

Organizational Effectiveness: Exploring What It Means in Human Resource Development

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The literature on organizational effectiveness was reviewed to explore the various definitions and terminology used as well as to identify the criteria, correlates, theories and/or models, and measurement/assessment methods. AHRD Conference Proceedings for 2004 and 2005 were analyzed for usage of the phrase. Results indicated that researchers and practitioners alike must continually redefine organizational effectiveness as it applies in changing contexts.

Keywords: Relating HRD to HRM, Strategic HRD, Theorizing HRD

Organizational effectiveness (OE) is a commonly used phrase in both research and practice. As a research topic, OE dates back to industrialization and the era of scientific management, and at that time, OE was primarily measured as productivity and/or profits (Goodman, Atkin, & Schoorman, 1983). The OE construct was also called organizational “success” or “worth” and was mainly referring to achievement of goals (Georgopoulos & Tannenbaum, 1957).

Numerous articles and books on OE were published in the 1960s through the 1980s, but the number of publications dwindled during the 1990s. In fact, Goodman, Atkins, and Schoorman (1983) suggested a moratorium on overall studies of OE in favor of empirical studies on specific indicators of OE like productivity and safety. The reasoning behind such a suggestion was likely due to the chaotic condition of OE as a construct—the lack of agreement among researchers on a definition, a theoretical framework, or assessment method (Cameron & Whetten, 1983). Research conducted after the proposed moratorium has touched upon different facets and perceptions of OE in the context of the organizations being studied, and diverse criteria or correlates of OE have resulted (Koys, 2001; Walton & Dawson, 2001; Zairi & Jarrar, 2001). Other studies have focused on the theoretical aspects of OE by investigating approaches to the research, different frameworks, measurement, or the multidimensionality of the definition (Gaertner & Ramnarayan, 1983; Kraft, 1991; Lewin & Minton, 1986).

Research Problem

The objective of this literature review was to explore the various definitions and terminology used for OE and to identify its criteria, correlates, theories and/or models, and measurement/assessment methods. The rationale for this research was to determine to what extent the phrase OE differs in meaning and operationalization amongst various audiences, including researchers and practitioners. Hence, the research question being considered is *how does usage of the phrase OE differ within research-based literature?*

Research Methods and Limitations

The researcher used the following criteria when selecting resources to be included in the literature review: (a) the resource had to be published, (b) the resource had to be available online or in the university library, and (c) the resource had to contain OE in the title and relate information about either a definition, conceptualization, framework, or measurement of OE or be referenced in such a resource.

Inherent biases exist in using these selection criteria. These limitations are significant, so clarity regarding them was critical. The researcher used only published works, which potentially excluded valuable research that has not been published for one reason or another (Light & Pillemer, 1984). Limiting the search to the university library and the Internet further limited the researcher’s access to potentially valuable contributions.

In order to get a feel for the usage of the phrase OE in human resource development research, the researcher conducted content analysis on the Proceedings from the previous two Academy of Human Resource Development International Research Conferences. This method was limiting in that the Proceedings are only partially representative of the current research in human resource development. Using only the most recent two Proceedings further limited the research.

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Review of the Literature

The literature review includes a brief discussion of the relevance of each piece organized as it relates to (a) the various definitions, terminology, criteria, and correlates, (b) theories and models, and (c) measurement and assessment methods of OE. The research results are then presented and discussed, and suggestions for future research and the implications for human resource development are presented.

Definitions, Terminology, Criteria, and Correlates

During the initial literature search, the researcher became troubled by the lack of recent research that used the phrase OE. Other terminology, including organizational performance, business performance, and business outcomes, was more common in the recent literature. The researcher soon realized that the age of the literature coupled with the assortment of interchangeable phrases was an indication of a change or a shift in the study of OE. This section will summarize the definitions of OE that the researcher found in the literature along with the various terminology, criteria, and correlates that were presented.

Interestingly enough, in 1957, Georgopoulos and Tannenbaum stated “The question arises whether it is possible to develop a definition of effectiveness and to derive criteria that are applicable across organizations and can be meaningfully placed within a general conceptual framework” (p. 534). The same question or notion seems to be debatable even now! They proceeded to define OE as “...the extent to which an organization as a social system, given certain resources and means, fulfills its objectives without incapacitating its means and resources and without placing undue strain upon its members” (pp.535 – 536). In addition to examining and defining OE, the authors studied the criteria of productivity, flexibility, and intraorganizational strain as reported via questionnaires by roughly 35 employees at 32 stations in five plants. The results indicated significant associations with OE for all three criteria as rated via questionnaires by six to nine experts (management and key station personnel) at each of the five plants.

Campbell (1977) wrote a chapter entitled “On the Nature of Organizational Effectiveness” where the current state of the construct was reviewed. The need for a theoretical context, alternative theories and suggestions for research were included. Campbell also revisited the indicators/criteria of OE that he had reported in a previous literature review (see Table 3 in discussion section).

Kahn (1977) commented that the suggestion to stop studying OE was only one of vocabulary and operationalization of measurement. “As a research criterion, however, organizational effectiveness might be dropped in favor of more specific outcomes” (p. 237).

Cameron and Whetten (1983) observed that “Often, terms are substituted for effectiveness such as performance, success, ability, efficiency, improvement, productivity, or accountability, but some measure of effectiveness is usually what is required. (Moreover, the terms being substituted for effectiveness are seldom any more precisely defined than is effectiveness.)” (p. 2). The authors also proposed that OE is not a concept but rather a construct, with the difference being that a “concept can be defined and exactly specified by observing objective events” (p. 7); OE does not fit that description. The authors remarked on how other authors have used productivity as an indicator of OE even though productivity is a concept while OE is not.

Gaertner and Ramnarayan (1983) defined effectiveness as “...the ability of an organization to account successfully for its outputs and operations to its various internal and external constituencies” (p. 97). A multidimensional framework was proposed that resulted in four approaches to OE: (1) general outcomes, (2) organization-specific outcomes, (3) general process/structure, and (4) organization-specific process/structure (p. 98). Criteria for effectiveness captured by these four approaches included productivity, profit, return on investment, decision making, organizational structure, flexibility, openness to information, and adaptability.

Judge (1994) described OE as including the financial performance measures of profitability, sales growth, and/or stock returns but also the “operating performance” measures of market share, productivity, and product quality. The study evaluated the relationship between the following correlates of OE: environmental (environmental scarcity), organizational (organizational size), and board-level variables (outsider representation on the board) with financial and social performance in a sample of non-profit hospitals in North and South Carolina. Environmental scarcity was found to be negatively related with financial and social performance, as expected. Organizational size was found to be positively related with financial performance, as expected, but not with social performance as had been hypothesized. Outsider representation was found to be positively related to social performance, as expected, but not with financial performance as had been hypothesized.

Delaney and Huselid (1996) studied the association between human resource activities, including training and staffing selectivity, and firm performance in 590 nonprofit and for-profit firms using the National Organizations Survey. Koys (2001) used this reference as an illustration of the relationship between human resource activities and OE, which assumes firm performance is interchangeable with OE. Other terms that Koys used interchangeably with

OE included organizational outcomes, organizational performance, and business outcomes. The study involved employee attitudes and behaviors (using satisfaction, occupational citizenship behaviors, and turnover) and whether or not they influence business outcomes or vice versa in a restaurant chain. The result indicated that human resource outcomes influenced the business outcomes and not the other way around. Walton and Dawson (2001) studied managerial perceptions and criteria for OE and how similar they were to academics' perceptions and the competing values model. Managerial criteria included profit, value of human resources, quality, and productivity. Academician criteria included a stronger emphasis on conflict/cohesion. Executives valued the dimensions of ease of control and measurement; academics valued the dimension of focus.

Zairi and Jarrar (2001) conducted a study in the National Health Service (NHS) in the UK to determine whether OE is a result of management processes, people, or a combination. A questionnaire was administered to 464 NHS Trusts to identify best practices; the response rate was 15%. The best practices were used in conjunction with the European Quality Award criteria and the McKinsey 7S Model to produce the criteria that would frame a proposed model. The criteria used included management style, organizational structure, systems, strategy/allocation of resources, shared values, staffing, and skills.

McCann (2004) reviewed the role of general systems theory in the history of OE and proposed that there is a gap between current practice and emerging needs in the area of OE especially with regards to change. The author urged investing in "adaptive capacity"—the dimensions of organizational agility and organizational resiliency—to better deal with dynamic organizational life.

Theories and Models

Very little consensus exists among researchers about which theories explain or support the topic of OE. This section of the literature review will simply summarize the theories and models that have been reported in the literature on OE.

The mechanistic or machine theory of organizational dynamics (see Strasser, Eveland, Cummins, Deniston, and Romani, 1981) serves as the foundational theory to the Goal Model, the oldest and most commonly used model in OE. This model reflects OE as the attainment or progress toward defined purposes or goals (Seashore, 1983). Management by objectives and cost-benefit analysis are examples of this model (Campbell, 1977).

General systems theory is one of the theories frequently cited in support or justification of OE research (Campbell, 1977; Georgopoulos & Tannenbaum, 1957; McCann, 2004). Hence, one of the two predominant models in OE is systems-based: Natural System Model (also called the System Resource Model) (Campbell, 1977; Seashore, 1983; Cameron & Whetten, 1983). This model reflects an interdependence with the environment where system equilibrium and maintenance are the primary goal, and outcomes of interest are typically things like "stability, growth, decline, and change" (Seashore, 1983, p. 58). Operations research and organizational development are examples of this model (Campbell, 1977).

Other theories mentioned in the literature included organizational theory (Cameron & Whetten, 1983), classic economic theory (Morin, 1995), critical theory (Nord, 1983), and capitalism (Kraft, 1991). Lewin and Minton (1986) proposed that the components for a "contingent behavioral theory of OE already exists" (p. 515), but they also agree that the notion of a universal theory of effectiveness is futile. The authors summarized the history and theory behind the goal and systems models, and they proposed a strategy for engineering OE to facilitate the development of the contingent theory.

In addition to the goals and natural systems models, a few other models were discussed in the literature. Seashore (1983) proposed that the goals and systems approaches could be integrated with the Decision-Process Model, which reflects how organizations develop standard methods for utilizing information resources to preserve systemic integrity and pursue goal attainment. The integration of these three relies on the compatibility of sufficient amounts of systemic integrity, goal pursuit and attainment (especially those that sustain resources), and appropriate decision and control processes (p. 62).

The Competing Values Framework (O'Neill & Quinn, 1993) is another integration of other models: Internal Process Model, Open Systems Model, Rational Goal Model, and Human Relations Model. This model proposes increased effectiveness by providing multiple strategies and options in changing situations or scenarios. Other models mentioned in the literature are reflected in Table 1.

Table 1. *Other Models Listed in the Literature*

	<i>Authors</i>	<i>Models</i>
Kraft (1991, pp. 77-78)	Contingency models Evolutionary Model Interpretive Model Political Economy Model	Population Ecology models Power Model Social Justice Model
Cameron & Whetten (1983, p. 7)	Fault-Driven Model High Performing Systems Model Internal Processes/Maintenance Model	Legitimacy Model Strategic Constituencies Model

Cameron and Whetten (1983) concluded that no model has captured the total meaning of effectiveness but that there are strengths, weaknesses, and assumptions to be recognized with each one. They went on to say that one universal model for OE is not possible since there is no universal theory; however, they suggested that developing models and frameworks for measuring effectiveness is more useful than trying to develop theories of effectiveness (p. 267). Steers (1975) reviewed 17 multivariate models or studies of OE and proposed suggestions for future model building including: (a) criteria should be flexible to allow for diverse goal preferences, (b) criteria could be weighted to allow for varying goal importance, and (c) constraints of criteria maximization should be made explicit (pp. 555-556).

Measurement and Assessment Methods

The methods for measuring OE are also highly varied. While there appears to be agreement that OE is a latent construct and cannot be directly measured, the water gets murky from there. The researcher found references to dimensions and domains of OE, which was confusing considering the methodological differences in measuring those two. Additionally, the unit or level of analysis differed among the literature, which is a reflection of the perspective of the researcher (Lawler, Nadler, and Cammann, 1980). For the purpose of this literature review, the methods of data collection and the suggestions for measurement and assessment found in the literature will be presented. A summary of all the criteria used to measure OE in the literature reviewed will be presented in the discussion section.

Cameron (1978) interviewed roughly 14 administrators and faculty members at six northeastern colleges to derive nine dimensions of OE: student educational satisfaction, student academic development, student career development, student personal development, faculty and administrator employment satisfaction, professional development and the quality of the faculty, systems openness and community interaction, ability to acquire resources, and organizational health (p. 614). A questionnaire was developed based on these dimensions and administered to around 325 faculty members and administrators at those same colleges. A separate instrument was developed to measure objective data related to the dimensions and was given to administrators at the colleges. While the results were mixed, the relevance of this piece was the assessment method. This study was extended in 1981, 1982, and 1986 with more positive results, but again the relevance to this research is in the area of measurement and assessment. Environmental factors and management strategies were found to be most important in terms of association with effectiveness (Cameron, 1986a).

Lawler, Nadler, and Cammann (1980) identified three levels of analysis: societal, managerial, and individual. They advocated measurement techniques and processes as one of three tools to design and manage effective organizations; concepts and theories and change technologies were the other two (p. 3). The authors further stated that assessment methods will depend upon the organizational context – will the data be used for internal or external decisions or for research purposes? The methods for each may vary.

Cummings (1983) created a matrix sorting the different researchers' perspectives by four levels of analysis: societal, organizational, social, and individual. Cummings further sorted the perspectives based on their driving force: rational or nonrational.

Cameron & Whetten (1983) proposed seven guidelines or questions to be answered for assessing OE:

1. "From whose perspective is effectiveness being judged?"
2. On what domain of activity is the judgment focused?"
3. What level of analysis is being used?"
4. What is the purpose for judging effectiveness?"
5. What time frame is being employed?"
6. What types of data are being used for judgments of effectiveness?"
7. What is the referent against which effectiveness is being judged?" (pp. 270 – 273).

Morin (1995) related OE to the meaning of work in a qualitative study employing the Delphi technique. Eighteen senior executives identified 46 performance indicators that were factored into four components of OE: (1) quality of human resources, (2) technical and economic efficiency, (3) support of external groups, and (4) stability and growth of organization. An emphasis by executives on classic economic theory was also noted.

Research Results

Through searching for the phrase OE in the 2004 and 2005 AHRD International Research Conference Proceedings, the researcher found that the phrase was used in 15 and 22 papers, respectively. Researchers are using the phrase OE frequently in their writing as a description of some type of positive organizational outcome, although researchers do not always include a definition for the phrase.

Discussion

While abundant research has been done on OE, there is little agreement among researchers about definitions, theories, and measurement (Cameron & Whetten, 1983). Cameron and Whetten (1983) suggested that researchers (a) recognize the strengths, weaknesses, and assumptions of OE models and use them accordingly, (b) recognize that developing models and frameworks for measuring effectiveness is more useful than trying to develop theories.

The issue of definitions and operationalization of OE was presented by Kahn (1977), and the substitution of terms for OE was also noted by Cameron and Whetten (1983), but the researcher suspects that the multidisciplinary nature of OE and time have led to an even greater use of those other words or phrases instead of OE. The words and phrases or terms found used interchangeably with OE are summarized in Table 2.

Table 2. *Interchangeable Words and Phrases for Organizational Effectiveness*

<i>Authors</i>	<i>Word and Phrases</i>
Georgopoulos & Tannenbaum (1957)	Organizational success Organizational worth
Cameron & Whetten (1983) [substituted for effectiveness]	Ability Accountability Efficiency Improvement Performance Productivity Success
Delaney and Huselid (1996)	Firm performance
Koys (2001)	Business outcomes Organizational outcomes Organizational performance

A large number of criteria were used to measure OE. The premise of choosing criteria that are specific to the context of the organization being measured is logical (Lawler, Nadler, & Cammann, 1980; Cameron & Whetten, 1983). The criteria found in the literature and the data collection methods, if applicable, are summarized in Table 3.

Table 3. *Criteria and Data Collection Methods for Measuring Organizational Effectiveness*

<i>Authors</i>	<i>Criteria</i>	<i>Data collection method(s)</i>	
Georgopoulos & Tannenbaum (1957)	Absenteeism Flexibility Intraorganizational strain Morale	Net profit Turnover Productivity	Questionnaire
Campbell (1977)	Absenteeism Accidents Achievement emphasis Conflict/cohesion Control Efficiency Evaluations by external entities Flexibility/adaptation Goal consensus Growth Information management and communication Internalization of organizational goals Job satisfaction Managerial interpersonal skills Managerial task skills	Morale Motivation Overall effectiveness Participation and shared influence Planning and goal setting Productivity Profit Quality Readiness Role and norm congruence Stability Training and development emphasis Turnover Utilization of environment Value of human resources	NA
Gaertner and Ramnarayan (1983)	Adaptability Decision making Flexibility Openness to information	Organizational structure Productivity Profit Return on investment	NA
Judge (1994)	Environmental scarcity Measures of market share Organizational size Outsider representation on the board Product quality	Productivity Profitability Sales growth Stock returns	Questionnaire
Delaney & Huselid (1996)	Training and staffing selectivity		Survey
Koys (2001)	Employee satisfaction Occupational citizenship behaviors	Turnover	Survey Manager ratings Company records
Walton & Dawson (2001)	Conflict/cohesion Productivity Profit	Quality Value of human resources	Questionnaire
Zairi & Jarrar (2001)	Management style Organizational structure Shared values Skills	Staffing Strategy/allocation of resources Systems	Questionnaire
McCann (2004)	Organizational agility	Organizational resiliency	NA

Suggestions for Future Research

Conducting this literature review provided an opportunity for the researcher to investigate the history and widespread usage of OE, which led to a deeper understanding of the unresolved issues and generated some questions for future research:

1. Could a continuum for OE be established for types or classes of organizations or would it have to be organization specific? This notion would need to be flushed out further as it is too simplistic—what would the criteria be, would they be weighted, and so on—but the big picture seems realistic in light of the research that has been done in higher education and healthcare.
2. What types of criteria can be used to measure OE during various types of changes? Some of the literature has looked at change in organizations and proposed considering the impact change has on OE (McCann, 2004). The researcher is curious as to which criteria would be most appropriate for various types of organizational changes—incremental, transformational, life cycle, etc.
3. How can practitioners use the information provided by this construct to monitor and improve overall organizational well-being and management of human capital? The context specificity of OE (as discussed in Lawler, et al, 1980) must be key to identifying the right variables or criteria for the organization. Practitioners would then be challenged to develop valid measures of those criteria. The models included in this literature coupled with human capital theory and the relatively recent emphasis on measurement and return-on-investment in human resources would make for pragmatic organizational research.

Implications for Human Resource Development

The purpose of this investigation was to answer the question *how does usage of the phrase OE differ within research-based literature?* Based on this study, the use of the phrase OE does not differ within research-based literature. However, researchers and practitioners alike must learn how to define and *redefine* OE as it applies to changing contexts and circumstances. Maintaining aligned definitions of this phrase will promote better assessment and measurement, which will, in turn, improve both research and practice. The previously suggested future research will move the profession in a constructive direction pertaining to OE.

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