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**SWP 5/88 ASSESSING ORGANISATIONAL
EFFECTIVENESS**

MURRAY STEELE
Senior Lecturer in Business Policy
Cranfield School of Management
Cranfield University
Cranfield
Bedford MK43 0AL
United Kingdom

Tel: +44 (0)1234 751122

Fax: +44 (0)1234 781806

ASSESSING ORGANISATIONAL EFFECTIVENESS

My favourite business story of last year concerned a member of a British industry study tour to Japan. This particular group came from the engineering industry and visited all the normal sites of Japanese industrial success. During a visit to a Toyota plant, the party noticed the Chairman of the company spending a great deal of time with the workforce on the production line. When they met him later for a discussion session, one of the British party asked him why he spent so much time on the production line and not more time in his office doing what the questioner considered to be his real job. The Chairman of the company replied succinctly "we don't make motor cars in my office". The true purpose of the Japanese Chairman's walkabouts on the production line are to assess how his organisation is performing, i.e. how effective it is. Please note the use of the word *effective* as opposed to *efficient*. In recent years the word effective has, thank goodness, begun to replace the word efficient in the vocabulary of managers. For the last few years I have been fascinated how managers assess the performance of their organisation at a given moment in time. The normal response in this area is, well we get financial data one week, one month, three months, or one year later. Of course when the information arrives it is already out of date. However, managers place great store in these tangible measures despite the obvious inherent weaknesses. During the last few years I have spent a lot of time with a broad range of organisations designing in-company management development programmes usually as part of the implementation process of a change in strategy. This experience plus the current literature about developing superior performing organisations has been combined to create nine questions which I believe will help managers assess the performance of their companies.

During the development phase for the questions, and when they were finalised, I have subjected them to approximately 125 different groups of managers from all industries - manufacturing, banking, retail and general commerce. To date, I have had 100% agreement that they are a reasonable list of questions for assessing organisational effectiveness. They are not exhaustive nor are they intended to be a panacea. My belief is that they are a good guide to looking at an organisation.

The key is the intangibles, those things which it is hard to identify but which we can feel around us all the time. Consideration of these will lead to more accurate assessment of an organisation's current capability.

Question One - What is the attitude to change?

If an organisation has a positive attitude to change it is more likely to be functioning effectively than if it doesn't. Here I have coined the phrase rutability versus creativity. Basically one has to assess whether the personnel in an organisation are happy being in a rut or creative around their job. I had a very good example of this recently. It concerned a company which sold fuel to domestic and industrial users. The management of the company complained that the people taking the orders by telephone were very accurate in administering the order in terms of quoting price and delivery but totally uncreative in selling some of the organisation's other services. Essentially the people just wanted to do the bare minimum in their job and saw no reason to change and add value to the process.

It is often said that superior performing companies have institutionalised change. What is perhaps more accurate is that they have institutionalised a positive attitude in employees towards accepting change.

As Budha said: "The only constant is change!"

Question Two - What is the degree of trust in the management's view of the workforce, is there a THEM and US mentality?

This probably has been the real British disease over the last few years and is fortunately breaking down rapidly now. One of the features which I have observed in organisations in recent years with an absolute degree of repetition is that people perform up, or in most cases, down to their manager's expectations of them. So if the management believe they are poor performers they behave consequently. I have seen many appalling examples of management's superior belief in themselves compared to the workforce. The symbols and language in such organisations are obvious e.g. reserved car parking spaces, superior toilets, and different categories of eating places. It is not the higher salaries of managers which lead to workforce discontent, but having to walk past EMPTY reserved management car parking spaces on cold, wet winter mornings to enter their place of work. There can be few clearer examples of them and us than this one.

Question Three - Is really a manifestation of Question Two - How much management information, especially financial, is communicated?

This comes right back to the question of trust and belief in the ability of all employees in an organisation. If management trusts the workforce, they will provide them with information about the company's performance on the grounds that any chance of divulgence to a competitor is counter-balanced by the positive feelings generated in the employees. A good example of this is Marks & Spencer who some years ago reduced their reporting systems by 80%, not to 80% but, and it is worth repeating, by 80%. On the grounds that if you trust people they will behave as if they have been trusted and

the best way of making them behave this way is to take away the checking systems which indicates mistrust by management. M & S believed that any major aberrations would be highlighted by exception.

In the process of developing in-company management development programmes I have, on several occasions, had interchanges with senior managers about the sessions in finance and accounting. I usually suggest that the participants on the programme look at their own published annual report and accounts as well as those of the competition. This serves to reinforce the learning of the subject. This quite often meets with resistance from the finance director despite the fact that any member of the public can write to the company secretary and ask for a copy of the annual reports. Some financial directors have actually said yes, that it's alright for the public but we don't really want our employees to see the annual report. As you can imagine, this implies a high degree of trust.

Question Four - How visible and accessible is management, especially top management?

The story which introduced this article highlights one of the strengths of Japanese management and one of the failures of British management in my opinion. In a survey I did last year on a very large company about morale in first line management, I was staggered to find a large proportion of the sample who had not met the level of management one above them in the last two years and in fact had virtually never seen the management at the top of their part of the organisation. What this did for them was to imply a lack of direction in the company which they felt very strongly. They had the energy to make things happen for the business but did not know in which direction to apply that energy. When I asked the sample what made for a good manager one of the

items which received the highest rating was availability, especially by visiting their office or their area to see their problems.

It is interesting to note that Sam Walton, founder of Wal-Mart Stores and the wealthiest man in America only spends half a day a week in his office. Indeed he considers this to be excessive and is trying to reduce it. How then does he spend his time? Primarily by visiting his stores. He visits each one of his approximately 900 stores at least once a year.

Question Five - What is the atmosphere like in the Organisation?

This is a difficult one to assess because an atmosphere, as is obvious, is all pervasive and can mean different things to different people. Atmosphere is synonymous with culture and stems from the values and beliefs held by people in an organisation. However, because it is difficult to assess, it should not be dismissed. We can, after all, walk into a pub or a party or a restaurant and know instinctively whether it is going to be a "good" pub, party or restaurant. We have some sort of sixth sense which probably as managers we do not listen to sufficiently.

Focussing on more specific areas can help identify the quality of an organisation's atmosphere.

Some useful questions are:

i) What do people believe about the organisation?

If people in the company have positive or negative beliefs about the organisation, this will give very clear signs towards the atmosphere and the likely effectiveness there. If

people believe that at the first sign of a downturn they will be made redundant, they are hardly likely to perform of their best.

ii) How much control exists?

If people are spending a great deal of time filling in control documents describing what they have done they are hardly likely to create a positive implementation type of atmosphere.

iii) Is there a fear of failure?

Do people take risks and try new things? Most organisations would like people to be more innovative, however, if the fear of failure pervades the atmosphere, it is unlikely that innovation will thrive.

iv) Do people feel free to talk back?

In discussions recently with the chief executive of one of Britains most successful turnarounds, he said that the next phase of his job was to encourage more debate and talking back within the organisation. He did not wish people to merely accept things because all the senior managers said so. I have to be honest and say that I was not altogether too convinced that his top executives shared his view, but at least it was heartening that he did not desire people just to merely accept things.

v) Is there a fun atmosphere in the organisation?

I should initially say that fun does not mean frivolous. This does not mean people having parties and getting drunk at work every day, but if there is a positive atmosphere around which people can perform and take pride in what they are doing, then that organisation is more likely to be effective than if there is a feeling of doing the bare minimum to survive and expending the minimum amount of energy.

Question Six - How frequently are people rewarded and recognised?

Recognition is one of the quickest ways of turning an organisation around. People will do amazing things for symbols of recognition, e.g. hats, sweaters, T-shirts, ties, pens etc. In most cases, financial reward is an accessory to the mainstream of recognition. How often have you seen people who claim never to wish to be put in the limelight, to positively glow when receiving a round of applause, and hence some recognition, from their colleagues? Unfortunately, recognition is something which is all too lacking in my experience of British companies.

Question Seven - What is the posture and prowess of the first point of customer contact?

This is crucial because if an organisation cannot get its first points of customer contact right, it is hardly likely to be effective. It is also one of the easiest to check. Any manager can ring his or her organisation from outside and pretend to be a customer and check the reaction that is received. My experience also tells me that the attitude and behaviour of, say, a receptionist or telephonist will be indicative in the majority of cases to the atmosphere within the organisation. I recently visited one of our largest financial institutions which has a reputation for being a bit of a dinosaur. The receptionist was totally disinterested and directed my colleague and I not just to the wrong department but to the wrong floor of the building. A trend in recent years has been for senior management to have direct lines to their offices thus bypassing the switchboard and experiencing what the customer has to experience, or more accurately, suffer in many cases.

What points should you be looking for here? There are many, but the main ones are attitude, behaviour, courteousness, professionalism and product knowledge. There are many reasons for the success of Marks & Spencer which could quite reasonably be classed as the best retailer in the world but one of them has to be the performance of their sales staff. Many times on a Saturday shopping trip I have purchased something in Marks & Spencers and then gone into another store merely to compare the level of professionalism of the other stores sales staff. Only the John Lewis Partnership comes close.

Experiences of customers at the first point of contact tend to govern to a large extent their perceptions of the organisation.

Question Eight - Is customer service actively measured and the results communicated widely?

It always strikes me as odd that profits of an organisation are not only actively measured but intensely scrutinised yet in most companies the source of those profits, i.e. long term customer satisfaction and service are rarely measured. The usual reason given for this is that it is difficult to define a suitable measure of customer service and anyway what can be done with it. However, given a belief that people require feedback from the world around them, telling them how they are doing with customers is one of the simplest and most effective ways of doing this.

Question Nine - Do people have an appropriate purpose?

Purpose can be defined as that thing which drives peoples' ordinary everyday business behaviour. It makes receptionists answer the telephone politely and courteously. It

makes sales staff say 'thank you' and 'please' and also to smile. It makes receptionists point you in the right direction and feel good about the organisation. It is easier to define what are not appropriate purposes than what are. It is obvious that one purpose which does not drive people in many organisations is profit. The number of people in any organisation who can have profit measurements delivered to them in meaningful timescales is minute. Just ask yourself how often have you gone home at the end of a day and said to your partner, "today I made £5 extra profit for the company". More likely you could go home and say I have had a good day because I have done X or I have knocked 15 things off of my 'to do' list. The secret of high performing organisations today is making the majority of the population of those organisations turned on to some purpose which individually provides emotional wealth for the people and profit for the organisation. The Philosopher's stone in business today is to find that purpose. One of the factors in the turnaround at Jaguar Cars was the focus on quality. The chief executive, John Egan has quite rightly defined that if his company turns out the world's best motor car then customer service, sales and profits will automatically follow. You can switch on a workforce on a production line more readily by saying "make me the world's best motor car" than "make me 35% return on capital employed". To illustrate the importance of purpose one of the games I like to play in organisations is to ask people at different levels what the organisation is all about. At the top level the answer is normally to do with profits. At the middle management level it is more related to products and at the bottom level it is usually more related to life style, i.e. to make enough money to do other things away from work. Obviously the three are incompatible. Think how powerful an organisation could be if unity of purpose could be aligned between all levels of an organisation.

I hope these questions will serve as a guide to making more tangible and hence identifiable those factors which exist all around managers and offer useful clues as to how effectively their organisations are performing.

"If you don't know where you're starting from, how will you know where you're capable of going?"

Murray Steele
Senior Lecturer in Business Policy,
Cranfield School of Management.