

Organisational Effectiveness

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Meaning & Concept

Organisational effectiveness can be defined as the efficiency with which an association is able to meet its objectives. This means an organisation that produces a desired effect or an organisation that is productive without waste. Organisational effectiveness is about each individual doing everything they know how to do and doing it well. In other words, organisational efficiency is the capacity of an organisation to produce the desired results with a minimum expenditure of energy, time, money, and human and material resources. The desired effect will depend on the goals of the organisation, which could be, for example, making a profit by producing and selling a product. An organisation, if it operates efficiently, will produce a product without waste. If the organisation has both organisational effectiveness and efficiency, it will achieve its goal of making a profit by producing and selling a product without waste. In economics and the business world, this may be referred to as maximizing profits.

Determinants

There are many factors that contribute to an organisation's effectiveness and success such as:

People

Employees operate and manage organisations, so it is only natural that their performance will affect an organisation's effectiveness.

These areas can include:

- **Skills-** Skilled employees are faster, more productive, and more effective.
- **Behaviour-** Organisational behaviour can improve employee productivity. Employees that are cooperative and driven, for instance, will work better together and produce better results.

- **Culture-** The culture of an organisation is related to behaviour. It includes the values, beliefs, and assumptions of an organisation. And it affects how they interact, work together, and perform their jobs, among other things.

Processes and Systems

Business processes can be efficient, inefficient, slow, profitable, or a mixture of all of these. Such processes can include:

- **Workflows-** An individual employee's workflow can be efficient, inefficient, or somewhere in between. How efficient that workflow is, will affect their contribution to the organisation.
- **Procedures-** Established procedures, such as customer service interactions or internal business procedures, can also be either effective or ineffective.
- **Processes-** A business process – a set of tasks, procedures, or activities – will also affect the performance of a given business function.

Each organisation is unique. This means that every organisation should discover which processes are the most profitable and effective for their unique situation.

Tools and Technology

Another determinant of organisational effectiveness is technology. The right tools and technology can improve efficiency and results across virtually every business function. But the wrong tools – or improper use of those tools – can be ineffective and costly.

Examples of tools and technology include:

- **Software-** The right software, especially at the enterprise level, can make a big impact on business efficiency and effectiveness.
- **IT infrastructure-** Modern IT systems, such as cloud computing, can also affect the speed, efficiency, and effectiveness of many business processes.
- **Productivity and training programs-** Digital tools can be very beneficial, but only if employees know how to use them properly. Employee training is another essential contributor to business effectiveness.

Today, digital adoption and digital transformation focus heavily on technology and productivity. That is, digital adoption aims to maximize software productivity and software ROI, rather than merely implementing new technology.

Vision, Mission, and Strategy

Also, an organisation's high-level mission and strategy will determine its effectiveness. These can include:

- **The philosophy of an organisation-** What does the organisation value? Is it strictly focused on profit and competition? Or does it aim to add value to society or its local community?
- **Its market positioning-** Market positioning – an organisation's strategic position relative to competitors – will also affect organisational efficiency and profitability.
- **Organisational strategy-** Also, an organisation's high-level strategy will affect how well the company performs within its market, its industry, and among its customers.

All of the above will determine and contribute to many other areas of a business, from its culture to the organisational structure.

Organisational Structure

How an organisation is structured will also impact its effectiveness. Common organisational structures include:

- **Top-down-** Most of us are familiar with top-down hierarchies and business structures. These include layers such as senior management, middle management, and frontline employees.
- **Flat-** Flat hierarchies reduce or remove the role of middle management. These structures offer more autonomy and decision-making power to frontline employees.
- **Other structures-** There are other types of organisational structures, such as matrix structures or multi-divisional structures.

As with every other factor covered here, there is no “best” approach. In this case, for instance, there is no “best” approach to an organisational structure. When it comes to organisational effectiveness, what matters most is alignment and synergy.