

ORGANIZATIONAL EFFECTIVENESS

A Comparison of Multiple Models

Edited by

DAVID A. WHETTEN

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Preface

A common criticism of the literature on organizational effectiveness is that it is fragmented and noncumulative. Reviews of past books on effectiveness have been especially critical of the lack of integration and systematic comparison present in each of them (see, for example, Pennings, 1978, and Steers, 1978). The main purpose of this book is to address directly the issues of nonintegration and noncomparability.

Although we reject the idea that one universal model of effectiveness can be developed, presenting different perspectives on effectiveness independent of one another improves neither our understanding of effectiveness nor our ability to conduct good research. In this book, differing perspectives of organizational effectiveness are presented by the contributors, but they are not discussed in isolation. Each author's perspective is systematically compared with the others in order to highlight the basic assumptions of each approach, the trade-offs necessary in using one approach versus another, and the strengths and weaknesses of each approach.

Understanding organizational effectiveness requires an understanding of multiple models. Because none of the models are universally applicable, understanding the relative contributions of several different models, and how these models relate to one another, is the only way to appreciate the meaning of this construct. In this book, we attempt to clarify the meaning of organizational effectiveness by comparing multiple models using three main mechanisms.

First, we have asked contributing authors to ground their perspectives on effectiveness in a particular disciplinary framework. By identifying the theoretical and philosophical roots of a particular perspective, it can be more directly compared and contrasted with other perspectives whose roots also have been identified. Just as knowing about one's ancestral history helps illuminate personal and family characteristics and helps make differences with other individuals or families more understandable, so identifying the roots of different models of effectiveness is intended to provide a similar function.

Schneider's Chapter 2, "An Interactionist Perspective on Organizational Effectiveness," is grounded in the tradition of industrial-organizational psychology. Chapter 3 by Seashore, "A Framework for an Integrated Model of Organizational Effectiveness," is grounded in sociology and systems theory. Weick and Daft in Chapter 4, "The Effectiveness of Interpretation Systems," have written from the traditions of cognitive and social psychology. Nord grounds Chapter 5, "A Political-Economic Perspective on Organizational Effectiveness," in macroeconomic and critical theories. Starbuck and Nystrom's Chapter 6, "Pursuing Organizational Effectiveness That Is Ambiguously Specified," derives from an operations research/management science framework. And Goodman, Atkin, and Schoorman ground Chapter 7, "On the Demise of Organizational Effectiveness Studies," in postivistic philosophy and microeconomics. They specifically attempt to avoid associating strongly with any one social science discipline, but they are explicit about their philosophical underpinnings.

Even though each of these perspectives is grounded in a particular set of assumptions, no author has limited his view to only one discipline. Each addresses issues that are best labeled interdisciplinary. However, the conceptual boundaries of effectiveness are drawn by the parent discipline or philosophy from which each author writes.

The second mechanism for systematically comparing these various perspectives on effectiveness is a set of integrating questions. Each contributing author addresses the same nine questions at the conclusion of his chapter. These questions raise theoretical and conceptual issues, empirical and research issues, and practical and managerial issues. The questions addressed by each of the authors are as follows:

Theoretical Issues

1. What are the major theoretical predictions or hypotheses that derive from your perspective regarding relationships between effectiveness and other organizational variables (e.g., structure, technology, information processing, individual satisfaction)?

2. How does your perspective expand our understanding of the behavior of organizations?
3. Does the definition of organizational effectiveness change when considering different types of organizations (e.g., public–private, professional–industrial, large–small) or different stages of development (e.g., early stages, institutionalized stages, decline)?

Research Issues

1. What are the major indicators (criteria) of organizational effectiveness using your perspective?
2. How would one test the efficacy of your approach compared to other approaches to effectiveness?
3. What are the major methodological issues of operationalizing effectiveness using your perspective (e.g., those relating to levels of analysis, data collection, predictors, key variables)?

Practical Issues

1. What prescriptions or guidelines for improving success are suggested by your approach? Are there any counterintuitive recommendations?
2. What diagnostic tools could managers use to monitor success using your approach?
3. What trade-offs, dilemmas, or dysfunctional consequences might be experienced by managers using your approach?

This is the first time we know of that authors using different models attempt to address the same set of issues from their own unique perspectives. The purpose of this exercise is to compare directly these perspectives on theoretical, empirical, and practical grounds; to make explicit certain areas that may not otherwise have been addressed by the authors; and to provide another basis for judging the trade-offs inherent in the models.

The third mechanism for systematic comparison is the inclusion of review and critique chapters. We asked four individuals to serve as both critics and integrators for the different perspectives on effectiveness. We requested that they evaluate the different models by answering the general question: "What do these perspectives add to, and how are they integrated with, organizational behavior theory, organizational evaluation, or the management of public or private sector organizations?" Cummings (Chapter 8, "Organizational Effectiveness and Organizational Behavior: A Critical Perspective") accepted the task of reviewing the six models from the standpoint of organizational behavior theory. Brewer (Chapter 9, "Assessing Outcomes and Effects") was asked to

write from the standpoint of the evaluation of organizations. Mohr (Chapter 10, "The Implications of Effectiveness Theory for Managerial Practice in the Public Sector") used the perspective of public management. And Schreiber (Chapter 11, "Organizational Effectiveness: Implications for the Practice of Management") wrote as a private sector manager. These chapters provide a stronger basis for comparison and integration than the typical commentary format used in most edited books and conference proceedings. Here we asked each integrating author to examine all of the initial chapters in terms of their individual and collective contributions to theory, research, and practice.

This book should prove most interesting to two main groups: scholars and researchers seeking to understand and measure organizational effectiveness, and practitioners who are faced with the problem of managing and improving their own organization's effectiveness. This book is a valuable tool for managers because the chapters not only provide well thought out approaches to effectiveness as a construct, but also practical suggestions for improving effectiveness in organizations.

Acknowledgments

One of the important features of this book is the quality of the contributing authors. The group includes some of the most distinguished names in the organizational sciences. Editing and commenting on their chapters was both humbling and enlightening. They took our suggestions for revision well and went the second mile in thoughtfully responding to our questions. The task of responding to the integrating issues was both time consuming and difficult for the authors of Chapter 2–7, as was attempting to compare and integrate the various models for the authors of Chapters 8–11. The high quality of their thinking and scholarship is clearly evidenced in their chapters. Our sincere thanks to them for their superb efforts.

Others who deserve both credit and thanks for contributing to the book are Judy Butler, Carrie Andree, and Rita Scherr for typing and retyping manuscripts, and our families, Melinda, Katrina, Tiara, Asher, Cheyenne, and Brittany Cameron, and Zina, Bryan, Shauna, Bradley, and Katie Whetten. They have provided both inspiration and support throughout this project.

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Organizational Effectiveness: One Model or Several?

In the past two decades, at least seven books have been produced on the subject of organizational effectiveness (Ghorpade, 1970; Goodman & Pennings, 1977; Mott, 1972; Price, 1968; Spray, 1976; Steers, 1977; Zammuto, 1982). Without exception, each begins by pointing out the conceptual disarray and methodological ambiguity surrounding this construct. In addition, several hundred articles and book chapters have been written in that period (see Cameron, 1982a, for a review), and almost all acknowledge that little agreement exists regarding what organizational effectiveness means or how properly to assess it. Unfortunately, this plethora of writing and research has failed to produce a meaningful definition of organizational effectiveness, let alone a theory of effectiveness. The writing has been fragmented, noncumulative, and frequently downright confusing. Some writers have become so discouraged by the literature on effectiveness that they have advocated abandoning the construct altogether in scholarly activity (Hannan & Freeman, 1977). Goodman (1979a), for example, has asserted that "there should be a moratorium on all studies of organizational effectiveness, books on organizational effectiveness, and chapters on organizational effectiveness [p. 4]."

Despite its chaotic conceptual condition, however, organizational effectiveness is not likely to go away, and Goodman's advice will probably go unheeded. There are theoretical, empirical, and practical reasons why. Theoretically, the construct of organizational effectiveness lies at the very center of all organiza-

tional models. That is, all conceptualizations of the nature of organizations have embedded in them notions of the nature of effective organizations, and the differences that exist between effective and ineffective organizations. For example, contingency theories emphasize the match between organizations and some aspect of their external environments (Child, 1974, 1975; Galbraith, 1977; Lawrence & Lorsch, 1969). An appropriate match is assumed to be effective while an inappropriate match represents ineffectiveness. Theories of organizations are grounded in notions of effective designs, strategies, reward systems, leadership styles, and so on, and these are among the factors that form the basis of criteria of organizational effectiveness.

Empirically, the construct of organizational effectiveness is not likely to go away because it is the ultimate dependent variable in organizational research. Evidence for effectiveness is required in most investigations of organizational phenomena. The need to demonstrate that one structure, reward system, leadership style, information system, or whatever, is *better* in some way than another makes the notion of effectiveness a central empirical issue. 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.)

Practically, organizational effectiveness is not likely to go away because individuals are continually faced with the need to make judgments about the effectiveness of organizations. For example, which public school to close, which firm to award a contract to, which company's stock to purchase, or which college to attend are all decisions that depend at least partly on judgments of organizational effectiveness. Whereas the criteria upon which those decisions are made often are difficult to identify, and whereas considerations other than effectiveness are always relevant (e.g., political and social consequences), individuals nevertheless engage regularly in personal evaluations of organizational effectiveness.

This also points out one reason why organizational effectiveness is more problematic for organizational researchers than for the general public. Researchers have struggled to develop general models for consistently and systematically measuring and defining effectiveness, whereas members of the general public have less trouble making judgments about organizational success. When direct evidence for success is not available (e.g., productivity or output), almost any secondary, but visible, criteria are selected as a basis for judgments (e.g., furnishings of the buildings, or the appearance of organization members). Unfortunately, the public's judgments often are based on criteria that are unrelated to or inconsistent with organizational performance.

It is because of the important place organizational effectiveness holds in organizational theory, research, and practice that the concept should not, indeed cannot, be abandoned. It deserves even more systematic and fine-grained

analysis than it has received heretofore. This book represents an attempt to analyze and compare various major perspectives on effectiveness systematically and to make explicit the theoretical, empirical, and practical value of each. It will become clear that trade-offs among different models of organizational effectiveness are required of theoreticians, researchers, and practitioners. No one approach to effectiveness is inherently superior to another. Rather, the usefulness of each approach depends on certain choice factors. Therefore, this book does not strive to develop a universal, or ideal, model of organizational effectiveness. Instead, it examines several models that may be ideal in particular circumstances. Our hope is that a clearer understanding of the concept of effectiveness will emerge from this book, and that further research on effectiveness will be stimulated by the comparisons made among the various models.

UNDERSTANDING ORGANIZATIONAL EFFECTIVENESS

In introducing the first book written explicitly on the subject of organizational effectiveness, Price (1968) stated that "the purpose of this book is to present the core of what the behavioral sciences now know about the effectiveness of organizations: what we really know, what we nearly know, what we think we know, and what we claim to know [p. 1]." As it turned out, Price's assertion was somewhat exaggerated because many of the propositions that he claimed were known about effectiveness were not known then, and still are not known in the behavioral sciences. The causal associations between certain predictor variables and effectiveness that were claimed to exist simply never have been empirically demonstrated.

The purpose of this chapter is quite the opposite of Price's. Its purpose is to point out that universalistic propositions linking a set of variables to effectiveness can never be known because the meaning of the dependent variable continually changes. Depending on the model of organizational effectiveness being used, the relationships may disappear, become irrelevant, increase, or reverse themselves. What is needed, therefore, is not a set of propositions designed to set forth universal relationships, but a clarification of the various models of organizational effectiveness—their roots, strengths, and weaknesses—and how they relate to one another. Of particular value is to identify the trade-offs inherent in accepting one model versus another, and how relationships among variables change when different models are used.

Reasons for Multiple Models

The remainder of this chapter examines three reasons why multiple models of organizational effectiveness exist in the social sciences. Each of these state-

ments points out a major obstacle to developing a single, coherent, consensual view of this construct. Though these three statements do not exhaust the list of obstacles that could be identified, they do lie at the heart of the problems organizational scientists have had with organizational effectiveness.

These statements suggest that organizational effectiveness is closely associated with conceptualizations of organizations. Variety in conceptualizations of organizations leads to variety in models of organizational effectiveness. From this variety, problems with specifying definitions of effectiveness and with assessing criteria of effectiveness arise. These problems are discussed in the following sections.

1. MULTIPLE MODELS OF ORGANIZATIONAL EFFECTIVENESS ARE PRODUCTS OF MULTIPLE, ARBITRARY MODELS OF ORGANIZATIONS

Authors have conceptualized organizations in a variety of ways. For example, organizations have been called networks of objects (Tichy & Fombrun, 1979), rational entities in pursuit of goals (Perrow, 1970), coalitions of powerful constituencies (Pfeffer & Salancik, 1978), individual need-meeting cooperatives (Cummings, 1977), meaning-producing systems (Pondy & Mitroff, 1979), information-processing units (Galbraith, 1977), open systems (Thompson, 1967), collegiums (Millet, 1962), garbage cans (March & Olsen, 1976), language games (Wittgenstein, 1968), psychic prisons (Morgan, 1980), machines (Taylor, 1911), social contracts (Keeley, 1980), and so on. Each of these conceptualizations highlights, even uncovers, organizational phenomena that were missed or ignored by the others. Research conducted under these different conceptualizations focuses on different phenomena, proposes different relationships among variables, and judges effectiveness differently. (Chapters 2–7 in this volume exemplify this point.)

Changes in conceptualizations of organizations, in fact, have been at the center of the development of organizational theory. From early machine analogies (Taylor, 1911) and classical bureaucracies (Weber, 1947) where organizational efficiency was the ultimate dependent variable, conceptualizations have changed toward more complexity and variety. The emphasis has changed from efficiency to effectiveness, but with each new conceptualization a new meaning of effectiveness has been introduced.

Nonconsensual Conceptions. Whereas some authors have vigorously championed their own conceptualization as the most appropriate one, there is no evidence to suggest that one way of looking at organizations is any better than another. Keeley (1980), for example, contrasted the open systems (organismic) perspective on organizations with the social contract perspective and argued that the social contract perspective is superior in understanding organizational behavior and performance. Katz and Kahn (1978), however, argued for the

opposite view. Following von Bertalanffy (1956), Miller (1955), and others, they suggested that the biological notion of living systems captures the most accurate picture of organizations. McMullen (1976) suggested that

If one looks at the best established theories of science, the kinetic theory of gases for instance, or the nuclear theory of the atom, one immediately realizes that the confidence we place in them results not merely from their successful predictions of novel facts, but at least as much from their behavior as lead-metaphors in the process of conceptual and model change over a considerable period [p. 567].

Confidence in one conceptualization as opposed to another, therefore, results from the superior predictions made possible, the clarity that can be achieved, and the improvement in organizations that results from viewing organizational phenomena from a particular framework. In the organizational sciences, however, there are no universally accepted conceptualizations of organizations. One reason is that the worth of conceptualizations is judged on the basis of their completeness, not on the basis of their accuracy. That is, conceptualizations are accepted if they highlight relevant organizational phenomena previously ignored in other models. No conceptualization so far has mapped all the relevant phenomena.

Some writers on organizational effectiveness have continued to debate the superiority of one model of effectiveness over other models (Bluedorn, 1980; Connolly, Conlon, & Deutsch, 1980; Price, 1972; Stasser & Denniston, 1979). These debates have not proven fruitful, however, because they are based on different conceptualizations of what an organization is. Because different models of organizational effectiveness follow directly from different organizational conceptualizations, their differences relate to disparate emphases, not to superiority of one over the other. An effective organization-as-social-contract, for example, is not the same as, and may even be contradictory to, an effective organization-as-rational-goal-pursuer. The first conceptualization emphasizes an absence of organizational goals and purposes where participant needs are supreme. The second emphasizes the presence of organizational goals and purposes where participant needs are subordinate to organizational accomplishment (see Keeley, 1980, for example). Multiple constituency models of effectiveness (Connolly *et al.*, 1980; Miles, 1980; Pfeffer & Salancik, 1978) are consistent with the first case, while the goal model (Bluedorn, 1980; Campbell, 1977; Price, 1972; Scott, 1977) follows from the second.

The Desirability of Variety. Other writers have argued that a clear conceptualization of organizations is not needed to understand effectiveness, and is even undesirable (Daft & Wiginton, 1979; Morgan, 1980; Weick, 1977). A variety of incomplete or ambiguous conceptualizations serves to expand under-

standing not detract from it, according to these writers, and conceptualizations are seen as wholly arbitrary. For example, Weick suggested that increased understanding of effectiveness results from pointing out contradictory examples of commonly held conceptions. Though organizations are smooth running, for example, they also are clumsy and wandering. (Also see Chapters 2, 6, and 11 in this volume.) Morgan (1980) pointed out that increased insight can be achieved by using a variety of metaphors to describe organizations, not just one.

Viewing organizations systematically as cybernetic systems, loosely coupled systems, ecological systems, theaters, cultures, political systems, language games, texts, accomplishments, enactments, psychic prisons, instruments of domination, schismatic systems, catastrophes, etc., it is possible to add rich and creative dimensions to organization theory [p. 615].

Daft and Wiginton suggested that a single conceptualization of organizations is impossible because of the limitations of language, or of the symbols used to make sense of organizational phenomena. No single symbol, model, or metaphor can capture the complexity of organizations, so a variety of different ones are required.

Attempts to Develop Taxonomies. Despite these arguments, several attempts have been made by organizational scientists, both theoretically and empirically, to produce an overarching framework, or categorization scheme, that labels and distinguishes organizations one from another. The rationale for these attempts is that a fundamental element in the development of any scientific body of knowledge is the availability of a widely accepted and usable classification scheme (Hempel, 1965; McKelvey, 1975). Some of these attempts at taxonomy development have been motivated by the biological taxonomic structure, that is, by grouping phenomena together on the basis of similar characteristics. For example, Parsons (1960) advocated classifying organizations on the basis of similar functions in society; Etzioni (1961) suggested compliance and authority systems as a basis; Blau and Scott (1962) used prime beneficiary of the organization's actions; Perrow (1967) used technology; Katz and Kahn (1978) used contribution to society; and Boulding (1956) used system complexity. Each of these theoretical schemes has been criticized as being inadequate, however (Hall, Haas, & Johnson, 1967; McKelvey, 1975; Weldon, 1972), so empirical attempts have been made. The best known of these attempts were done at Ohio State by Haas, Hall, and Johnson (1966) and at the University of Aston by Pugh, Hickson, and Hinings (1969). At Ohio State, 210 organizational characteristics were used, and at Aston, 64 characteristics were included. Factor analysis was the primary method used in both studies to derive a taxonomy. Unfortunately, no workable classification scheme resulted from either of these studies, and no clear conception of organizations was produced. Subsequent