LEARNING ORGANIZATION PRACTICES AND ORGANIZATIONAL EFFECTIVENESS: THE IMPACT OF TYPE OF COMPANY

By

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ABSTRAK

Arus perubahan yang dibawa oleh globalisasi dan teknologi telah memaksa banyak organisasi membuat transformasi agar dapat menyesuaikan diri dan terus hidup dalam dunia ekonomi. Tanpa pembelajaran berterusan, innovasi untuk menghasilkan produk and servis baru tak mungkin berlaku. Justeru itu, proses pembelajaran bagi organisasi penting agar organisasi menjadi sebuah organisasi belajar yang effektif dan ini akan menentukan kejayaan and kecekapan organisasi pada abad ke 21.

Kajian empirik ini dilakukan di kalangan 284 orang pekerja dari industri semikonduktor di kawasan Zon Bebas Perindustrian Bayan Lepas, Pulau Pinang, Malaysia. Pembolehubah tak bersandar yang dikaji ialah amalan bagi organisasi belajar yang terdiri daripada empat sub-skala: pengurusan pengetahuan, visi dan budaya, strategi dan struktur dan pemberian kuasa kepada pekerja. Pembolehubah bersandar ialah kecekapan organisasi dengan empat sub-skala iaitu, kestabilan dan kawalan, latihan sumber tenaga asas, perancangan dan penetapan matlamat dan keeratan dan moral. Data dikutip melalui borang soal selidik yang dilengkapkan sendiri oleh pekerja-pekerja. Kaedah interaksi yang menglibatkan kaedah statistik regresi berganda bertingkat digunakan untuk mengkaji pengaruh jenis organisasi ke atas perhubungan yang disebut sebelum ini.

Keputusan yang didapati melalui kajian ini mencadangkan bahawa amalan bagi organisasi belajar akan meramalkan kecekapan organisasi. Kajian ini juga mencadangkan bahawa jenis organisasi mempengaruhi perhubungan antara amalan organisasi belajar dan kecekapan organisasi. Kemungkinan kajian dalam bidang yang sama, pada masa

yang akan datang boleh membantu kita untuk memahami dengan lebih teliti lagi tentang usul-usul yang dikaji ini.

ABSTRACT

The immense changes in the economic environment caused by globalization and technology have forced organizations to make significant transformations in order to adapt and survive in this new world. Without continual learning, new innovations in terms of products and services will not be possible; hence, organization will not remain profitable. So, it has become important that an organization learns, adapts and changes with the environmental conditions to become an effective learning organization that lead to organizational effectiveness in the 21st century.

This empirical study was conducted among 284 employees from the semiconductor industry in the Bayan Lepas Free Industrial Zone in Penang, Malaysia. The independent variable was learning organization practices with four subscales: knowledge management, vision and culture, strategy and structure and people empowerment. The dependent variable was organizational effectiveness with four subscales: stability and control, human resource development, planning and goal setting and cohesion and morale. The data was collected through the use of a questionnaire, which was self-administered. The interactionist approach was used to study the moderating effect of type of company by means of applying hierarchical multiple regression. The results suggested that learning organization practices predicts organizational effectiveness. The study also revealed that type of company moderates the relationship between learning organization practices and organizational effectiveness. Further research may be useful to better understand the relationships established through this study.

Chapter 1

INTRODUCTION

No problem can be solved from the same consciousness that created it; we must learn to see the world anew.

- Albert Einstein

1.1 Introduction

As we enter the twenty-first century, we are embracing a new era in the evolution of organizational life and structure. The immense changes in the economic environment caused by globalization and technology have forced organizations to make significant transformations in order to adapt and survive in this new world.

The changes we are talking about are not just in external products, activities, or structures, but rather in the intrinsic way the organization operates: its values, mindset, even its primary purpose. Owens (1991) stated this well: "There was a time when the prime business of business was to make a profit and product. There is now a prior, prime business, which is to become an effective learning organization. Not that profit and product are no longer important, but without continual learning, profits and products will no longer be possible. Hence the strange thought: the business of business is learning and all else will follow."

The demands put on corporate world now require learning to be delivered faster, cheaper and more effectively to a workplace and the mobile workforce is now more dramatically affected by daily changes in the marketplace than ever before. According to Marquardt (1996), there are six major critical issues facing today's corporations:

i) Reorganization, restructuring and reengineering for success, if not just survival.
ii) Increased skills shortages, with schools unable to adequately prepare for work in the twenty-first century.
iii) Doubling of knowledge every two to three years.
iv) Global competition from the world's most powerful companies.
v) Overwhelming breakthroughs of new and advanced technologies.
vi) Spiraling need for organizations to adapt to change.

Corporate-wide, systems-wide learning offers organizations the best opportunity of not only surviving but succeeding. Learning inside must be equal to or greater than change outside the organization or the organization is in decline, and may not survive (Revans, 1980).

Two of the major contributors to this school of thought on organizational learning are Argyris and Schon (1978). Marquardt (1996) concluded that the full richness of the learning organization incorporates five distinct subsystems namely learning, organization, people, knowledge and technology. Attempting to understand or become a learning organization without all five of these dimensions will lead to only a partial appreciation of the processes and principles necessary to move from a non-learning to a learning organization. The core subsystems of the learning organization, of course, are learning at the levels of individual, group and organization with the skills of system thinking, mental models, personal mastery, team learning and shared vision (Senge, 1990). Each of the other subsystems is required to enhance and augment the quality and impact of learning on a corporate-wide basis.

It has become important that an organization learns, adapts and changes with the environmental conditions that lead to organizational effectiveness. Ostroff and Schmitt (1993) pointed out that different configurations of organizational characteristics such as resource inputs, context, rules and regulations, goals, climate and informal systems are associated with different performance domains. The findings support the importance of the person-oriented human resource and internal process models for achieving effectiveness. A positive internal environment, participation and mutual trust (Likert, 1967) are likely to promote employee satisfaction and positive attitudes, which may result in workers producing up to potential, thereby increasing organizational effectiveness.

Therefore, organizational learning has become increasingly important to assist an organization sustain its effectiveness. This study hopes to provide some clues on how learning organizational practices of successful foreign multinationals in the country, contribute to their effectiveness. Specifically this study attempts to find the gap between the foreign and local multinationals and the findings will hopefully help them to better position themselves in this turbulent economic and competitive scenario.

1.2 Problem Statement

As we move into the 21st century, we are moving into a dynamic, fast-paced and rapidly changing information era. Senge (1990) emphasized that learning organizations are places where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together. Furthermore, learning results from the adaptive and manipulative interactions between an organization and its environments (Hedberg, 1981). Dixon (1992) further added that learning, encompassing change, adaptability and the utilization of new knowledge, is increasingly seen as crucial to the success of organizations. She called learning "the critical competency of the 1990's" that will undoubtedly lead to competitive advantage.

In the Information Age, change and adaptability have become part and parcel of the process of organizational survival. Dixon (1999) said that change is preceded by organizational learning when, for example, an organization learns from its customers that product change is needed. Organizational learning can lead to change, which can lead to more organizational learning. Friedlander (1983) further emphasized that learning is the process that underlies and gives birth to change. As a result, enhancement of an organization's competence at its current activities that is consistent with richer accumulation of skills and knowledge should lead to a lower risk of mortality (Cohen & Levinthal, 1990; Nelson & Winter, 1982). Besides, leveraging technology know how can allow an organization to create competitive advantage and ability to profit faster (Dutton, Thomas, & Pavitt, 1985). Moreover, increased individual learning and experience can improve personnel turnover, which has positive impact on an organization's effectiveness and productivity (Dalton & Tudor, 1979). Thus, organizing for continuous improvement is very crucial to competing successfully (Winter, 1994).

Globalization, with its huge economic and marketing repercussions, has generated huge competitive pressures on all corporations. Twenty-five percent of the Fortune 500 companies disappear every 10 years. Markets are rapidly changing and consumers are pushing for new performance standards in quality, variety, customization, convenience, time and innovation. These new demands for quality, the constant change of taste, the existence of global fads and short product life cycles are forcing new global partnerships and alliances.

So, local companies in Malaysia cannot avoid this economic trend, furthermore with the introduction of Asean Free Trade Agreement (AFTA) by 2005. Undoubtedly, local companies are compelled to act now and incorporate changes but how the companies are able to embrace change and adapt to the dynamics of globalization remains a concern. Thus, the major objective of this study is to find out what learning organizational practices of foreign multinationals in Malaysia have contributed to their organizational success. It also explores the extent to which these practices have been adopted by the local multinationals.

1.3 Objectives of The Study

This study hopes to recognize the importance of learning organization practices that can lead to the bottom line of an organization. With the imminence of globalization, companies in Malaysia cannot continue to rest on their laurels anymore. Steep competition in terms of low cost, differentiated product features, high quality products and excellent customer service will push many local companies to the brink of being wiped-out from the industry. The world economy has shifted so fast that many industry giants continue to penetrate across the global market.

With the understanding of learning organization practices in successful foreign multinationals in Malaysia, the findings will definitely benefit local companies. Local companies will learn to adopt new changes and adapt to the changing external environment well. Furthermore, this will serve as the springboard for local companies to play a more pivotal role in the industry. Besides, it should help to provide an insight from a different socio-cultural context.

Specifically, this study attempts to examine the following objectives:

(a) To predict the relationship between the learning organization practices and organizational effectiveness.

(b) To understand whether type of company moderates the relationship between learning organization practices and organizational effectiveness.

1.4 Scope of The Study

The scope of this study is to explore learning organization practices among foreign and local multinational companies in Malaysia and how these can lead to organizational effectiveness and survival in the global market. This is a quantitative study, which was conducted in the semiconductor factories operating in Bayan Lepas Free Industrial Zone in Penang. Data was collected by means of self-administered questionnaire and statistical tools were used to analyze and test the hypotheses. Hopefully the findings will reveal added knowledge about effective organizational practices in foreign multinational companies that will benefit local companies in general.

1.5 Definition of Terms

This section presents conceptual definitions with regard to the terms employed in the present study. Organizational learning refers to how organizational learning occurs, for example, the skills and processes of building and utilizing knowledge. Organizational learning as such is just one dimension or element of a learning organization (Marquardt, 1996: p.19). In discussing learning organization, we are focusing on the what, and describing the systems, principles, and characteristic of organizations that learn and produce as a collective entity (Marquardt, 1996: p.19).

Organizational effectiveness refers to the extent to which the organization's operative goals have been achieved. Operative goals namely profit, growth and an acceptable rate of return on investment, are the real objectives that effectiveness is best judged against (Steers, Ungson, & Mowday, 1985: p. 72).

Type of company refers to whether the company is owned by foreign or local people. Cultural background is a person's race: Malay, Chinese, Indian or others. Category of staff refers to the position level a person is currently at: exempt, supervisory or low level of management, middle level of management and top management. Supervisory level of management refers to those who have employees reporting to them and they are not managers yet. Middle level of management usually heads a department and has supervisors reporting to them. Lastly, top level of management consists of site management staff like general managers, site managers and directors.

1.6 Summary and Organization of Chapters

Learning Organization study is about twenty-four years old since its precedence by the Theory of Action by Argyris and Schon (1978). Studies on its constructs (Huber, 1991) and how it relates to organizational change have been conducted. The intent of the current study is to investigate how this relationship differentiates local and foreign multinational companies.

The remaining chapters of this study are organized as follows: Chapter 2 presents an overview of literature on learning organization and organizational effectiveness leading to the formulation of the theoretical framework and the hypotheses. Chapter 3 describes the research methodology of the study while Chapter 4 present the results of the statistical analyses of the study. In conclusion, Chapter 5 will include discussions of findings, limitations, implications of this study and offers some suggestions for future research.

Chapter 2

LITERATURE REVIEW

2.1 Introduction

This study focused on the organizational learning, learning organization and organizational effectiveness. Thus, the literature review will cover organizational learning, learning organization practices and followed by organizational effectiveness in general. Towards the end of this chapter, the theoretical framework and hypotheses will be presented.

2.2 Literature Overview

The idea of organizational learning has been present in the management studies literature for decades, but it has only become widely recognized in the past ten years. Two developments have been highly significant in the growth of the field. First, it has attracted the attention of scholars from disparate disciplines who had hitherto shown little interest in learning processes. For example, business strategists have realized that the ability of one organization to learn faster, or better, than its competitors may indeed be the key to long term business success (Collins, 1994; Grant, 1996). Sociologists, too, have become aware of the central role that learning and organizational knowledge can play in the internal dynamics and politics of organizational life (Coopey, 1995).

The second development is that many consultants and companies have caught onto the commercial significance of organizational learning. Their work has been generally underpinned by a number of theorists such as Senge (1990) in the USA, Pedler et al. (1989) in the UK and Field and Ford (1995) in Australia who have focused on making practical interventions in organizations in order to help them become learning organizations. Some models of the learning organization have been based on observations of organizations that appear to be good at learning, from which elements of good practice have been extracted and synthesized (Easterby-Smith & Araujo, 1999).

Although theorists of learning organizations have often drawn on ideas from organizational learning, there has been little traffic in the reverse direction. Moreover, since the central concerns have been somewhat different, the two literatures have developed along divergent tracks. The literature on organizational learning has concentrated on the detached observation and analysis of the processes involved in the individual and collective learning inside organizations. Whereas the learning organization literature has an action orientation, and is geared toward using specific diagnostic and evaluative methodological tools which can help to identify, promote and evaluate the quality of learning processes inside organizations (Tsang, 1997).

For a long time, there has been a shortage of empirical work in the field of organizational learning (Fiol and Lyles, 1985; Huber, 1991; Miner & Mezias, 1996). In parallel to the complaints about the lack of good empirical work on organizational learning, there is concern that insufficient attention is being paid to the cumulative development of the field (Huber, 1991; Miner & Mezias, 1996). Besides, there is a dominance of US models and literature in the study of this field and this contains a hidden bias towards North American cultural and institutional features such as abundant economic resources, individualism in cultural values and career patterns, an emphasis on rationality and the importance of explicit information and the application of scientific methods.

2.3 Organizational Learning

According to Argyris and Schon (1977), organizational learning occurs when individuals, acting from their images and maps, detect a match or mismatch of outcome to expectation which confirms or disconfirms organizational theory-in-use. Organizational theory-in-use is the theory of action constructed from observation of actual behavior. Theory of action states that all human beings, not only professional practitioners, need to become competent in taking action and simultaneously reflecting on this action to learn from it. Individuals are the agents of organizational action, thus they are the agents for organizational learning. In the case of disconfirmation, individuals move from error detection to error correction. Error correction takes the form of inquiry. The learning agents must discover the sources of error, that is, they attribute error to strategies and assumptions in existing theory-in-use. They must invent new strategies, based on new assumptions, in order to correct error. They must produce those strategies. And they must evaluate and generalize the results of that new action.

In order for organizational learning to occur, learning agents' discoveries, inventions and evaluations must be embedded in organizational memory. They must be encoded in the individual images and the shared maps of organizational theory-in-use from which individual members will subsequently act. If this encoding does not occur, individuals will have learned but the organization will not have done so. In short, members of the organization respond to changes in the internal and external environments of the organization by detecting errors which they then correct so as to maintain the central features of organizational theory-in-use. This learning is called single-loop. Meanwhile, organizations are continually engaged in transactions with their internal and external environments. These responses take the form of error detection and error correction. Single-loop learning is sufficient where error correction can proceed by changing organizational strategies and assumptions within a constant framework of norms for performance. It is concerned with effectiveness, that is with how best to achieve existing goals and objectives and how best to keep organizational performance within the range specified by existing norms (Argyris & Schon, 1977).

Double-loop learning consists not only a change in organizational norms but of the particular sort of inquiry into norms which is appropriately described as learning. A conflicting requirements must be resolved through restructuring of organizational norms, and very likely a restructuring of strategies and assumptions associated with those norms, which must then be embedded in the images and maps which encode organizational theory-in-use (Argyris & Schon, 1977).

2.3.1 *Factors of Organizational Learning*

According to Huber (1991), organizational learning consists of four constructs namely knowledge acquisitions, information distribution, information interpretation and organizational memory.

Knowledge acquisition is the process by which knowledge is obtained. Information distribution is the process by which information from different sources is shared and thereby leads to new information or understanding. It is a determinant of both the occurrence and breadth of organizational learning. When information is widely distributed in an organization, more and more varied sources for it exist. Hence, retrieval efforts are more likely to succeed and individuals and units are more likely to be able to learn. Thus, information distribution leads to more broadly-based organizational learning (Huber & Daft, 1987).

Information interpretation is the process by which distributed information is given one or more commonly understood interpretations. Daft and Weick (1984) defined interpretation as the process through which information is given meaning and also as the process of translating events and developing shared understandings and conceptual schemes.

Organizational memory is the means by which knowledge is stored for future use. A great deal of organizational knowledge about how to do things is stored in the form of standard operating procedures, routines and scripts (Nelson & Winter, 1982). Case-by-case foresight, smart indexing or in the future, artificial intelligence (Johansen, 1988) can facilitate retrieval of information from these artifacts. Using the knowledge of the home-grown experts, organizations are creating computer-based expert systems (Rao & Lingaraj, 1988). Such expert systems have accessibility, reliability and own-ability that are superior to those of human experts and in some situations are useful components of organization memories.

2.4 Learning Organization

Since Senge's (1990) work on "The Fifth Discipline", discussions on the concept of learning organizations have grown exponentially. Crossan and Guatto's (1996) study found remarkable publication growth in the literature on learning organizations. It is essential to understand the practices and principles that make up a learning organization. Marsick and Watkins (1994) contend that the learning organization is not a prescription, but rather a template for the examination of current practices. Senge (1990) has studied the characteristics obligatory for organizations to achieve learning organization levels of success. Though important, it is also essential to provide relevant predictor data that provide for the applicability of learning organizations. However, there appears to be an empirical research void on the topic of learning organizations. Consequently, this study focused on current practices that predictably led to learning organizations. Specifically, this research was intended to determine practices that led to learning organization success.

Organizations by their very nature learn. However, some researchers like Daniels (1994) have contended that there is no shared meaning of what constitutes a learning organization. Others such as Calvenrt, Mobley, and Marshal (1994) contend that there are no "true" learning organizations, but only organizations which exhibit certain attributes we might expect a learning organization to demonstrate. Yet others provide a concrete definition of a learning organization as one that facilitates the learning of all its members and continuously transforms itself (Pedeler, Burgoyne, & Boydell, 1989; Morris, 1993). Marquardt (1996) expands on this by referring to learning organizations as an organization which learns powerfully and collectively and is continually transforming itself to better collect, manage and use knowledge for corporate success. Moreover, a learning organization is an organization that has woven a continuous and enhanced capacity to learn, adapt and change into the fabric of its character. It has values, policies, practices, programs, systems, and structures that support and accelerate organization learning (O'Brien, 1994). All these definitions suggest an important relationship between practices in the workplace and learning organizations (Senge, 1990). Moreover, appropriate rewards and recognition are an under girding structure to the learning organization and that an environment of knowledge sharing and learning systems is an indication of a learning organization (Griego, Geroy, & Wright, 2000).

As a result, learning organization practices have led to turn-around success stories in major corporations (Garvin, 1993; Marquardt, 1995). Moreover developing learning organizational practices results in increased organizational performance (Kline & Saunders, 1993). Strategic management processes related to planning namely flexibility and goal setting contributed to organizational effectiveness and commitment (Thibodeaux & Favilla, 1996).

There are a number of important dimensions and characteristics of a learning organization. There are five closely interrelated subsystems that interface and support one another that form the systems-linked learning organization model (Marquardt, 1996). The core subsystem of the learning organization is learning and this dimension permeates the other four subsystems namely organization, people, knowledge and technology.

2.4.1 *Measures of Learning Organization*

Thus far, there have been two fully developed learning organization profiles to evaluate an organization's practices. O'Brien (1994) came up with the Learning Organization Practices Profile that has 12 subsystems namely vision and strategy, information flow, individual and team development, training and education, rewards and recognition, executive practices, managerial practices, climate, organizational and job structure, individual and team practices, work processes and performance goals and feedback. The purpose of this profile will enable a diagnostic "snapshot" of an organization's learning capability.

In this study, we are using the Marquardt's Learning Organization Profile (1996). This profile consists of five subsystems that will be discussed in detail as follows:

Learning dynamics is the core subsystem of the learning organization model. The speed, quality and leverage of the learning processes and content form the foundation and nutrient which supports, nourishes and flows through the other subsystems of the learning organization. The learning subsystem is composed of three complementary dimensions namely levels of learning, types of learning crucial for organizational learning and critical organizational learning skills. There are three levels of learning present in learning organizations namely individual learning, group or team learning and organization learning. The five learning skills that would facilitate the transition of a company to a learning organization are systems thinking, personal mastery, team learning, mental models and shared vision (Senge, 1990).

The second subsystem of a learning organization is the organization itself, the setting and body in which the learning occurs. To flourish as a learning organization, the company needs to reconfigure itself through attentive focus on the four dimensions of the organization subsystem namely vision, culture, strategy and structure. Vision captures a company's hopes, goals and direction for the future. Culture refers to the values, beliefs, practices, rituals and customs of an organization. It helps to shape behavior and fashion perceptions. Strategy relates to the action plans, methodologies, tactics and steps that are employed to reach a company's vision and goals. Structure includes the departments, levels and configurations of the company (Marquardt, 1996).

The people subsystem of the learning organization includes employees, managers, leaders, customers, business partners and the community itself. Each of these groups is valuable to the learning organization and all need to be empowered and enabled to learn.

The knowledge subsystem of a learning organization refers to the management of acquired and generated knowledge of the organization. It includes the acquisition, creation, storage, transfer and utilization of knowledge. Nonaka (1991) said that successful companies were those that consistently created new knowledge, disseminated it widely throughout the organization and quickly embodied it in new technologies and products

The technology subsystem is the supporting, integrated technological networks and information tools that allow access to and exchange of information and learning. It includes technical processes, systems and structure for collaboration, coaching, coordination and other knowledge skills. The three major components are information technology, technology-based learning and electronic performance support systems. Quinn (1992) calls technology the most important ingredient for managing organizational knowledge.

2.5 Organizational Effectiveness

Organizational researchers have offered a variety of models for examining organizational performance, yet there is little consensus as to what constitutes a valid set of performance criteria (Cameron, 1981; Lewin & Minton, 1986). Thus, researchers have suggested that studies of organizational performance should include multiple criteria (Cameron, 1986; Hitt, 1988). Organizations operate in multiple domains and may perform well only in a limited number of them (Cameron, 1978). This multidimensional view of performance implies that different patterns or configurations of relationships between organizational performance and its determinant will emerge (Tsui, 1990). Miller (1981) suggested that, rather than examine linear associations among various organizational attributes, researchers should attempt to find recurring patterns of attributes. Such an approach could provide useful insights into the feasible sets of internally consistent configurations of organizational attributes relevant to different organizational performance domains (Venkatraman, 1989).

Organizational effectiveness is defined as the extent to which an organization, by the use of certain resources, fulfils its objectives without depleting its resources and without placing undue strain on its members and/or society (Thibodeaux & Favilla, 1996). Several models have emerged for the study of organizational effectiveness. Cameron and Whetten (1983) have identified five models as the most widely used models or approaches to organizational effectiveness. Namely they are the goal model, the system resource model, the internal process model, the strategic constituencies model and the legitimacy model. The distinguishing characteristic of the goal model is that it defines organizational effectiveness in terms of the degree to which an organization achieves its goals (Price, 1972; Bluedorn, 1980). The systems resource model defines organizational effectiveness in terms of the organization's bargaining position, as reflected in the ability of the organization, in either absolute or relative terms, to exploit its environment in the acquisition of scarce and valued resources and how they utilize these resources (Seashore & Yuchtman, 1967). The internal process model defines organizational effectiveness through six phases of activity namely evaluation prerequisites, goal exploration, criteria development, evaluation design, evaluation implementation and data analysis (Bennis, 1966; Nadler & Tushman, 1980). The strategic constituency model considers organizational effectiveness as a set of several statements, each reflecting the evaluative criteria applied by the various constituencies involved with the organization being evaluated with an emphasis on means criteria (Keely, Pfeffer, & Salancik, 1978; Connolly, Conlon, & Deutsch, 1980). The legitimacy model considers organizational effectiveness in terms of a contextual measure of constituent preferences for performance and environmental constraints on performance from an external environmental perspective (Miles, Cameron, & Zammuto, 1982).

However, there has been little convergence among researchers as to whether which models are best combined to evaluate organizational effectiveness. Cameron (1981) identified four approaches to organizational effectiveness namely the goal model, the system resource model, the internal process model and the ecological or participant satisfaction model. Connolly et al. (1980) identified the organization goals, systems and multiple consistency views of effectiveness. Hall (1982), in his chapter on organizational effectiveness, preferred the system resource model, the goal model, participant satisfaction model and social-function models. Zammuto (1982) cited the goal-based, systems and multiple consistency or participant satisfaction model. Quinn and Rohrbaugh (1983) reviewed this issue and proposed a theoretical framework with 16 concepts that would answer the difficulties regarding a common language, consistency of variables, comparable results and systematic evaluations related to organizational effectiveness.

The following brief discussion of five major models or approaches to organizational effectiveness will suggest there are three persistent core problems with organizational effectiveness namely multiple conceptualizations of organization, the construct nature of organizational effectiveness and the problem of constituencies.

2.5.1 *The Goal Model*

Probably the oldest and most predominant conceptualization of organizational effectiveness is the goal approach (Campbell, 1977; Scott, 1977; Bluedorn, 1980). Price (1972) identified the distinguishing characteristics of the goal approach as its definition of effectiveness in terms of the degree of goal achievement. An essential distinction among types of goals is that made by Pertow (1961) between official and operative goals. The publicly espoused goals of an organization constitute its official goals while operative goals involve what the organization is actually attempting to do.

The goal model becomes complex when the fact most organization have multiple and often conflicting goals. Cameron (1978) reviewed much of the work done on the goal model and identified other problems such as neglect of implicit, latent or informal procedures and goals; a neglect of environmental influences on the organization and its goals (Lawrence & Lorsch, 1969); the nature of organizational goals as retrospective and their use in some cases as justification for organization action and not for the direction of it (Weick, 1979); the tendency of goal model to focus on official or management goals to the exclusion of the organizational member, organizational constituency and societal goals and the tendency of organizational goals to change as contextual factors and organizational behavior change (Scriven, 1973). Hall (1982) has three sources or reasons for goal change in organizations. The first reason cited is interaction with the external environment. Such an interaction includes competition, bargaining, co-optation and coalition formation (Thompson & McEwen, 1958). As a second reason for goal changes in organization, internal organization dynamics was identified. Specific examples of those dynamics include political processes which can push an organization toward obigarchy and emphasis on internal accounting procedures which can lead an organization to emphasize the easily quantifiable (Gross, 1968). Lastly, another reason was indirect environmental influences as contributors to goal shifts.

2.5.2 *The System Resource Approach*

The model of Yuchtman and Seashore (1967) is the most often cited representative of this model of organizational effectiveness. They defined effectiveness as the ability of the organization, in either absolute or relative terms, to exploit its environment in the acquisition of scarce and valued resources. The conceptualization of organization implicit in the system resource approach is that of a resource-seeking element of a larger system. Effective organization, then, are those that extract larger amount of resources from their environment. Resource acquisition also constitutes the primary criterion upon which effectiveness is based. However, Scott (1977) pointed out that this model cannot escape the criteria problem easily. He pointed out that the authors implicitly recognized the need to identify criteria for determining effectiveness that means the relevant resources to be acquired. In terms of constituency perspective, the system resource perspective was described as very narrow in that it explicitly embraces the interest of the organizational directors and incorporates only those aspects of output that aid further input.

2.5.3 *The Internal Process Model*

Several authors have focused on internal organizational processes as a means of assessing effectiveness. Bennis (1966) focused on what he termed the confluence of organizational behavior and mental health and presented his conceptualization of an effective or healthy organization. Argyris (1964) and Likert (1967) placed great emphasis on human system variables, that is, the importance of integrating and accommodating individual and organizational concerns. Nadler and Tushman (1980) suggested that the extent of internal configurations between individuals, task, organizational arrangements and the informal organization lead to congruent fits between the components.

These various internal process models vary in the criteria upon which effectiveness is indicated. Bennis (1966) suggested that adaptability, a sense of identity and the capacity to test reality are important criteria while Argyris (1964), Likert (1967) and Nadler and Tushman (1980) focused on internal system properties as primary criteria of effectiveness. For example, internal system properties are the congruence, constant or increasing outputs with the same or decreasing increments of input energy. Relevant constituencies for internal process models would seem to be organizational members, that is, external constituencies are not explicitly addressed by these models.

2.5.4 *Strategic Constituency and Legitimacy Models*

Strategic constituencies were defined by Cameron and Whetten (1983) as individuals or groups who have substantial stake in the organization. Those strategic constituencies can include resource providers, consumers of the organization's products or services, producers of the organization's output, coorperating groups essential to the organization's survival or those whose lives are affected in a significant way by the organization. Strategic constituency models of organizational effectiveness concerned themselves primarily with the role of constituencies in the assessment of organizational effectiveness. For Pfeffer and Salancik (1978), relevant constituencies are those individuals or groups who presently or potentially provide or affect those resources and activities critical to the organization. The relative power of various groups is also a key factor.

The legitimacy model (Zammuto, 1982) is closely related to strategic constituency models. The conceptualization of organization implicit in strategic constituency model varies from model to model. Organization as social contract would seem to be implied by Keeley (1978) while organization as coalitions of powerful constituencies would seem appropriate (Pfeffer & Salancik, 1978). The question of application criteria is not clearly addressed by supporters of strategic constituency models. The legitimacy model does not lend itself at present to consideration of these issues.

2.5.5 *The Competing Values Approach to Organizational Effectiveness*

The model used in the present study, resulted from an attempt to empirically integrate the numerous criteria of organizational effectiveness that had been considered in the organizational literature. Where Scott (1977), Seashore (1979) and Cameron (1979) had intuitively attempted integration, Quinn and Rohrbaugh (1981) used multi-dimensional scaling in an attempt to map out how organizational theorists and researchers evaluate the performance of organizations. In a two-phase study, theorist and researchers were impaneled to make judgments about the similarity of commonly used effectiveness criteria for example, a homogenization of list of 30 (Campbell, 1977). The research was designed not to examine empirical relationships between measures of performance in organization, but, rather, to clarify the cognitive processes used by theorists in thinking about the criteria of effectiveness. The theoretical model derived in phase one was closely replicated in phase two.

In both phases of the study, three dimensions emerge in the model (Quinn & Rohrbaugh, 1981 & 1983). The first dimension or value continuum is related or organizational structure and ranges from an emphasis on control an emphasis on flexibility, for example, a structural dimension. The second dimension is related to organizational focus and range from an internal perspective emphasizing the coordination of the parts to an external focus stressing the well-being and development of the overall organization. The third dimension is related to organizational means and ends and ranges from an emphasis on important processes, for example, planning and goal setting to an emphasis on final outcomes, for example, productivity. When these three dimensions juxtaposed and used to order the original criteria in the studies, a basic conceptual framework emerges.

On the vertical axis is the structural dimension ranging from an emphasis on control at the bottom to an emphasis on the flexibility at the top. On the horizontal axis, the internal focus appears to the left and the external focus appears to the right. Because this figure is presented in a two-dimensional rather than three-dimensional format, the third dimension with its discrimination between means and end is shown in each quadrant. In the upper right quadrant, the two sets of performance criteria are adaptability-readiness and growth-resource acquisition-external support. The former is more of a means while the latter is more an end. In the lower right quadrant are planning-goal setting and productivity-efficiency. The former is more of a means while the latter is more an end. In the next quadrant are information management-communication and stability-control. The former is more of a means while the latter is more an end. Finally, in the upper left quadrant are cohesion-morale and value of human resources-training. In this quadrant, the development of human resources is more an end while maintaining of cohesion-morale is more a means.

In the outer ring of the figure are eight more general values. At the top is the general value on decentralization and differentiation. Proceeding clockwise there are expansion-adaptation, competitive position of the overall system, maximization of