



Factors Affecting Organisational Effectiveness: A Study of Service Sector in Indore city

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Abstract

Utilizing resources effectively is a key component of an organization's effectiveness, along with other elements including leadership, communication, organizational culture, and employee job satisfaction. The purpose of this study is to examine factors that influence an organization's efficacy in the service industry. The current study employs a quantitative approach. A questionnaire is used to gather data from 100 employees. Data analysis was conducted using SPSS (version 21.0) and the principal component approach with Varimax rotation was used to factor analyze the item scale. The most significant factors influencing effectiveness were shown to be culture, leadership, communication, and employee job satisfaction. Additionally, to ensure effectiveness, HR regulations must be properly implemented, promotions must be fair and equitable, and occupational health and safety must be guaranteed.

Introduction

The organization's capacity to build productive relationships with its surroundings is essential to its long-term viability and success. Thus, effectiveness entails constant enhancement of the internal capability system to respond to constantly shifting possibilities and challenges in many environmental aspects. A measure of an organization's ability to achieve the results it hopes to achieve is called organizational effectiveness. Talent management, leadership development, organization design and structure, measurement and scorecard design, change and transformation implementation, and the use of intelligent processes and technology to manage the human capital of the company are all important aspects of organizational effectiveness.

Examining and improving the alignment between the key areas, eliminating trade-offs between speed, quality, and reliability in those areas, creating effective strategies in those core areas, facilitating capability building, restructuring, and changing procedures are all aspects of organizational effectiveness. Therefore, effectiveness is a wide notion that considers a variety of factors at different levels. It assesses how well the various objectives are accomplished. The perception of an organization's ability in achieving its predetermined goals is known as organizational effectiveness. When all of the organization's stakeholders are happy, it is considered effective.

Such an organization is better able to convert inputs into outputs. Effectiveness thus demonstrates an organization's ability to use its resources. The ability to acquire and employ resources effectively to achieve the specified goals is a measure of organizational success. There are three distinct levels of efficacy. Individual effectiveness, which focuses on



employees' task performance, is the fundamental level. The various tasks that must be completed are outlined in the job descriptions. Through performance reviews, managers evaluate the same efficacy. People rarely work alone. The majority of their work is done in groups, which necessitates the other level, or group effectiveness. The efficiency of the group is determined by the sum of the contributions made by each member. The organizational effectiveness, which combines the two, is the third stage. The organizations are able to perform better than the sum of their individual parts by working together. Success can be measured in a variety of ways, and effectiveness metrics generally include a number of factors. The efficiency of an organization is influenced by a number of things. Important measures of efficacy were determined to include a clear mission, supportive policies, a suitable organizational structure, favorable working conditions, compensation and benefits, good supervisory techniques, employee loyalty, operational efficiency, and customer-focused conduct. (Gilbert & Ali, 2000). There is a strong correlation between organizational performance and organizational learnig.Yang (2007). An organization's culture, rules, regulations, freedom relating to work, and other factors combine to form its environment. The factors that affect an organization's effectiveness are known as the organizational environment (Malik et al., 2011). A sense of accomplishment, acknowledgment, chances for advancement, accountability, and opportunities for development were discovered to be significant measures of efficacy. Kamery (2004). The study is conducted in order to fill this gap.

Literature Review

According to Daft (2010), Effectiveness is a broad concept that describes how factors are arranged at the departmental and organizational levels and evaluates how well different operational and official goals are achieved. It is challenging to comprehend and gauge overall organizational effectiveness since no comprehensive theory has yet been developed due to the size, diversity, and fragmentation of organizations. Moreover, organizational managers find it difficult to evaluate effectiveness based on criteria that are difficult to measure precisely and quantitatively.

Upadhaya et al., (2014) says that for up to three hundred years, there have been numerous ways to define organizational performance. In fact, the author reiterated the divergent views of scholars about the assessment and evaluation of organizational effectiveness. The first perspective maintains that organizational efficiency is quantified in monetary terms, while the second position advocates both financial and non-financial measures. The use of non financial measurements is also mentioned in Kaplan and Norton's (1992) balanced scorecard, which divides the business into three categories: internal business processes, learning and growth, and customers. Upadhaya et al. (2014) acknowledge these criteria, however also suggest that market share, quality, productivity, staff motivation, and customer satisfaction are examples of non-monetary indicators

Rodsutti and Swierczek (2002) The study emphasized that an organization's culture and leadership have a major role in determining how effective it is. Corporate culture and management style have been found to be associated with a number of organizational



effectiveness factors, such as return on assets, job satisfaction, and personal fulfillment. An organization's culture and management style were found to be the two primary determinants of its effectiveness.

Madachian et al. 2016 These findings are supported by, who believe that effective leadership is one of the key components of enhancing organizational performance. As important decision-makers, leaders decide how to acquire, develop, and deploy organizational resources, turn them into worthwhile goods and services, and provide value to stakeholders inside the organization. According to Lincoln and Guba (1985), they are therefore powerful sources of management and long-term competitive advantage. Leadership and perceived organizational success are significantly correlated (**Ahmad et al., 2020; Ali & Anwar, 2021**). **Newton et al., 2023** study concludes that Culture encompasses how people behave, how they interact, how choices are made, how much risk they feel comfortable taking, and how they collaborate to finish tasks and projects. Leaders have a significant impact on these variables. By their own acts, words, and nonverbal cues, as well as by rewarding, challenging, and celebrating or not celebrating, they can convey how they would like others to act. Organizational culture is shaped by its leaders.

Christian et al. 2011 staff engagement and important performance outcomes, like as financial success, customer loyalty, and staff turnover, were found to be significantly correlated.

Objectives

1. To study the factors that influence the organizational effectiveness of a service sector.
2. To make suggestions for improving organizational effectiveness of a service sector.

Research Methodology

Research Design: exploratory study since it aims to identify the crucial efficacy characteristics.

Sample size: Data was collected from total of 100 respondents. The employees of service sector

Sampling Method: Convenience sampling method was used for selection of organisation. Within the organisation respondents were selected on basis of random sampling method.

Tool: Self Constructed Organizational Effectiveness five-point scale ranging from 'strongly agree (5)' to 'strongly disagree (1)'.

Data Analysis: Descriptive statistics (i.e., frequencies and percentages) and factor analysis technique was used.

Software: A statistical software SPSS Version 21.0 was used to analyze the data:

Data Analysis

Factor Analysis Results

In order to determine the key elements associated with organizational performance in the service industry, a total of 32 variables were employed. In this step, the researcher looks at the scale's dimensionality based on the initial list of 32 variables. EFA, or exploratory factor analysis, was used to do this. The principle component method with Varimax rotation was used to factor analyze the item scale. The statistical program SPSS version 21.0 was used to



do the principal component analysis. The analysis used the widely used Varimax orthogonal rotation approach for factors with eigenvalues greater than 1.0. We kept entries that loaded clearly on only one component and had loadings of 0.50 or above. Two statistical methods are employed to evaluate the factorability of the data: the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (Kaiser 1970, 1974) and Bartlett's test of sphericity (Bartlett, 1954). Kaiser-Meyer-Olkin (KMO) is a measure of sample adequacy, and its value is 0.744. Given that the KMO value is more than 0.50, this suggests that the Factor Analysis test was conducted successfully and that the sample size was sufficient (Kaiser et al., 1983). All of the study's elements have sufficient reliability, according to the total Cronbach's alpha value of 0.914.

Description of the scale items developed.

According to the EFA results, a four-factor solution was found to be responsible for 70.357% of the variance. Using Cronbach's alpha, the internal consistency of the components retrieved for this study was examined. A range of 0.751 to 0.817 was seen for all Cronbach's alpha values, beyond the permissible range of 0.60. The table summarizes the findings of the component analysis of respondents' perceptions by presenting the factors retrieved, communalities (h^2), alpha values, factor loadings of each variable, Eigen value, and Cumulative Variance.

Table 1: Cronbach Alpha

Particulars	Respondents	Cronbach Alpha
Employees	100	0.914

Source: Primary Data

Utilizing Cronbach's Alpha Criterion, the reliability was assessed. The collected employee surveys yielded a score of 0.914. The test demonstrated strong reliability, and the questionnaire's validity was verified. The variables included in the investigation have a normal probability distribution. Based on the findings of the pilot study, the questionnaires were modified to elicit responses.

Reliability Evaluation

Reliability is the degree to which findings from independent but comparable measures of the same thing, trait, or idea are similar. Churchill Jr. (1987). A similar definition that took into account the level of agreement between separate attempts to measure the same theoretical concept was offered by Bagozzi. Bagozzi, 1994. It is essentially a way to describe how accurate and precise observations or metrics are, or how constant or consistent they are (Rosenthal and Rosnow 1991). Cunningham, Hagan, and Thorndike (Thorndike, C., & Hagan, 1991). Reliability was assessed using Cronbach Alpha, as shown in the following tables:



Table:2 CRONBACH ALPHA TABLE

Measure	Items	Range	Variance	Mean	SD	Alpha
Culture	09	1-5	8.87	3.88	0.56	0.816
Leadership	07	1-5	7.87	3.37	0.62	0.817
Communication	08	1-5	8.53	3.55	0.56	0.811
Employee Job Satisfaction	07	1-5	7.55	3.97	0.63	0.751

Source: Primary Data

F1: Culture

It defined as the perception of formal and informal organizational policies, practices, and procedures. It is a set of properties of the work environment, perceived by the employees, that influences employee behaviour. It is the implicit features of an organization which dictates what and how things are done in the organization.

Table No. 3

Item	Factor Loadings
Opinion matters in the workplace	0.735
Sense of cooperation and team work	0.705
Promotes a high level of ethical standard and public interest	0.694
Does not discriminate against its employees and protect them from preferential treatment	0.656
Protect its employees from active political pressure	0.734
Protects employees in case of revealing confidential information	0.712
Recognize and reward employees for their contributions	0.632
Promotes work-life balance for its employees	0.764
Ensures the safety of its employees from arbitrary decision	0.633
Eigen Values = 33.449; % Variance=8.87; Cronbach's Alpha =0.816	

Source: Primary Data

This factor accounts for 8.87% of the total variance. In total, nine variables viz. opinion matters (0.735); sense of cooperation and team work (0.705); high level of ethical standard and public interest (0.694); protect them from preferential treatment (0.656) ; protect employees from active political pressure (0.734); protects employees in case of revealing confidential information (0.712); recognize and reward employees for their contributions (0.632); promotes work-life balance for its employees (0.764)and ensures the safety of its



employees from arbitrary decision(0.633) have been loaded on this factor. Cronbach's Alpha value for this factor is 0.816 (>0.60) shows good reliability of this factor. In organisation, organisation culture is extremely important, the management of the organization must fulfil its obligation towards the employees by providing them the necessary infrastructure and culture. Such effective discharge of their respective responsibilities would definitely have positive impact on organisation performance. The results show that, organisation culture is most important for effective working.

F2: Leadership

Organizational leadership refers to the process of influencing others towards achieving some desired goals. Leaders can massively influence knowledge management practices by enabling employees to exercise and cultivate their knowledge, make them contribute their knowledge to the organization's pool of knowledge and grant easy access to relevant knowledge.

Table No. 4

Item	Factor Loading
Free to voice opinion on the management of the organisation	0.807
Leadership demonstrates high performance	0.627
Good terms with my leader	0.790
Provide support or guidance when encounter work related challenges	0.594
Generally satisfied with the leadership in the organisation	0.742
Provide a clear and compelling vision for the future of the organisation	0.657
Involved in the decision-making process within my organisation	0.759
Eigen Value =9.93; % variance = 7.87; Cronbach's Alpha = 0.817	

Source: Primary Data

This factor is second important as it accounts for 7.87% of the total variance. In total, seven variables viz. Free to voice opinion on the management of the organisation (0.807); Leadership demonstrates high performance (0.627); Good terms with my leader (0.790); Provide support or guidance when encounter work related challenges (0.594); Generally satisfied with the leadership in the organisation (0.742); Provide a clear and compelling vision for the future of the organisation (0.657);and Involved in the decision making process within my organisation (0.759) have been loaded on this factor. Cronbach's Alpha value for this factor is 0.817(>0.60) shows good reliability of this factor. An organization simply cannot function effectively without leadership. The leaders' capacity to be approachable, their faith in their staff, prompt direction, encouragement, and proper recognition of their efforts can turn potential into reality. The findings indicate that effective leadership is necessary for good management and organisational effectiveness.



F3: Communication

Effective communication is essential to an organization's aspirations because it's the glue that holds it together. It helps members of an organization accomplish both individual and organizational goals, implement organizational changes, respond, coordinate activities, and virtually interact with all actions related to the organization.

Table No. 5

Item	Factor Loadings
Smooth Communication between different departments within organisation	0.789
Receive constructive feedback from manager or colleagues regarding performance	0.623
Organization follow transparency in communicating important decisions or changes	0.621
Employee receive important updates or information about the organization's performance and direction	0.748
Organization follows effective tools for the communication	0.690
Open communication channels used for employees to raise concerns or share ideas	0.718
Effectively use technology in facilitating communication in the organisation	0.662
Employee receive timely communication	0.693
Eigen Value =7.862; % variance = 8.539; Cronbach's Alpha = 0.811	

Source: Primary Data

This factor is third important as it accounts for 7.862 % of the total variance. In total, eight variables namely Smooth Communication (0.789); constructive feedback (0.623); transparency in communicating important decisions (0.621); receive important updates or information (0.748); follow effective tools for the communication (0.690); open communication channels (0.718); effectively use technology (0.662) and timely communication (0.693) have been loaded on this factor. Cronbach's Alpha value for this factor is 0.811 (>0.60) shows good reliability of this factor. Without communication an organisation simply cannot be effective. Interaction between individuals inside an organization depends heavily on organizational communication. To create a shared understanding of the information that others supply, communication inside the organization becomes crucial. The results show good communication is required for organisational effectiveness.



F4: Employee job satisfaction

Employee job satisfaction and engagement is a mindset that is associated with the workplace. Another way to describe this would be commitment, energy, and immersion. Even the organization's qualities, such as communication, ethics, and a creative and innovative culture, have a significant impact on engagement.

Table No.6

Item	Factor Loadings
Satisfied with current job role and responsibilities	0.847
Motivated to perform my best at work	0.693
Satisfied with the opportunities for career advancement	0.821
Satisfied with the recognition and rewards	0.743
Feel engaged in my work and in the organization's mission	0.648
Manager is supportive when it comes to resolve work-related issues or challenges	0.766
Satisfied with the physical and emotional work environment	0.679
Eigen Value =7.675; % variance = 7.55; Cronbach's Alpha = 0.751	

Source: Primary Data

This factor is forth important as it accounts for 8.049% of the total variance. In total, seven variables namely, satisfied with current job role and responsibilities (0.847); motivated to perform best (0.693); satisfied with the opportunities for career advancement (0.821); satisfied with the recognition and rewards (0.743); feel engaged in work and organisation mission (0.648); manager is supportive (0.766); and satisfied with the physical and emotional work environment (0.679) have been loaded on this factor. Cronbach's Alpha value for this factor is 0.751(>0.60) shows good reliability of this factor. Employee engagement and organizational performance are positively correlated. Business units with engaged staff had greater levels of productivity, profitability, and customer satisfaction. The results show employee engagement and their job satisfaction plays a vital role in organisation productivity.

Findings and Conclusion

- 1) An organization's effectiveness is determined by how close it is to its intended objectives.
- 2) These findings are supported by, who believe that effective leadership is one of the key components of enhancing organizational performance. As important decision-makers, leaders decide how to acquire, develop, and deploy organizational resources, turn them into worthwhile goods and services, and provide value to stakeholders inside the organization.



- 3) The culture of an organization is crucial, as it greatly influences whether or not it is a happy and healthy place to work.
- 4) Employee engagement and job satisfaction and organizational performance are positively correlated.
- 5) Communication helps members of an organization accomplish both individual and organizational goals, implement organizational changes, respond, coordinate activities, and virtually interact with all actions related to the organization.
- 6) Activities run more smoothly when there is organizational support and a simple structure.
- 7) A successful business depends on the implementation of HR policies pertaining to team briefings and appraisals, equal training opportunities, and fair and just promotions and transfers.
- 8) The dimensions of effectiveness were seen to be more thorough, even if there are several criteria to assess effectiveness.

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