



# Theoretical Research on the Evaluation Indicators of Organizational Effectiveness

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**Abstract.** Organizational effectiveness refers to the efficiency and work ability of a certain organization as well as a measure of work outcomes. Evaluating the operational efficiency of the organization could provide a solid guarantee for the improvement of the efficiency and effectiveness of enterprises. This research mainly includes a literature review of organizational performance evaluation indicators, which provides a theoretical basis for the subsequent construction of organizational performance evaluation models.

**Keywords:** organizational effectiveness · evaluation indicators

## 1 Introduction

Organizational effectiveness is one of the most popular key words in the field of human resources in recent years, but it is easy to confuse the concepts of organizational effectiveness and organizational capability. Organizational effectiveness corresponds to personal effectiveness, and organizational capability corresponds to personal ability. Organizational effectiveness includes not only organizational capability, but also organizational efficiency, organizational quality, and organizational effectiveness [1–3]. Currently, there are two classic definitions of organizational effectiveness on the market.

**Definition 1:** Through a specific organizational structure and organizational culture, it can lead to efficient operation and management, thereby improving the effectiveness of the organization. For the definition of organizational effectiveness, general organizational theorists agree that organizational effectiveness is not a concept, but a construct.

**Definition 2:** Organizational effectiveness refers to the degree to which an enterprise or organization achieves its goals. It is mainly reflected in four aspects: capability, efficiency, quality and benefit. Capability is the foundation and development potential of an organization's operation, including land, capital, resources, tools, technology, employees and organizational capabilities. Efficiency is what every organization pursues, and the continuous improvement of management efficiency and operational efficiency is related to the sustainability of enterprises. Quality is the function of the products or services provided by organizations to meet customer needs, which truly reflects the value of the organization. Benefit refers to value-added, which is the output of the organization's operation, including profits, employee compensation, taxes, interest and depreciation.

## 2 Situation and Trend of International Research

To evaluate organizational effectiveness, we should first determine the primary principles. Cameron and Whetten (1983) both believed that the following guidelines must be carefully considered [1]: 1) Whose viewpoints should the effectiveness evaluation be based on? 2) What range of activities is the focus of the evaluation? 3) Which level (individual or organization) was applied for the analysis? 4) What is the purpose of effectiveness evaluation? 5) What time scale, long-term or short-term, should be used? 6) What types of data can be included? 7) What should be the references?

Quinn and Rohrbaugh (1983) found two main dimensions of organizational effectiveness based on statistical analysis of numerous indicators [1]. The first dimension is related to the development focus characteristics of organizations and could be described as two sub-dimensions, internal and external. The internal focus refers to influence inside one organization, usually the welfare and development of employees. On the contrary, the external focus is about the influence outside, usually the welfare and development of the organization itself. The second dimension is related to organizational structure characteristics, which could be divided into two parts: the first is organizations emphasizing stability and control, the second is organizations emphasizing change and flexibility. These two dimensions, with each two sub-dimensions of their own, constitute four organizational models.

Seashore has given some logic and order to multiple indicators that were originally in a state of complete chaos [3]. Among the many goals of the organization, the managers of the organization must weigh the value of the goals and find a combination that can maximize their comprehensive goals. How to integrate various measurement standards to form a comprehensive evaluation of the operating conditions requires a specific and operable model. In order to put numerous evaluation indicators into an orderly system, he analyzed their dependencies and correlations, and differentiates between different criteria and their uses. He made the following classifications according to the nature, characteristics and time horizon of the various indicators (Table 1).

In order to differentiate the multiple uses of indicators, he proposed a pyramid-shaped indicator hierarchy system for measuring organizational effectiveness. The pyramid contains three parts, which are the top, middle and bottom. Top of the pyramid is the final indicator of the organization, that is, whether the long-term overall goals of the organization have been achieved and its degree of realization. Middle of the pyramid is intermediate indicator, which reflects the performance or achievements of the organization in a certain production and operation cycle. After integrating them, more comprehensive indicators will be obtained, which will play a decisive role in the final business results of the organization. Bottom of the pyramid is mainly set by the organization for the current production and business activities. The evaluation criteria are basically reflected in the sub-indicators or supporting indicators of the intermediate indicators, and the realization of each target in the current period can often lay the foundation for the mid-term goal realization of the organization.

Drucker believed that Seashore regards the organization as a closed system and did not consider the organization in the external society and other environmental factors, which weakens the application value of his research [2]. He proposed to determine

**Table 1.** Classification of organizational effectiveness evaluation indicators by Seashore [self-painted]

Classification	Content
goals and ways	Some evaluation indicators represent the results or goals of business activities, and they can be evaluated according to their own degree of achievement. These indicators are indispensable means or conditions for an organization to achieve main purposes.
time limit	Some indicators examine the past, some refer to the present, and some anticipate the future.
Long-term or short-term	Some indicators belong to a relatively short period, and some criteria belong to a longer period. They may be suitable for measuring relatively stable operations, or for more volatile operations.
Hard or soft indicators	Some indicators are calculated according to the characteristics, quantity or frequency of physical objects and events, which are called hard indicators. Some standards are based on qualitative observations of behavior or the results of polls, which are called soft indicators.
value determination	Some indicators show a linear change trend, and some show a curve change trend. Therefore, determining the indicators are whether superior or inferior, should be adapted to the laws and characteristics of their respective changes. In the case that all objectives cannot be optimized at the same time, how to make trade-offs among various evaluation indicators depends to a considerable extent on the trend and shape of the above-mentioned curves.

the organizational effectiveness indicators from eight aspects, including market conditions, innovation capacity, productivity, material and financial resources, profit margins, work and responsibilities of managers, work and morale of workers, and the public responsibility of the organization.

Campbell is the most well-known researcher on organizational effectiveness indicators [4]. He constructed an evaluation method that includes 30 indicators: overall effectiveness, productivity, efficiency, profit, quality, accident rate, growth, absenteeism rate, employee turnover rate, job satisfaction, motivation, morale, control, conflict and integration, resilience and adaptation, planning and goal setting, goal alignment, internalization of organizational goals, integration of role and specification, interpersonal skills, skills in managing tasks, management and communication of information, readiness, usage of the environment, evaluation of external entities, stability, human resource value, participation and influence sharing, emphasis on training and development, emphasis on achievement.

### 3 Situation and Trend of Domestic Research

There are not many domestic studies on organizational effectiveness indicators, and there is no unified standard for evaluating enterprise performance. On January 10<sup>th</sup>, 1995, the

Ministry of Finance of China promulgated 10 new evaluation indicators of enterprise economic benefits. The indicators are Profit rate, asset return rate, capital return rate, asset insurance growth rate, asset liability rate, liquidity ratio, application debt cycle rate, survival rate, social contribution rate, social cumulative rate. It measures the economic situation of a organization from the government's point of view. However, this evaluation system only focuses on the economic benefits of enterprises.

Xu Liancang, Chen Long did not limit the economic benefits of enterprises to evaluate enterprises [5]. They systematically analyzed and evaluated organizational effectiveness in 1985 through the evaluation and evaluation of PM organizational behavior. They paid more attention to the performance of the company at the employee level, and developed the evaluation and diagnose for 8 aspects, including work motivation, job satisfaction, welfare conditions, mental health, group work spirit, meeting effectiveness, information communication, and performance norms.

Zou Zaihu in late 1980s proposed that the effective indicators of an enterprise should contain 10 aspects [5, 6]: unity of input and output, unity of quantity and quality, unity of sharing and value, the unity of goals and means, unity of economic and social benefits, unity of work goals and self-construction goals, unity of current interests and long-term interests, unity of part and whole, unity of organizational and personal interests, unity of the basic conditions and achievements in the work.

Wang Chongming in 1989 focused on the evaluation and prediction of the efficiency of enterprise contract management responsibility system, new technology introduction and personnel decision-making [6, 7]. In this study, the forecasting and efficiency indicators are clearly stated, so the evaluation is more practical. Later, Wang Chongming and Shen Jianping continued to conduct research on organizational effectiveness. They conducted management diagnosis and evaluation of Sino-foreign joint ventures using some indicators commonly used in international business administration research. These indicators are: degree of Sino-foreign cooperation, utilization rate of human resources, achievement of tasks, market and products, degree of personnel turnover, long-term management behavior, and independence of enterprises. At the same time, they propose that the evaluation of organizational effectiveness can include variables at three levels. Firstly, overall goals on organizational level, such as profit, market share, human resource utilization, and social benefits. Secondly, goals on department and group level, such as departmental performance goals, coordination and cooperation, group spirit and adaptability. Thirdly, goals on specific job level, such as goal achievement, job satisfaction, task performance. In 1994, Wang Chongming and Satow conducted a study on "Leadership Style and Organizational Effectiveness of Sino-Japanese Joint Ventures". In this research, the organizational effectiveness sheet was compiled. In order to facilitate the comparison between enterprises and industries, the sheet adopted relative measures to evaluate organizational effectiveness. These 7 indicators include scale of the product or service, profit and loss of economic income, strength of competitiveness, ability to complete the task, number of people who want to resign, most people's views on company performance, and changes of tasks. Each indicator has five levels from less to more, which evaluates organizational effectiveness through employees' subjective feelings.

In 2000, Wang Chongming and Hong Ziqiang used this sheet again in the paper “Research on the Relationship between Error Management Atmosphere and Organizational Effectiveness”.

Li Chengyan (2005) and Luo Min (2009) also pointed out that the following questions should be considered in determining organizational effectiveness indicators [5, 6]: 1) What should be the number of organizational effectiveness indicators? Luo Min believed that whether it is a single indicator or a comprehensive indicator, we must pay attention to the issues of fairness and accuracy. Li Chengyan believed that multiple indicators should be used in order to evaluate the organizational effectiveness more accurately. 2) which standards of stakeholder groups the evaluation indicators are based on? Only some specific groups or the various groups? 3) Whether the factors of organizational attributes are considered. Could the same indicators be applied to different organizations? Luo Min believed that to analyze the organizational effectiveness, a common method is to establish a serial of indicators and evaluate the enterprise performance or effectiveness based on these indicators from different aspects.

## 4 Conclusion

Through reviewing out relevant literatures at home and abroad, it is found that international research on organizational effectiveness mainly focuses on the indicator establishment. The main representatives of related theories include Cameron, Seashore, Drucker, etc. The primary indicators are goals and means, time limit, long-term and short-term, soft and hard indicators, value determination and other dimensions. Domestic research on organizational effectiveness indicators is still on the early age and do not have unified standards. However, scholars’ research on related issues has broken through the limitation of economic benefits and combined economic benefits with organizational behavior to study organizational effectiveness. The construction principles of organizational effectiveness evaluation indicators mainly include short-term and long-term principles, qualitative and quantitative principles, financial and non-financial principles, process and result principles, etc.

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