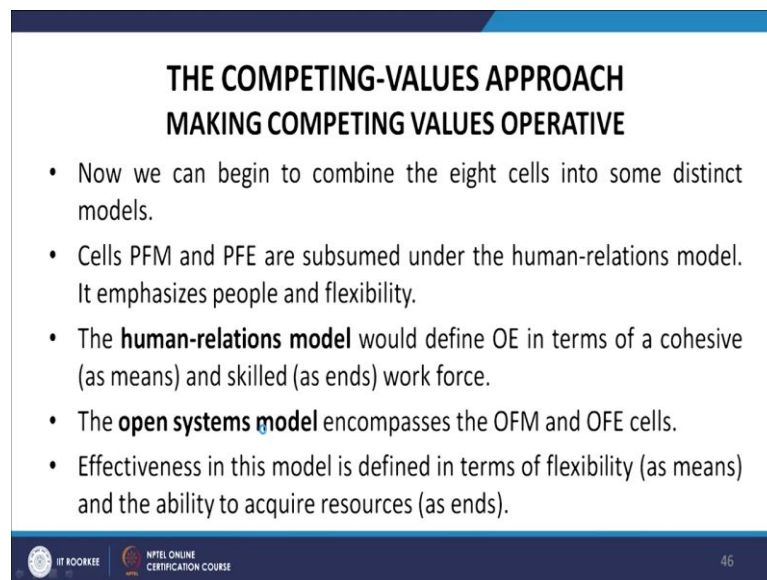
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Now, here we plot the eight cells onto the framework established in figure 7.1 and we end up with this figure 7.2. So, these are the four models of effectiveness values. Here, we have the Rational-Goal model; Open-System model; Human-Relation model and the Internal-Process model and then, there are ends, means, means, ends. So, here the means are is the flexibility; end is the stability. Look at this one that is, the means is the flexibility and the ends is the stability.

Now, look at the b, ends is acquisition of resources, while means is the availability of information. Look at this c, the end is productivity and efficiency and the means is cohesive workforce. Look at here; so, the end is the skilled workforce and the means is planning. So, this is how we get these eight cells.

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THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

- Now we can begin to combine the eight cells into some distinct models.
- Cells PFM and PFE are subsumed under the human-relations model. It emphasizes people and flexibility.
- The **human-relations model** would define OE in terms of a cohesive (as means) and skilled (as ends) work force.
- The **open systems model** encompasses the OFM and OFE cells.
- Effectiveness in this model is defined in terms of flexibility (as means) and the ability to acquire resources (as ends).

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Now, we can begin to combine the eight cells into some distinct models. Cells PFM and PFE are subsumed under the human-relation model. It emphasizes people and flexibility. The human-relation model, would define OE in terms of a cohesive means and skilled workforce as ends. The open system model encompasses the OFM and OFE cells. Effectiveness in this model is defined in terms of flexibility as means and the ability to acquire resources as ends.

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THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

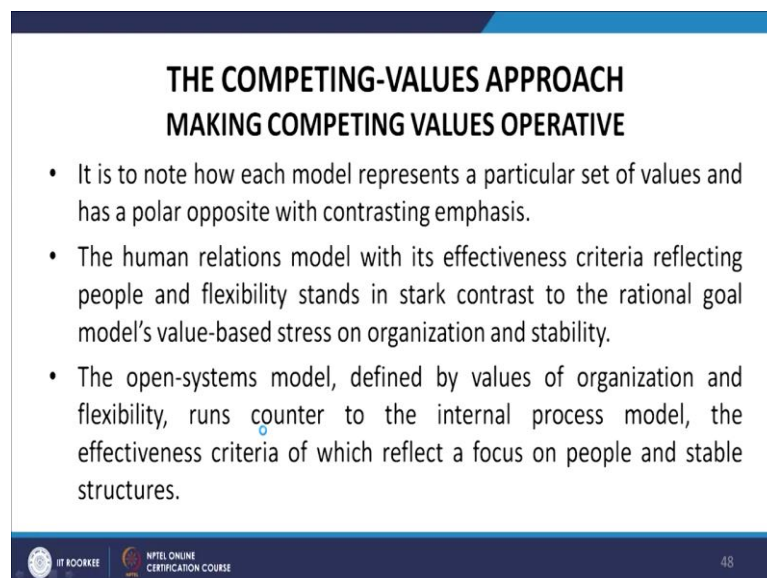
- The **rational-goal model** includes the OCM and OCE cells.
- The existence of specific plans and goals (as means) and high productivity and efficiency (as ends) is used as evidence of effectiveness.
- Finally, the PCM and PCE cells form the **internal-process model**.
- It emphasizes people and control and stresses adequate dissemination of information (as means) and stability and order (as ends) in the assessment of effectiveness.

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The rational-goal model includes the OCM and OCE cells. The existence of specific plans and goals as means and high productivity and efficiency as ends is used as evidence of effectiveness. Finally, the PCM, PCE cells form the internal-process model.

It emphasizes people and control and stresses adequate dissemination of information as means and its stability and order as ends in the assessment of effectiveness. It is to note how each model represents a particular set of values and has a polar opposite with contrasting emphasis.

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THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

- It is to note how each model represents a particular set of values and has a polar opposite with contrasting emphasis.
- The human relations model with its effectiveness criteria reflecting people and flexibility stands in stark contrast to the rational goal model's value-based stress on organization and stability.
- The open-systems model, defined by values of organization and flexibility, runs counter to the internal process model, the effectiveness criteria of which reflect a focus on people and stable structures.

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The human relation model with its effectiveness criteria reflecting people and flexibility stands in stark contrast to the rational goal model's value-based stress on organizational stability. The open-system model defined by values of organization and flexibility runs counter to the internal process model, the effectiveness criteria of which reflects the focus on people and stable structures.

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THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

- How would a manager go about implementing it in his or her organization?
- As with strategic constituencies, the first step is to identify the constituencies that the dominant coalition considers critical to the organization's survival.
- After the strategic constituencies have been isolated, it is necessary to calculate the importance that each constituency places on the eight value sets.

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How would a manager go about implementing it in his or her organization? How this competing value approach is to be made operative? So, as with strategic constituencies, the first step is to identify the constituencies that the dominant coalition considers critical to the organization's survival. After the strategic constituencies have been isolated, it is necessary to calculate the importance that each constituency places on the eight value sets.

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THE COMPETING-VALUES APPROACH MAKING COMPETING VALUES OPERATIVE

- This is no simple task because it requires management to put itself in the shoes of each strategic constituency or actually interview constituency members.
- The following questionnaire can help with this assessment.
- It offers questions, the answers to which give a general assessment of how a given constituency perceives an organization's performance on each of the eight effectiveness criteria.

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This is no simple task because it requires managers to put itself in the shoes of each strategic constituency or actually interview constituency members. The following questionnaire can help with this assessment. It offers questions, the answers to which give a general assessment of how a given constituency perceives an organization's performance on each of the eight effectiveness criteria.

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THE COMPETING-VALUES APPROACH MAKING COMPETING VALUES OPERATIVE

		DO NOT AGREE	SOMEWHAT AGREE	STRONGLY AGREE
1	(OEM) The organization responds well to changing demands	1	2	3
2	(OFE) The size of the organization's work force is steadily increasing.	1	2	3
3	(OCM) Employees have a clear understanding of the organization's goals.	1	2	3
4	(OCE) The organization generates a high volume of output.	1	2	3
5	(PCM) Employees are well informed about those things that affect their work.	1	2	3
6	(PCE) The organization's operations function smoothly and in an orderly way.	1	2	3
7	(PFM) Employees work well with each other.	1	2	3
8	(PFE) Employees are well equipped for their jobs.	1	2	3

Table 7.3: Abbreviated competing values Questionnaire

Source: Robbins, S. P. (1990). Organization Theory: Structures, Designs, and Applications. Pearson Education India.

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So, this is the table 7.3. So, the first is OEM that is the organization responds well to the changing demand and it is a three point scale; do not agree, somewhat agree and strongly

agree. So, then we have these eight points that we had talked about in table 7.1 and 7.2; OEM, OFE, OCM, OCE, PCM, PCE, PFM and PFE.

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THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

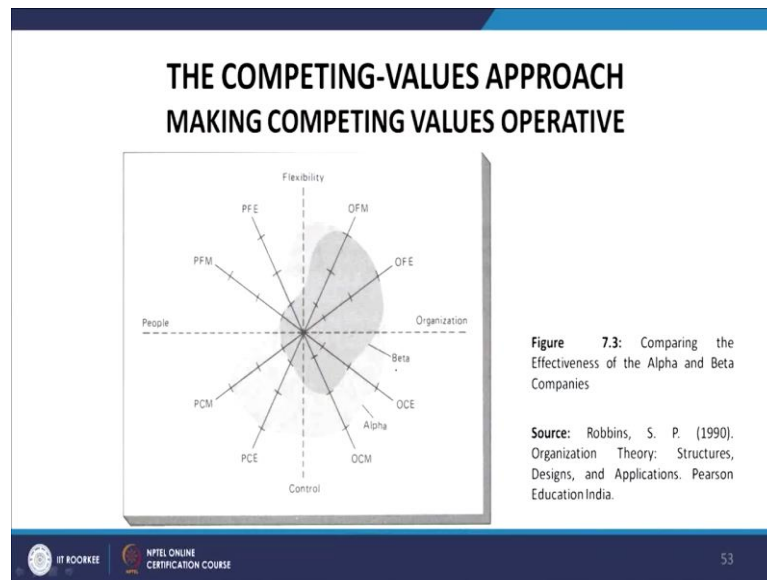
- Figure 7.3 illustrates the cumulative results when a group of college students were asked to evaluate two fast-food hamburger chains.
- We have disguised the companies by referring to them as Alpha and Beta.
- The Alpha chain is seen as performing quite well except for problems with cohesiveness among workers and concern about the workers' qualifications to do their job properly.
- On the other hand, the Beta chain seems to be performing well only with regard to flexibility and resource acquisition.

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And there are the three point scale continues with all of them. So, figure 7.3 illustrates the cumulative results when a group of college students were asked to evaluate two fast-food hamburger chains. We have distinguished the companies by referring them as Alpha and Beta. The alpha chain is seen as performing quite well except for problems with the cohesiveness among workers and concern about the workers qualification to do their job properly.

On the other hand, beta chain seems to be performing well only with regard to flexibility and resource acquisition. So, this is comparing the effectiveness of alpha and beta.

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So, you see beta stands here then alpha stands here on these eight cells.

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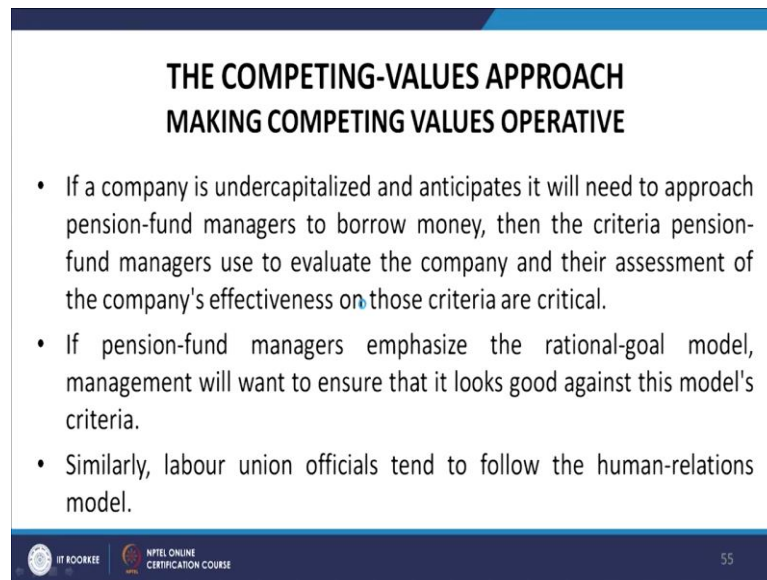
THE COMPETING-VALUES APPROACH MAKING COMPETING VALUES OPERATIVE

- Amoebagrams, such as those illustrated in Figure 7-3, offer insights as to how a constituency or set of constituencies assesses the organization's performance on the eight effectiveness criteria.
 - It pinpoints areas where strategic constituencies agree and disagree in their evaluations of the organization;
 - It tells management which criteria constituencies perceive as needing improvement; and
 - It focuses management's attention on certain OE models.

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Amoebagrams, such as those illustrated in figure 7.3 offer insights as to how a constituency or set of constituencies assesses the organizational performance on the eight effectiveness criteria. It pinpoints areas where strategic constituencies agree and disagree in their evaluation of the organization; it tells management with which criteria constituency perceives as needing improvement; and it focuses management's attention on certain OE models.

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THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

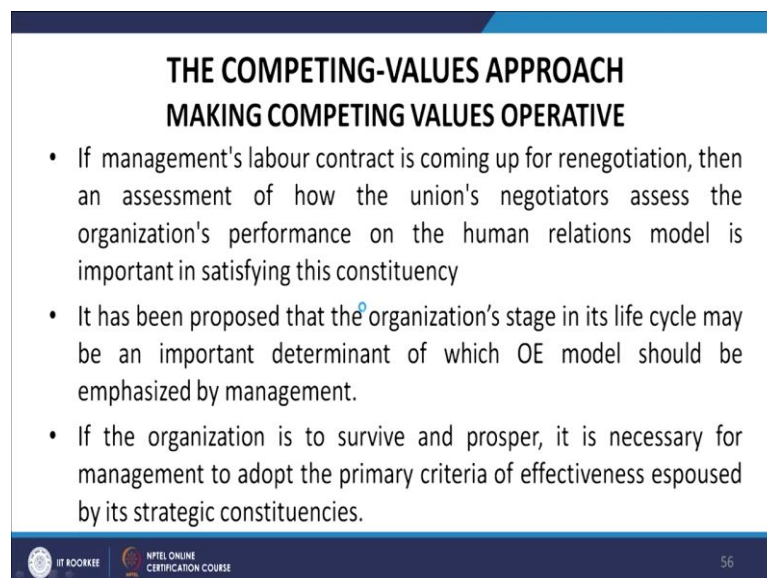
- If a company is undercapitalized and anticipates it will need to approach pension-fund managers to borrow money, then the criteria pension-fund managers use to evaluate the company and their assessment of the company's effectiveness on those criteria are critical.
- If pension-fund managers emphasize the rational-goal model, management will want to ensure that it looks good against this model's criteria.
- Similarly, labour union officials tend to follow the human-relations model.

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If a company is undercapitalized and anticipates, it will need to approach pension fund managers to borrow money, then the criteria pension-fund managers used to evaluate the company and their assessment of the company's effectiveness on those criteria are critical.

If pension fund managers emphasize the rational-goal model, management will wait managers will want to ensure that it looks good against this model's criteria. Similarly, labour union officials tend to follow the human-relations model.

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THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

- If management's labour contract is coming up for renegotiation, then an assessment of how the union's negotiators assess the organization's performance on the human relations model is important in satisfying this constituency
- It has been proposed that the organization's stage in its life cycle may be an important determinant of which OE model should be emphasized by management.
- If the organization is to survive and prosper, it is necessary for management to adopt the primary criteria of effectiveness espoused by its strategic constituencies.

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So, if management's labour contract is coming up for renegotiation, then an assessment of how the union's negotiators assess the organization performance on the human relations model is important in satisfying this constituency.

It has been proposed that the organization stage in the lifecycle may be an important determinant of which OE model should be emphasized by the management. If the organization is to survive and prosper, it is necessary for management to adopt the necessary criteria of effectiveness espoused by its strategic constituencies.

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THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

- Strategic constituencies tend to change over time.
- An important determinant of which constituencies deserve management's greatest attention may be the organization's life-cycle stage.
- we can identify five stages in an organization's life cycle—entrepreneurial, collectivity, formalization and control, elaboration of structure, and decline.
- Each of these stages makes different demands on management and the organization itself.

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Strategy constituencies then again, tend to change over time. An important determinant of which constituency deserves the management's greatest attention may be the organization's life-cycle stage. We can identify five stages in an organization lifecycle. Ranging from entrepreneurial, collectivity, formalization and control, elaboration of structure, and decline. Each of these stages makes different demands on management and the organization itself.

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THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

- It seems only logical, therefore, that the organization's strategic constituencies are likely to change from stage to stage to reflect these difficult demands.
- In the entrepreneurial stage, the organization is typified by innovation, creativity, and the marshaling of resources.
- Getting external support is critical. So, too, is being able to demonstrate flexibility.
- The open-systems model emphasizes these criteria.

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It seems only logical, therefore, that the organization's strategic constituencies are likely to change from stage to stage to reflect these difficult demands. In the entrepreneurial stage, the organization is typified by innovation, creativity and marshalling of resources. Getting external support is critical. So, too, is being able to demonstrate flexibility. The open-systems model emphasizes these criteria.

Therefore, we can expect that banks, venture capitalist, property leasing agents, typically strategic constituencies in an organization's formative years will use the open-systems model. When the organizations enter the collectivity stage, its strategic constituencies are likely to include unions and employees themselves. Management need to create a sense of family within the organization to develop high member commitment. This is consistent with pursuit of criteria articulated in the human relation model.

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THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

- In the formalization and control stage, efficiency and orderliness are sought.
- The organization is becoming mature, and strategic constituencies at this point employees, lenders, suppliers, customers, and the like evaluate the organization in terms of its stability and productivity.
- Such constituencies will look to the internal process and rational-goal models.
- At the elaboration-of-structure stage, emphasis is on monitoring the external environment.

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THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

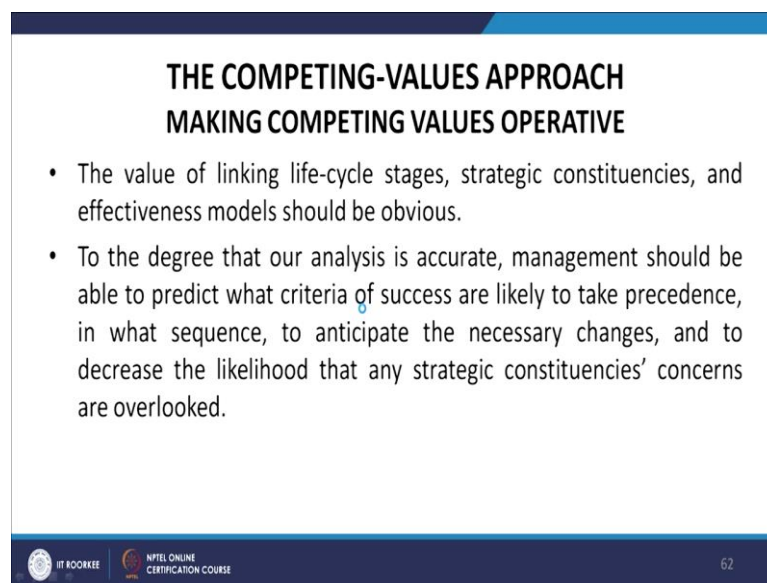
- Strategic constituencies in this stage emphasize the organization's flexibility, ability to acquire resources, and growth rate.
- These criteria are best met in the open systems model.
- In the decline stage, the strategic constituencies tend to be similar to those found when the organization is just beginning.
- The concern again is with the ability of the organization to innovate and acquire resources.
- So as with the entrepreneurial stage, the open-systems model should dominate in guiding effectiveness evaluations.

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THE COMPETING-VALUES APPROACH
MAKING COMPETING VALUES OPERATIVE

- The value of linking life-cycle stages, strategic constituencies, and effectiveness models should be obvious.
- To the degree that our analysis is accurate, management should be able to predict what criteria of success are likely to take precedence, in what sequence, to anticipate the necessary changes, and to decrease the likelihood that any strategic constituencies' concerns are overlooked.



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The value of linking lifecycle stages, strategic constituencies and effectiveness model should be obvious. To the degree that our analysis is accurate, management should be able to predict what criteria of success are likely to take precedence, in what sequence, to anticipate the necessary changes, and to decrease the likelihood that any strategic constituency concerns are overlooked.

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THE COMPETING-VALUES APPROACH VALUE TO MANAGERS

- Competing values acknowledge that multiple criteria and conflicting interests underlie any effort at defining and assessing OE.
- Additionally, by reducing a large number of effectiveness criteria into four conceptually clear organizational models, the competing-values approach can guide the manager in identifying the appropriateness of different criteria to different constituencies and in different life-cycle stages.

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Competing values acknowledge that multiple criteria and conflicting interest underlie any effort at defining and assessing OE. Additionally, by reducing a large number of effectiveness criteria into four conceptually clear organization models, the competing-values approach can guide the managers in identifying the appropriateness of different criteria at different constituencies and in different lifecycle stages.



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COMPARING THE FOUR APPROACHES

APPROACH	DEFINITION	WHEN USEFUL
	An organization is effective To the extent that ...	The approach is preferred When ...
Goal attainment	It accomplishes its stated goals.	Goals are clear, time bound, and measurable.
Systems	It acquires needed resources.	A clear connection exists Between inputs and outputs.
Strategic constituencies	All strategic constituencies are at least minimally satisfied.	Constituencies have powerful influence on the organization, and the organization must respond to demands.
Competing values	The emphasis of the organization in the four major areas matches constituent preferences	The organization is unclear about its own emphases, or changes in criteria over time are of interest.

Table 7.4: Comparing the Four OE Approaches

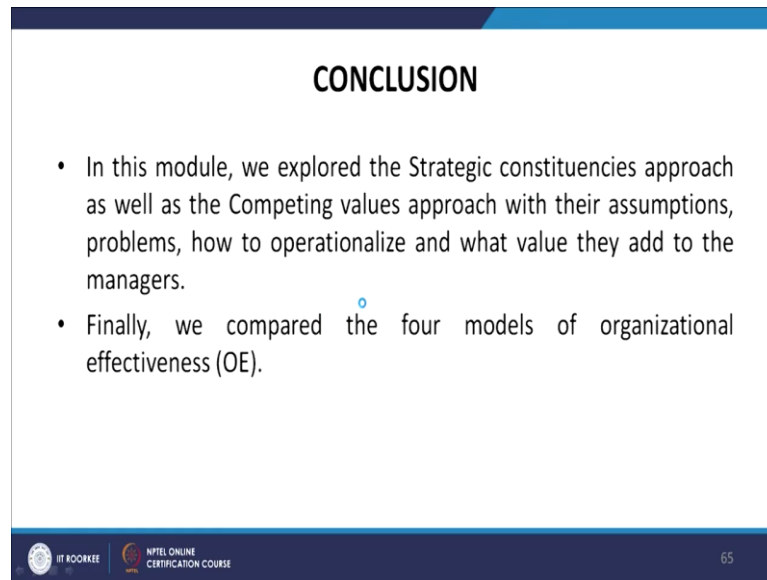
Source: Robbins, S. P. (1990). Organization Theory: Structures, Designs, and Applications. Pearson Education India.

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So, these are the four approaches and you see that the value competing values approach, the definition is the emphasis on the organization in the four major areas matches,

constituencies' preferences. When it is useful is when the organization is unclear about its own emphasis or changes in criteria over time are of interest in this. While the systems approach, the definition is it acquires needed resources and it is useful when the clear connection exist between inputs and outputs.

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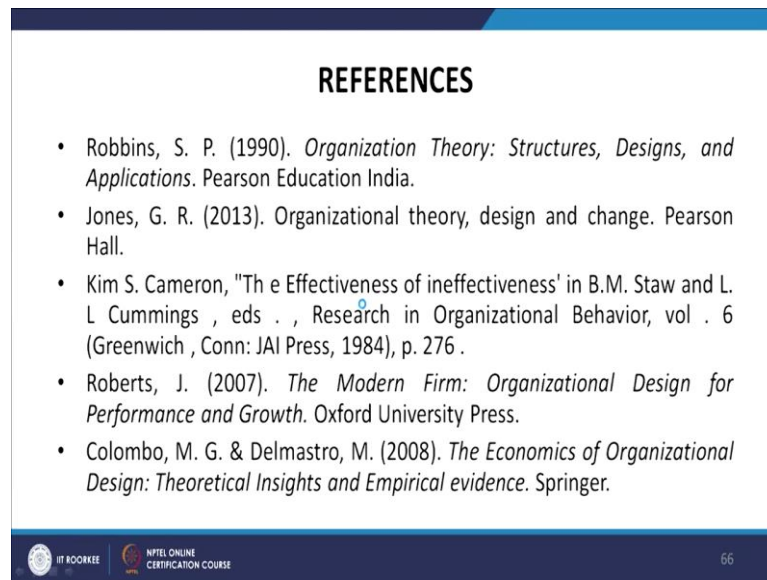
CONCLUSION

- In this module, we explored the Strategic constituencies approach as well as the Competing values approach with their assumptions, problems, how to operationalize and what value they add to the managers.
- Finally, we compared the four models of organizational effectiveness (OE).

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So, in order to conclude in this module, we had explored the strategic constituencies approach as well as the competing values approach with their assumptions, problems and how to operationalize and what value they add to the managers. Finally, we compare the four modules of organizational effectiveness.

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And these are the four books from which the material for this module was taken.

Thank you.