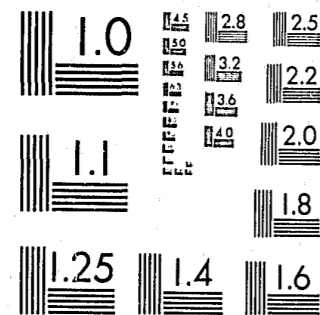


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ORGANIZATIONAL EFFECTIVENESS:
A MULTIPLE-CONSTITUENCY APPROACH

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Organizational Effectiveness: A Multiple-Constituency Approach

Abstract

Current approaches to organizational effectiveness are conceptually conflicting and empirically arid. They appear handicapped by a desire to produce a single effectiveness statement about any given organization. We propose a 'multiple-constituency' approach avoiding this requirement, explicitly assuming that different organizational constituencies will form different assessments of its effectiveness. Several conceptual and empirical implications of this reorientation are suggested.

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The field of organizational effectiveness research appears to be in conceptual disarray. Recent summaries of the literature reach uniformly negative conclusions: ". . . there is only a rudimentary understanding of what is actually involved in or constitutes the concept (of organizational effectiveness)" (Steers, 1975); ". . . measuring effectiveness is a critical but problematic issue" (Hrebiniak, 1978); "Organizational effectiveness . . . is an extremely untidy construct" (Campbell et al., 1974). Perspectives on effectiveness show little or no convergence (Molnar and Rogers, 1976) and quick improvement is unlikely (Kahn, 1977). Some have even argued that the concept is not researchable, and should reside only as a conceptually rather than an empirically relevant construct (Hannan and Freeman, 1977). The present authors have no argument with such pessimism. We do, however, propose that hope is not entirely lost. This paper attempts to define a broad perspective on organizational effectiveness that encompasses rather than conflicts with existing perspectives. The proposed perspective will not attempt to prescribe research directions or methodology. Rather, it will attempt to define areas of convergent theorizing and rich empirical domains.

A: Current Approaches to Organizational Effectiveness

Effectiveness statements are typically not descriptive; they are evaluative and often normative. That is, they are generally not attempts to answer the question "How is entity X performing?" Instead, they usually attempt to answer "How well is entity X performing?" and often "How much better should entity X perform?" The central differentiation among current effectiveness statements is in how they specify the evaluative criteria used to define "how well" the entity is performing or could

perform.

Organizational goals approaches. To an "organizational goals" theorist, the problem of specifying criteria is exactly that of discovering goals. The use of "official" goal statements such as those found in articles of incorporation, organizational charter, or whatever, is seen as naive (Perrow, 1961; Porter et al., 1976). Instead, research effort is aimed at discovering the "operative" goals of those individuals most able to influence what the organization actually does - the "major decision-makers" (Price, 1972), the "executive core" (Zald, 1963) or the "dominant coalition" (Pennings and Goodman, 1976). This approach begs the empirical question of whether or not such a single dominant group actually exists in a given situation. Empirical studies such as Vroom (1960) and Lawrence and Lorsch (1967) suggest that strong goal consensus among senior managers of a single organization cannot be assumed. McCormick's (1973) suggestion that a broad survey of the organizational membership be used to identify goals allows for the possibility of discensus, but does not indicate what should be done if at least modest agreement is not found.

Systems approaches. Theorists loosely grouped under the "systems" approach to organizational effectiveness offer a variety of ways of solving the criterion problem. At the most global level, functional analysis (Parsons, 1960; Lydan, 1975) argues that organizations may be evaluated by how well they solve the four essential problems: goal attainment; adaptation; integration; and pattern maintenance. More operationally, Evan (1976) draws on systems theory to suggest categories of measurable variables which might be related to effectiveness, but leaves the criterion problem essentially unresolved. An ingenious middle ground is

proposed by Yuchtman and Seashore (1967) in what they call the "systems resource" approach. In essence, they argue that the three basic processes in an open-systems view of organizations - resource acquisition, transformation, and disposal - are tightly interconnected, so that overall effectiveness may be assessed at any point in the loop. They choose the input-acquisition process, and define effectiveness as ". . . the ability of the organization . . . to exploit its environment in the acquisition of scarce and valued resources" (1967, p. 898).

The crucial assumption of both. For all the considerable differences within and between these approaches, they share one crucial assumption: that it is possible, and desirable, to arrive at a single set of evaluative criteria, and thus at a single statement of organizational effectiveness. We propose to relax this assumption. Specifically, we propose a view of organizational effectiveness in which several (or, potentially, many) different effectiveness statements can be made about the focal organization, reflecting the criterion sets of different individuals and groups to whom we shall refer as "constituencies." We should emphasize that this relaxation goes beyond the suggestion (e.g. Stears, 1975) that effectiveness be treated multi-dimensionally, so that, for example, one could assess a given organization as highly effective in innovation, moderately effective in employee satisfaction, and so on. What we are proposing is a view of effectiveness that allows multiple evaluations from multiple constituencies, so that, for example, we might find the focal organization rated highly effective on various dimensions by its senior management, moderately effective by the employees' union, somewhat effective by its customers, and quite ineffective by a government regulatory agency. This multiplicity of ratings seems implicit in Hrebiniak's

suggestion that "... it may be useful to think in terms of effectivenesses" (Hrebiniak, 1978, p. 326). Some implications of this view are discussed in the following section.

B: A Multi-Constituency View of Effectiveness

The present paper argues that an answer to the question "How well is entity X performing?" is inevitably contingent on whom one is asking. That is, the evaluative criteria required to transform a descriptive into an evaluative statement flow from the individuals or groups to whom we are referring as "constituencies," not from some abstract, value-free theory of organizations or systems. The point is, perhaps, rather obvious in the purposive, goal-seeking view of organizations: individuals become involved with an organization (as owners, managers, employees, customers, suppliers, regulators, etc.) for a variety of different reasons, and these reasons will be reflected in a variety of different evaluations. It appears somewhat arbitrary to label one of these perspectives a priori as the "correct" one. As an empirical matter, it may well be that a particular organization is so dominated by one individual or group that much of its behavior is explicable in terms of this single perspective; but this seems more appropriately a matter for empirical investigation than for assumption as the general case.

A parallel ambiguity as to purpose is implicit in a "systems" view of organizations - as, in fact, it is in all systems, even very simple ones. For example, the familiar furnace-thermostat system used in domestic heating appears, at first glance, to have an unambiguous purpose: the maintenance of internal temperature within preset limits. However, this purpose is not derivable from merely observing how the system operates. Such observational data are equally interpretable in terms of a

"system purpose" such as "Maximize fuel consumption, subject to not exceeding an upper temperature limit," or "Minimize fuel consumption, subject to not falling below a lower temperature limit." Indeed, if the system were operated by a human thermostat and a human furnace operator, these two statements might well describe what each saw as the system purpose.

The example illustrates several important points. First, goals and constraints are, in general, interchangeable (see also Simon, 1961; Eilon, 1971). Second, statements of purpose made by system members are likely to differ from one another, and do not provide an unambiguous statement of "the" system purpose. Third, such a single purpose is not derivable from observation of system behavior, no matter how detailed. Finally, the ambiguity is not the consequence of the complexity of organizations, but is found even in rather simple systems whose structural and dynamic properties are well understood.

In general, then, we treat effectiveness not as a single statement, but as a set of several (or perhaps many) statements, each reflecting the evaluative criteria applied by the various constituencies involved to a greater or smaller degree with the focal organization. In using the term "constituencies" rather than "participants," we mean to emphasize the possibility that individuals and groups not directly associated with the focal organization may form evaluations of its activities, and may further be able to influence the activities of that organization to some extent. For example, an environmental group may form an assessment of the waste-disposal activities of the focal organization, and start legal proceedings aimed at enforcing a change in these practices. In doing so, the group becomes an active constituency of that organization, attempting to

move the organization in a direction it sees, in terms of its peculiar criteria, as "more effective."

Integration with existing views. The multiple-constituency view of organizational effectiveness may be seen as embracing as special cases several existing views of the effectiveness concept. For example, Pennings and Goodman's (1976) "dominant coalition" model presupposes the existence of a single group which has (by negotiation, side-payments, and so on) arrived at a workable shared set of evaluative criteria, and which has sufficient power to impose these criteria on the major activities of the organization. It may be the case that the objectives of all the relevant constituencies are reflected in the goals of this coalition. Whether, and in what circumstances, such dominant coalitions form is an empirical matter of considerable interest; but the multiple-constituency view has no trouble accommodating such situations as a special case of the more general phenomenon of multiple groups with more or less power to impose their evaluations on overall organizational functioning.

Systems approaches to effectiveness can be similarly accommodated as special cases. Parsonian functionalism, for example, (Parsons, 1960) implies that ultimate weight be given to the evaluative criteria used by the larger society as a whole (though the mechanism by which these criteria are identified and applied is unclear). Yuchtman and Seashore's (1967) "systems resource" approach gives primary weight to the criteria applied by suppliers of scarce resources - an organization is defined as effective to the extent that it is able to maintain its supplies of such resources, presumably by satisfying the evaluative criteria of the suppliers. The evaluations of other constituencies are implicated indirectly. For example, the willingness of consumers to pay for final

products generates the revenues which allow the manufacturing firm to purchase further "scarce resources" which allow further production. Thus, as with the "organizational goals" view, the "systems" approach to organizational effectiveness is embraced and, perhaps, extended, by the multiple-constituency model.

The major difference between the "conceptual minimalist" perspective embraced herein and the more specific models discussed above resides in assumptions about how organizations deal with environmental (constituent) pressures. For example, the dominant coalition model presupposes that the demands of various constituencies are reflected in the goals generated by the dominant coalition. For example, if consumers demand reliable products the goals of the dominant coalition should reflect quality control. Additionally, the potential influence of the various constituencies should also be reflected in the priority assigned to the goals of the dominant coalition. The systems resource perspective assumes that coalitions are influential to the extent that they can provide valued resources or influence resource acquisition. As suggested earlier, the general multiple constituency approach avoids such assumptions and, by doing so, allows the case where no clear dominant constituency emerges or where influence does not directly operate through resources.

As an example of the integrative power of the multiple-constituency view, it is worth reexamining the only study of which we are aware (Molnar and Rogers, 1976) that attempted an empirical comparison of the 'goals' and 'systems' views of effectiveness. For 110 public agencies, these investigators obtained effectiveness ratings from agency administrators, from their peers, and from a variety of agency clients. The first two were interpreted in terms of agency goal attainment, the last in terms of

systems resource effectiveness. The results showed a striking failure of convergence between the three ratings, a failure which Molnar and Rogers attribute to various conceptual and methodological problems. In a multiple-constituency view, of course, such divergence is to be expected: different constituencies rate a given organization in different ways. While Molnar and Rogers' results are thus an embarrassment to both goal and systems-resource views of effectiveness, they are perfectly consistent with multiple-constituency theory.

C: Some Implications of the Multiple-Constituency Approach

It is apparent that the proposed shift in the conceptual framework embracing the 'organizational effectiveness' construct has profound implications for relevant empirical work. Without attempting a detailed research agenda, we would like to suggest briefly three areas in which the conceptual shift might lead to a reorientation of empirical study addressing 'effectiveness': the distribution of organizational satisfactions; issues of organizational location and change; and the time dimension as it relates to effectiveness.

a. Distributional issues. The multiple-constituency view treats organizations as systems generating differential assessments of effectiveness by different constituencies. This view is close to that of such authors as Barnard (1938), Georgiou (1973) and Keeley (1978) who treat participant satisfaction, or inducement-contribution balance, as the central organizational issue. The present view is somewhat broader than that expressed by any of these authors. 'Constituency' is intended as more inclusive than 'direct participant'; and an 'effectiveness statement' from any one of them is broader than their satisfaction with their own direct transactions with the focal organization. However, the

conceptual similarity is strong, and it may be worth reviewing briefly the treatment of effectiveness by one of these authors, Keeley (1978).

The first part of Keeley's argument is based directly on Barnard's (1938) participant-satisfaction model, in which the worth of an organization is assessed through ". . . the ability of the system to maintain itself by returning human benefit in sufficient degree to induce participant cooperation" (Keeley, 1978, p. 277). The second part of his argument proposes an overall optimality criterion for the resulting distribution of net satisfactions to participants, drawing on Rawls' (1971) criterion of 'social justice.' This criterion amounts to minimizing the regret of the least advantaged participant, so that Keeley treats effectiveness in terms of this minimum point on the distribution of satisfactions across participants. It should be noted that, while the first part of this argument closely parallels the multiple constituency view, the second part does not. We are uneasy at this point about the use of the 'social justice' (or any other strongly normative) criterion to reduce multiple evaluations to a unitary effectiveness statement; and, by Keeley's argument, we would, for example, be forced to treat as highly ineffective a prison in which the prisoners (the 'most disadvantaged participants') were dissatisfied.

Despite these problems, we are impressed by the range of empirical questions that are opened up once "effectiveness" is so clearly seen as a distributional issue. For example:

- How do participants (or, in our model, constituencies) become aware of their potential for shifting the distribution in their favor? What strategies are available to them to do so? How do other constituencies prevent such efforts? What conditions are

feasible and useful? Which actually form? Under what circumstances? Broadly, the concern here is with power issues, and with the ability of constituencies to recognize, develop, and exercise power so as to shift the distribution of satisfactions in their favor.

- How do constituencies form? That is, how does an individual or group come to an awareness that the activities of the focal organization are both relevant to, and perhaps changeable by, appropriate action? For example, there appears to have been significant recent growth in the formation of 'public interest' (and private-interest) groups outside organizations which attempt, often successfully, to change corporate activities in areas such as environmental impact, minority and female hiring practices, and so on. The situational prerequisites and action strategies of such groups seem of considerable empirical interest, and are directly relevant to the 'effectiveness' issue, as we conceive it.

b. Issues of organizational location. The multiple-constituency approach views organizations as intersections of multiple influence loops, each embracing a constituency biased toward the assessment of the organization's activities in terms of its own exchanges within the loop. In such a view, the organization's location is not merely geographic, but implies its existence as including some influence loops rather than (or more extensively than) others. In this sense, location may be a key strategic matter for currently-powerful constituencies to manipulate. For example, a university may, over time, move from being primarily an undergraduate teaching school to a research and graduate-

training operation. Such a change presumably implies a relative attenuation of the influence loops which connect the school to local employers, the community, the alumni, and so on, and a relative enhancement of such influence groups as Federal funding agencies, the scholarly community, and so on. It is not clear how any of the current views of effectiveness would cope with such familiar organizational changes. They are, however, readily accommodated within the multiple-constituency view, which explicitly directs attention to the identification of constituencies, and thus to their possible succession over time, and to the organization's scope for the management of its constituency set.

c. The temporal dimension of effectiveness. The issue of time frame for assessing effectiveness has generally confounded theoreticians and empiricists. The problem is that short run organizational actions which appear ineffective (e.g. angering stockholders by withholding dividends and reinvesting) may actually be part of effective long run strategies (e.g. growth through reinvestment rather than excessive debt). Hence an improved debt/equity ratio that attracts new investors might be highly effective in the long term. In a multiple-constituency perspective, the time issue becomes technically more complicated but conceptually clearer. Different constituencies may be dealt with by an organization in different time frames. This permits a focal organization to 'time share' in terms of attention paid to the various constituencies. For example, a dean may choose to distribute raises to faculty in a manner that appears inequitable to some portion of the faculty (e.g. the stars) in the spring when it is too late for them to leave the organization, and then appease them with generous travel or teaching arrangements in the fall. This example illustrates several points. First,

constituencies may not always be in a position to react immediately to the current distribution of satisfactions. Secondly, the time frames for feedback and/or the lag between organizational action and constituent response may permit the organization to game such that the bulk of satisfactions accrue to a constituency at key decision points (i.e. keep them happy when it matters most). Finally, it suggests that not all constituencies need managing all the time. The impact of time and the manner in which organizations use it is an intriguing issue with regard to effectiveness.

Conclusion

The primary intent of this essay has been to outline an alternative to the increasingly arid debate between the 'organizational goals' theorists and the 'systems' theorists as to which possesses the key to the effectiveness puzzle. In essence, we argue that neither group does, and that the puzzle is primarily an artifact of a single, generally unstated assumption made by both: that a single statement about an organization's effectiveness is to be sought. No such assumption is, in our view, necessary or desirable.

With the obsession with a single statement removed, the door is opened to both conceptual clarification and empirical progress. In a multiple-constituency view, no surprise is engendered by the discovery that stockholders, senior managers, employee unions, and customers espouse divergent views of what the organization's goals should be. Nor is there any requirement that these groups and others should, in any particular setting, have reached a negotiated agreement or formed a dominant coalition generating operative goals. If they have done so, multiple-constituency research will reveal the fact; if not, the work is still

not immobilized. Similarly, the multiple-constituency approach avoids such difficulties of systems views of effectiveness as identifying the organization's potential for acquiring scarce resources (whether or not it actually exploits this potential); or the problem of identifying the evaluative criteria applied to an organization by 'society as a whole.'

The multiple-constituency approach to effectiveness treats both goal and systems theories as valuable, though partial, insights into the linkages between the organization's activities and its constituencies. As we have tried to show, existing approaches, both goal-based and systems-based, can be treated as special cases of the general, multiple-constituency model. In general, the multiple-constituency approach asks: What constituencies exist in a particular setting? What effectiveness assessments does each now reach? and What are the consequences of these assessments? From these questions flow a number of others: the distribution of satisfactions across constituencies; the opportunities for constituencies to affect the organization (and vice versa); the organization's location at the nexus of influence loops embracing its current and possible future constituencies; and others. In each case, the shift in conceptual base reorients empirical inquiry in directions we see as potentially fruitful.

On grounds both of conceptual clarity and empirical promise, then, the multiple-constituency approach appears to provide a more fruitful formulation of the effectiveness problem than do any of the current approaches. We specifically abandon the goal of answering questions such as "How effective is Organization X?" where a single answer is expected. In our view, such questions are ill-formulated, and we feel no embarrassment that the approach we propose offers no answers to them.

We would argue that the question: "Is General Motors more or less effective than HFW?" is of the same form as: "Is an elephant more or less effective than a giraffe?" For both questions, we observe that both species exist, and can thus be assumed to be at least minimally adapted to their environments. Beyond that, we are more interested in the features of those environments, the adaptive mechanisms used by the organism (or organization), reactions to changes, and so on. We see no particular merit in an obsessional search for the single measure of merit on which organizations can be compared.

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