

Organizational Effectiveness—Many Lenses

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One of the paradoxes of team sports that I struggle with has been watching a team with high-caliber players lose to a team with less talented players. We have all seen this happen time and time again. It's not the individual's performance, but the team's ability to perform as a whole that makes the difference. This situation is a reflection of organizational effectiveness (OE).

The PMPA mission guides us to "Lead progressive members toward global competitiveness and sustainable success, while effectively representing the Precision Machining Industry." These three values are the lenses through which we evaluate our organizational effectiveness. Member companies must be competitive if they are to be sustainable and must be focused on the sustainability of their business, systems and markets if they are to remain competitive. But how can a company's organizational effectiveness be defined and measured?

Management by Objectives

The original "management by objectives" (MBO) approach was the work of Alfred P. Sloan. He identified efficiency through economy of scale and attainment of objectives as indicators of an organization's effectiveness. High technology and high productivity machining processes enable us to achieve economies of scale, even as lot sizes diminish.

Attaining organizational objectives is a key determinant of effective companies, no matter how talented individual employees are. Superstars in "set-up" or production in the shop can't help win the on-time delivery game if the office gets the shipping papers wrong or if production gets released late for other reasons. Is management by objectives the proper lens for evaluating organization effectiveness?

Do you have published goals for production, safety, quality and sales? Are these goals posted throughout the organization? Are all of your associates aware and working towards their attainment?

Resource Acquisition

The resource acquisition model is another method of evaluating organizational effectiveness. Like the MBO model, it too has a goal component in that it explains how to optimize goals. The other components include a system perspective and a behavioral emphasis. While a quick read might suggest that the resource acquisition model is "all about purchasing," in fact, it takes a hard look at the use of systems in the organization as well as the employed behaviors.

Your purchasing department may be proud of the great price they got on the last order of barstock for a particular part. However, they might have missed the fact that the low price from this new supplier came at a much higher cost to the organization because of increased cycle time, tool replacement frequency and downtime due to its different machining performance. This shows the need for looking at OE through the systems perspective, rather than just looking at a single "individual performance" dimension like material price per pound.

Behavioral Emphasis

Perhaps behavioral emphasis is one of the most critical components of OE in our shops and wherever groups of people form teams to accomplish a task. Are behaviors aligned with the organizational goals? How can they be if the organization's goals aren't widely known or communicated throughout the company? What active means does your company have to make sure that all the players on your team are aware of the goals, the game plan



and their role in its achievement?

The obvious ways to benchmark organizational effectiveness include percentage on-time shipments, first-time quality, absenteeism, profitability and return on capital. What are your indicators for sustainability and competitiveness? In the long term, without sustainability or competitiveness, there is no long term for your organization

As managers, we must constantly evaluate our actions and our company through the lens of organizational effectiveness. Have we established a culture that knows the team's goals? Have we established a culture where all employees realize that their performance is key, but the success of the entire company depends on their success as a team? And have we aligned our finances and pay structures to reinforce these determinants of organizational effectiveness?

"I'll know it when I see it" can be applied to the idea of organizational effectiveness in our precision machining companies. When the entrepreneurial shop gets the small lot size, high-complexity, difficult-to-machine job out in a fraction of the time than a large multinational company would take to get the raw material on order, that's organizational effectiveness.