# ORGANIZATIONAL DIAGNOSIS, THE STEPPING STONE TO ORGANIZATIONAL EFFECTIVENESS

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## Abstract

Organizational survival, success and effectiveness depend on the ability of the organization to adapt to continuous challenges, competition and change. However, improving and changing organizations demand properly understanding and diagnosing them. So, where does diagnosis start and how can we measure effectiveness? Diagnosis starts with assessing key tasks, structure, people relationships, motivation, support, management leadership, attitude towards change and performance to identify gaps towards effectiveness. Effectiveness is evaluated in terms of the extent to which people have the right skills and competencies and are trained and strategically managed to enhance profitability (finance), the organization's marketing strategy, operations/service and, measurement of the corporate/business development and growth achieved as a result of planned efforts to ensure organizational viability, stability and maturity. This study uses an integrated system evaluation process to diagnose the extent to which key tasks, structure, people relationships, motivation, support, management leadership, attitude towards change and performance impact on organizational effectiveness respectively. The population for the study comprised of all staff in a provincial trade and investment promotion agency in South Africa and a consensus approach was used through a cluster sampling technique, which secured an 85.4% response rate. In this quantitative, cross-sectional study data was collected using questionnaires and analyzed using both descriptive and inferential statistics. The results reflect that the diagnostic variables impact on organizational effectiveness in varying degrees. The important diagnostic dimensions and areas for improvement are identified and suggestions for corrective action are presented in order to enhance overall organizational effectiveness.

**Keywords:** Organizational Diagnosis, Organizational Effectiveness, People Relationships, Management Leadership, Corporate/Business Development

## 1. INTRODUCTION

The global business arena and continuous competition demands that organizations create innovative ways to remain competitive and increase their market share. This means that they have to produce better quality and reliable products, be resilient in aggressive markets, balance competing demands and consistently achieve their strategic and operational goals in the long term through their core strategies; in other words, they have to work towards, and attain, organizational effectiveness.

Initially, organizational effectiveness was measured in financial, profitability and economic terms (Harel, Tzafrir and Baruch, 2003) but this did not take cognizance of the psychological dimensions of employees that contribute to human resource outcomes and effectiveness (Chang and Huang, 2010); hence, the measurement of organizational effectiveness was redefined. Organizational effectiveness may be measured in terms of various variables and Carnall (2007) cautions against using narrow, single measures of effectiveness. Gold, Malhotra and Segars (2001) maintain that organizational effectiveness is dependent on three important processes, namely, efficiency, adaptability and innovativeness. Other researchers measure

organizational effectiveness in terms of productivity (Huselid, 1995; Lawson and Hepp, 2001; Sun, Aryee and Law, 2007), information technology (Batra, 2006), turnover (Ryan, Schmit and Johnson, 1996), organizational commitment (Lawson and Hepp, 2001; Ussahawanitchakit, 2008), communication (Chen, 2008), organizational structure (Santra and Giri, 2008), learning (Andreadis, 2009), work engagement/involvement (Harter, Schmidt and Hayes, 2002; Kataria, Garg and Rastogi, 2013; Riordan, Vandenberg and Richarson, 2005), corporate social responsibility (Holbeche, 2012) and absenteeism, organizational citizenship behaviour and job satisfaction (Ahuja and Gautam, 2012; Lawson and Hepp, 2001; Robbins, 1984). Chang and Huang (2010) use a multiple variable measure comprising of indicators like employee morale, attraction of talent, commitment and turnover and, hence, focus on the human resource (HR) aspects of organizational effectiveness.

In congruence with both the traditional and transformed measurements of organizational effectiveness, this study assesses the concept in terms of people, finance, marketing, operations/service and corporate/business development. However, the study extends further to measure the journey towards effectiveness and aims

to diagnose critical aspects (key tasks, structure, people relationships, motivation, support, management leadership, attitude towards change and performance) that have the potential to circumvent or support efforts towards achieving effectiveness.

## 1.1. People

Effectiveness is often the outcome of the combined efforts of people which is largely dependent on the operating environment and leadership. Business effectiveness is also influenced by adopting professional, effective and fair selection practices that base selection decisions on factual information, that is, selecting the right person, at the right time with the right skills and competencies in the right post (Gomez-Mejia, Balkin and Cardy, 2004; Ullah and Yasmin, 2013). The aim is to achieve optimal job-employee fit and to select highly motivated and competent people as it impacts on the quality of work, organizational productivity, growth and gaining a competitive advantage (Brewster, Carey, Grobler, Holland and Warnich, 2009). Central to employee motivation, retention and performance are issues of compensation and compensation fairness (Grobler, Warnich, Carrell, Elbert and Hatfield, 2006; Haines, Jalette and Larose, 2010; Ullah and Yasmin, 2013).

The work environment is also influencing employee outcomes and employees are exercising their rights and, unions are moving from an 'adversarial approach' relying on strike action to greater workplace participation in strategy development thereby having a positive impact on organizational effectiveness (Brewster et al., 2009; Ullah and Yasmin, 2013). The organization environment comprises of numerous and often conflicting interests (employees with the mental, physical and psychological well-being at stake and the organization which has to survive and achieve success amongst rivals and competition); hence, the extent to which the organization environment is effectively balanced or harmonized largely influences its ability to attain effectiveness (Ahuja and Gautam, 2012; Bhardwaj, 2001).

The leadership and leadership values also influences the extent to which organizational effectiveness is attained (Joyce, 2009). Raina (2010) found that leaders at various hierarchical levels who provided accurate, timely, clear information and correct feedback to their subordinates regarding their job performance improved performance in terms of planning, structure and communication, particularly downward communication. Ferrer and Santa (2012) concluded that leadership, which enhances the adaptability of employees and provides support, significantly and positively influences organizational operational effectiveness in the public sector. Chi, Lan and Dorjgotov (2012) focused on transformational leadership and deduced that the highest level of organizational effectiveness is achieved when both transformational leadership and knowledge management are at a high level.

Furthermore, in order to bring about organizational effectiveness, managers need to combine the key drivers of employee performance and training as this influences organizational productivity. It is imperative that strategic training aligns with business goals and strategies, spreads new knowledge, facilitates communication and develops worker capabilities (Grobler et al., 2006), thereby contributing to effective employee performance. van Eerde, Simon Tang and Talbot (2008) found that the comprehensiveness of the training needs assessment was significantly and positively related to organizational effectiveness and, the alignment of the training programme with the organization's training needs influences effectiveness.

Ullah and Yasmin (2013) concluded from their research that extensive use of an integrated approach to efficient human resource practices (recruitment and selection, training and development, performance appraisal, compensation and rewards, employee participation) has positive effects on organizational effectiveness. In this regard, Shiri (2012) emphasizes the importance of the human resources (HR) audit to align HR practices with the organizational strategy and, assess any gaps or potential threats thereby ensuring continuous improvement and contributing to effectiveness.

## 1.2. Finance

Organizations are continuously striving for profitability through the effective utilization of available resources and, hence, need budgets to reflect how they will allocate their resources to achieve their business goals (Kiabel, Agundu and Nnadi, 2011). The balance scorecard is a holistic approach to organizational outcomes management but measures effectiveness solely in terms of financial metrics and therefore, the new approach is to take a systems perspective (Andreadis, 2009). Hence, strategic planning involves actively planning the future direction of the organization by integrating short and long-term plans and, determining long-range goals and priorities which sets the direction for operational plans within the organization (Developing and Managing Internal Budgets, 2008), thereby ensuring that organizational resources are deployed in accordance with organizational needs and imperatives. Since the budget is road map, it alerts managers to potential problems and variances from expectations so that they can timeously take corrective action and make quality improvements (Reference for Business, 2012).

## 1.3. Marketing

The ability to continuously generate new sales and the market orientation for goods and services influences organizational success. Organizations with high sales are effective at skill building, aligning a firm's strategic focus and consistently executing processes with an appropriate infrastructure (Grossman, 2009). Organizations have to also survive the pressures of constant technological advancements and competition for market share (Ahearn, 2012). In this regard, Patterson (2007) suggests moving marketing and sales from a transactional approach to a customer-centric approach and, using the customer buying process aligns the organizations and improves the organizations' effectiveness at enhancing sales. At

the same time, successful service strategies relating to products/services, delivery systems and procedures, technology, and personnel are needed. According to Nwokah and Ondukwuane (2009), strategic orientation entails the formulation of an annual marketing strategy with the focus being on quality and reliability in order for the organization to effectively differentiate its products and/or services from that of competitors (Dale, van der Wiele and van Iwaarden, 2007). Furthermore, understanding customers' needs is a critical success factor in the product innovation process, new product performance (Earnst, 2002) and market opportunity analyses and hence, the need for market research is emphasized.

### 1.4. Operations/service

Fundamental to business performance is the congruence between functional-level strategies and business strategies. According to Andreadis (2009), an organization whose strategy, structure, processes and people are optimally aligned is bound to be able to predict results and be effective. Christiansen and Higgs (2008) add that alignment between HR strategy and business strategy impacts organizational performance and, flexibility is necessary to sustain alignment. Furthermore, operations strategy must take cognizance of the business environment which has a visible impact on strategic choices in operations (Ward, Leong and Boyer, 1995) and influences business performance (Nath and Sudharshan, 1994; Smith and Reece, 1999). The implication is that operations planning should address and support business level strategies (Schniederjans and Cao, 2009). Reynolds (in interview with Cho, Gill, Gitonga, Hong, Macias, Meyer, Sparkman, Wetter and Ellinger, 2010) maintains that determining the right balance between tactical and strategic service delivery will drive and leverage organizational effectiveness. Therefore, the management of operations, operational cooperation and operational effectiveness are important for attaining an organization's corporate goals, increasing business performance and improving morale, company effectiveness and customer value (Hausman, Montgomery and Roth, 2002; Sawhnew and Piper, 2002). Attaining an effective marketing-operations interface is, therefore, imperative in globalized markets and to gain a competitive advantage by better understanding, anticipating and addressing customer needs and expectations. Jamrog and Overholt (2004) maintain that good execution needs leaders to manage three intertwined business components, namely, people, strategy and operations. The implication is that the effective synergy between the functional areas (procurement, production, distribution, after sales, disposal) and marketers is also imperative to leverage service operations in order to attain competitive advantage (Bowersox, Mentzer and Speh, 1995; Mentzer, Gomes and Krapfel Jr., 1989), even across function boundaries (Shapiro, Rangan and Sviokla, 2004). They need to work together, share a mutual understanding, have a common vision, share resources and cooperatively attain goals (Ellinger, Keller and Hansen, 2006).

Undoubtedly, operational effectiveness is the ability of the organization to reconfigure and transform processes based on its core capabilities and, entails meeting costs (Ferer and Santa, 2012; Hill, 2005). This means that organizations need to identify aspects of overall workplace planning and design that reduce costs and increase flexibility in what it does, how it does it and when it does it in responding to customer needs (Batra, 2006; Becker, 2002; Hill, 2005). It is also important to recognize inefficiencies and waste in processes like procurement, product or service design (Evans and Lindsay, 2011; Santa, Scavarda, Zhao and Skoko, 2011) and engage in lean thinking, lean operations and flexible manufacturing to bring about a lean value chain understanding in marketing-operations interfaces (Piercy and Rich, 2004). Operational improvement and growth also depends on good inventory management (Temeng, Eshun and Essey, 2010), suitable implementation of innovative technologies (Santa, Ferrer, Bretherton and Hyland 2009; Santa et al., 2011) and the choice of technology must be nuanced with other strategic choices such as global engagement (Ito and Lechevailier, 2010) rather than investing in complex technological innovations.

### 1.5. Corporate/business development

Corporate development depends on the ability of the organization to design strategies in order to be alert to, adapt and respond effectively to the dynamics of both local and global markets and competitive pressures. Davis and Pett (2002) noted that organizational performance is high when there is a high level of strategic effort and multiple generic strategies and, strategy selection influences the proposed performance typology of effectiveness. An organization's development refers to its growth realized through carefully planned activities and efforts to enhance its importance, viability and performance standards (quality, cost, production, operations) through effective knowledge gathering, transfer and usage and, reflects the organization's stability and maturity in delivering its objectives and goals (Doig, Watt and Williams, 2007; Singh, Garg and Deshmukh, 2010).

However, various factors influence the extent to which organizational effectiveness can be realized and it is the aim of this study to assess and diagnose these dimensions (key tasks, structure, people relationships, motivation, support, management leadership, attitude towards change and performance).

### 1.6. Key tasks

An organisation's vision is a rim that holds and keeps the pertinent information flow going and it identifies elements of good practice for employees. A vision outlines the core values and employees need to know how one's key tasks contribute to the organisation's objectives. Belcourt, McBey, Yong and Yap (2013) emphasize that a vision statement sets a clear goal uniting organizational efforts and this must challenge and "stretch" the organization. The resemblance between organizational analysis and organizational diagnosis is indicative of the fact that both methods focus on understanding content by

taking note of organizational elements (Janicijevic, 2010). Business processes include an array of activities, tasks, steps and phases (Janicijevic, 2010). Challenging organizational tasks ultimately contribute to the end results. A well defined vision energizes commitment to change by providing employees with a goal and a compelling rationale for why change is needed and worth the effort (Kotter, 2008 cited in Jamaludin, Abdullah, Yahya and Huridi, 2012). A vision that streamlines all activities directs attention on how to narrow the gap to the future. With change being a core value to organizations, employees need to partake in moulding the future and be committed to this.

## 1.7. Structure

For goal achievement, an organizatonal structure requires a high level of coordination which must be aligned with organizational objectives, tasks, and goals. This coordination contributes to the effective functioning of an organization. A static organizational structure is a challenge in meeting efficiency (Tran and Tian, 2013), and this architectural structure is related to business competence, leadership, functional relationships and arrangement (Wolf, 2002 cited in Tran and Tian, 2013). It outlines the foundational element for organizing and to accommodate hierarchical levels, responsibility, roles, positions, including the means for integration and problem-solving. It directs work competence, worker enthusiasm and coordination amongst top managers and employees for a flow with plans and goals in order to map out the future plans (Herath, 2007). The structure sets the boundaries for efficiency (Thomson, 1966 cited in Tran and Tian, 2013) and is found in interrelated events which completes a cycle of activities (Kartz and Kahn, 1978 cited in Tran and Tian, 2013). The demanding changes linked to structure include redesigning and redefining responsibilities. The structural elements in the system clarifies the perceived need for strategic and tactical change, maps the dependencies of organizational processes, diagnoses existing processes, clarifies gaps, and designs new processes, amongst others (Dooley, 1998). Organizational diagnosis requires employees' responsibilities and commitment. The interventions that may be used to align structure to the organizational mission include systems tools for diagnosis, design and implementation, teamwork and skill-building (Dooley, 1998).

## 1.8. People relationships

Organizations are not immune to change and tasks. Teamwork spells the compelling need for skilled employees to be engaged and empowered in addressing major organizational challenges. It is the way to choose to share information with employees or involve them in decision-making (Tesluck, Vance, and Mathieu, 1999). An organization's human capital, with rare and valuable skills, is significantly related to organizational performances (Belcourt *et al.*, 2013). Tran and Tian (2013) opine that a synergism is evident when skilled employees with similar talents work together. If organizational diagnosis is to check an organization's current health, then the effective use of human resources is of fundamental importance. Belcourt *et al.* (2013) make reference to the intangible assets which comprise the knowledge, work-related experience and competence of employees; and they have superior performance due to their skills, commitment or flexibility as they 'beat out" the competition and offer better service, amongst others. Employees need to have a say into how the change will be managed and immersed in the planning and implementation of the change process (Chapman, 2010). The focus is also on employees' skills, work relationships, morale, motivation, training and development, group dynamics, participation, involvement and support (Gallos, 2006). Organizational changes must include the input of all employees. Employees' enthusiasm for information sharing or involvement will vary based on their assessment of the impact of their involvement (Brown and Cregan, 2008).

## 1.9. Motivation

Employees' vested interest in organizational goals and their motivation plays a key role in a work environment. An organization's objectives are attained through peoples' cooperation and collaboration and this means keeping their morale up for their commitment and enthusiasm (Dogra, 2010 cited in Bwire, Ssekakubo, Lwanga and Ndiwalana, 2014). A motivated workforce is essential as employee participation will eventually steer the profitability of the organization (Carlsen, 2003, cited in Alhaji and WanYusof, 2012). An effective and efficient organization relies on employees' motivation (Rutherford, 2005 cited in Bwire, Ssekakubo, Lwanga and Ndiwalana, 2014). Motivation, a powerful tool, reinforces behaviour and triggers the need to continue (Bartol and Martin, 1998 cited in Dobre, 2013), as goals are aligned with organizational goals that become successful because employees constantly look for ways to improve (Kalimullah, 2010 cited in Dobre, 2013). Reaching the full potential under stressful conditions is a tough challenge, but with motivation this can be achieved (Dobre, 2013). Financial gains (pay) and non-financial factors (rewards, social recognition and performance feedbacks) have a positive influence on motivation (Dobre, 2013). The author indicates that many companies use pay, promotion, bonuses and rewards to motivate employees and to increase their performance. A motivated and qualified workforce is essential to increase productivity and customer satisfaction. Hence, motivation means people's willingness to take action towards organizational goals (Dobre, 2013).

## 1.10. Support

Today's workforce need to have a healthy mental and physical environment for more efficient outcomes (Iraqi Khalil, 2004, Hamid, Ali, Reza, Arash, Ali, and Azizollah, 2011), and managers use human resources, materials and other equipment for attaining end results and to increase cooperation amongst employees for productivity. Without support, the chances are that demands of responsibilities, pressures and uncertainties will lead to stress (Robbins and Judge, 2007). Thus, intensive leadership style, concentrating on duties

and relations, identifying management purposes and problems and being responsive may be of assistance. A manager's efficacy is the level of authority employees feel that the manager has (Binder, 1995, cited in Hamid, Ali, Reza, Arash, Ali, and Azizollah, 2011). Employee empowerment is also to find solutions with managerial support, and tolerance from leaders and the executive team (Chapman, 2010). Leaders need to provide support by providing resources and protecting individuals when needed (Brewster, Carey, Grobler, Holland and Warnich, 2009). Cohesiveness, cooperation and offering assistance are essential for organizations instead of operating in functional silos. A lack of support may lead to employee resistance to change and this can be prevented with the support that is needed.

## 1.11. Leadership

Curteanu and Constantin (2010) refer to people management whereby the organizations select individuals on defined profiles who invest in the competencies of employees, evaluates performance and offer rewards. The leadership in an organization requires care (Manikandah, 2010) and as successful change agents they have to develop capabilities. They oversee the change process and maintain the operational reliability of the organization (Nadler and Nadler, 1998). With management placing emphasis on humanistic and democratic values, genuine relationships based on trust will emerge, leading to both greater interpersonal and organizational competence. In this situation, people develop to their full potential and management tries to create a challenging environment (Dobre, 2013). Senior managers are usually responsible for the execution of strategy and organizational performance (Belcourt *et al.*, 2013). The leadership's behaviour makes the change situations more effective (Higgs and Rowland, 2005), and as a leader, one has to focus on human resources as they are the domain of intellectual capital. The leadership style and employees' trust in senior management are positively related to behaviour that is involved in the implementation of innovations for controlling peoples' differences (Michaelis, Stegmaier and Stonntag, 2009).

## 1.12. Attitudes to change

Most change initiatives fail due to poor staff attitudes and change resistance is a normal process emerging from distorted beliefs. Failure in the change process is also due to individuals' resistance to change (Bovey and Hede, 2001 cited in Neiva, Ros, and Toress da Paz, 2005). Nafeil (2014) found major differences with employees' attitudes toward organizational change. With organizational diagnosis and change initiatives positive employee attitudes are of fundamental importance. Employees with high organizational commitment levels are more willing to immerse themselves in a change initiative (Nafeil, 2014) and are, therefore, more likely to have positive attitudes toward the change process (Iverson, 1996). A salient point by Neiva, Ros, and Toress da Paz (2005) is that a valid instrument that measure people's attitudes will be useful for researchers who want to understand the beliefs, emotions and behaviours when change initiatives are proposed and implemented. The

authors add that initiating and implementing successful change is needed for a systematic process for transforming the organizational realities. In their study, Valley and Thomson (1998) found that employee resistance is stronger when attitudes to change are negative or when individuals' job definition and security are under threat. If organizational members embrace the change that will bring benefits, they may adapt rapidly to the new system of work (Neiva, Ros, and Toress da Paz, 2005). According to Chreim (2006), employee responses to organizational change have been related to attitudinal responses of a dichotomous classification relating to change readiness or change resistance. Scholars have identified numerous employee responses to change efforts ranging from positive to negative attitudes.

## 1.13. Performance

A formal structure within organizations has a positive effect on employee performance. Organizational performance is a vital sign highlighting how well the outputs of a process attain a goal (Pitt and Tucker, 2008 cited in Bwire, Ssekakubo, Lwanga and Ndiwalana, 2014). Performance results from individuals' efforts and abilities. Outputs and its effects are the most noticed aspects of an organization's performance (Anderson and Carden, 1999 cited in Bwire, Ssekakubo, Lwanga and Ndiwalana, 2014). In order to respond to an ever changing environment or to a crisis situation, organizations are compelled to change so that performance is optimized to reach its ideal state. Proactive measures which will reduce the negative effect on organizational performance should be encouraged in managing change (Thomas, 2014). Management by objectives outlines the constant contact between management and subordinates with the objective of assessing future work goals, evaluating work performance and addressing challenges in order to motivate work efficacy and coherence (Cummings and Worley, 2001). Performance analysis increases the probability of success and the highest return on investment (Sun, 2008). A changing environment with continuous incremental change is the only way to secure the company's future and improve organizational performance (Thomas, 2014).

## 2. RESEARCH DESIGN

### 2.1. Research approach

The research methodology has been designed to undertake a quantitative, cross-sectional study to measure the journey towards effectiveness and aims to diagnose critical aspects (key tasks, structure, people relationships, motivation, support, management leadership, attitude towards change and performance) that have the potential to circumvent or support efforts towards achieving effectiveness.

### 2.2. Respondents

The population comprised of all staff in a provincial trade and investment promotion agency in South Africa that aims to promote the province as an investment destination as well as drive the business of trade by assisting companies in the province

concerned to identify markets and export their products. Due to the small staff complement, the consensus approach was used through a cluster sampling technique and an 85.4% response rate was secured. The initial adequacy of the sample determined using the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (0.329) and the Bartlett's Test of Spherecity (1554.648, p = 0.000) was recomputed after negatively worded items were reversed thereby generating the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (0.733) and the Bartlett's Test of Sphericity (1012.414, p = 0.000) which respectively indicated suitability and significance. The results indicate that the normality and homoscedasticity preconditions are satisfied. In terms of the composition of sample, the majority of the sample comprised of female employees (63.4%) with 36.6% being males and, were between the ages of 30-39 years of age (63.4%), followed by those between 40-49 years old (26.8%) and lastly, those between 20-29 years of age (9.8%). Evidently, the staff members in the organization are fairly young. In addition, 41.5% occupy professional posts, 31.7% hold managerial posts and 26.8% comprise of support staff. Whilst the majority of the employees (36.6%) are in the organization for 5 to 7 years, an equal percentage (26.8%) have a tenure of less than 2 years and 2 to 4 years each and 9.7% are in employment in the organization for more than 8 years.

## 2.3. Measuring instrument

Data was collected using a questionnaire consisting of three sections. Section A related to the biographical information (gender, age, position, tenure) and was collected using a nominal scale with pre-coded option categories. Section B comprised of 40 items and measured the eight elements of the conceptual model of organizational diagnosis (key tasks, structure, people relationships, motivation, support, management leadership, attitude towards change and performance) using a 1 to 7 point itemised rating scale ranging from disagree strongly (1), disagree (2), disagree slightly (3), neutral (4), agree slightly (5), agree (6) to agree strongly (7) and is drawn from an established questionnaire cited in Carnall (2007). Five items each were used to measure each of the elements. In-house pretesting was adopted to assess the suitability of the instrument. Pilot testing was also carried out using 8 subjects, selected using the same procedures and protocols adopted for the larger sample. The feedback from the pilot testing confirmed that the questionnaire was appropriate in terms of relevance and construction. Section C measured the five core areas determining organizational effectiveness (people, finance, marketing, operations/service and corporate/business development) using a 1 to 5 point itemised rating scale ranging from: makes achieving corporate objectives very difficult (1), makes achieving corporate objectives difficult (2), does not support corporate objectives (3), adequately supports corporate objectives (4) to fully supports corporate objectives (5) and is drawn from an established questionnaire cited in Carnall (2007).

## 2.4. Measures

The validity of Sections B (organizational diagnosis) and C (organizational effectiveness) of the questionnaire was assessed using Factor Analysis. A principal component analysis was used to extract initial factors and an iterated principal factor analysis was performed using SPSS with an Orthogonal Varimax Rotation. Only items with loadings >0.5 were considered to be significant. Furthermore, when items were significantly loaded on more than one factor, only that with the highest value was selected. In terms of the elements of the conceptual model of organizational diagnosis (Section B), eight factors with latent roots greater than unity were extracted from the factor loading matrix and in terms of the core areas determining organizational effectiveness (Section C), five factors with latent roots greater than unity were extracted from the factor loading matrix (Table 1).

**Table 1.** Factor analysis - validity of the instrument

| Organizational Diagnosis (Section B) | | |
|---|---|---|
| Factor | Eigenvalue | % of Total Variance |
| 1 | 5.770 | 14.79 |
| 2 | 4.581 | 11.75 |
| 3 | 4.364 | 11.19 |
| 4 | 4.184 | 10.73 |
| 5 | 3.879 | 9.95 |
| 6 | 2.933 | 7.52 |
| 7 | 2.404 | 6.16 |
| 8 | 1.590 | 4.08 |
| Organizational Effectiveness (Section C) | | |
| Factor | Eigenvalue | % of Total Variance |
| 1 | 7.188 | 20.54 |
| 2 | 5.926 | 16.93 |
| 3 | 5.069 | 14.48 |
| 4 | 4.325 | 12.36 |
| 5 | 2.469 | 7.05 |

The reliability of Section B of the questionnaire relating to the elements of the conceptual model of organizational diagnosis was determined using Cronbach's Coefficient Alpha (Alpha = 0.949). This alpha coefficient indicates a very high level of internal consistency of the items and, hence, a high degree of reliability with item reliabilities ranging from 0.621 to 0.842 and reliabilities of dimensions of organizational diagnosis ranging from above moderate (Motivation: 0.621, Attitudes to change: 0.621) to high (Structure: 0.828, People Relationships: 0.831, Management Leadership: 0.842) (Table 2). The reliability of Section C of the questionnaire relating to the core areas determining organizational effectiveness was determined using Cronbach's Coefficient Alpha (Alpha = 0.950). This alpha coefficient indicates a very high level of internal consistency of the items and, hence, a high degree of reliability with item reliabilities ranging from 0.814 to 0.921 and reliabilities of dimensions of organizational effectiveness being high (Table 2).

## 2.5. Administration of the measuring instrument

The questionnaires were administered personally by the researchers during a staff meeting and training session and, therefore, allowed opportunity for building rapport, clarification and a better response rate.

**Table 2.** Cronbach's coefficient Alpha: reliability of the instrument

| Overall Reliability and Reliabilities per dimension of Organizational Diagnosis | |
|---|---|
| *Dimension* | *Cronbach's Alpha* |
| Key Tasks | 0.788 |
| Structure | 0.828 |
| People Relationships | 0.831 |
| Motivation | 0.621 |
| Support | 0.790 |
| Management Leadership | 0.842 |
| Attitudes to Change | 0.621 |
| Performance | 0.738 |
| *Overall Organizational Diagnosis* | 0.949 |
| Overall Reliability and Reliabilities per dimension of Organizational Effectiveness | |
| *Dimension* | *Cronbach's Alpha* |
| People | 0.845 |
| Finance | 0.921 |
| Marketing | 0.814 |
| Operations/service | 0.815 |
| Corporate/business development | 0.902 |
| *Overall Organizational Effectiveness* | 0.950 |

## 2.6. Statistical analysis

Descriptive (means, standard deviations) and inferential (correlation, ANOVA, t-test) statistics were used to analyze the quantitative data. The data was captured using Excel (2007), processed with SPSS Verson 19.0 and presented using tabular and graphical representations.

## 3. RESULTS

The study aims to assess the extent to which organizational diagnosis influences organizational effectiveness. In order to do this the sub-dimensions of each variable were correlated internally first (Table 3 and Table 4).

### 3.1. Hypothesis 1

The sub-dimensions of organizational diagnosis (key tasks, structure, people relationships, motivation, support, management leadership, attitudes to change, performance) significantly intercorrelate with each other (Table 3).

Table 3 reflects that the sub-dimensions of organizational diagnosis (key tasks, structure, people relationships, motivation, support, management leadership, attitudes to change, performance) significantly intercorrelate with each other. Hence, hypothesis 1 may be accepted. In particular, strong and direct relationships exist between the diagnosis of key tasks and structure, structure and people relationships and support respectively, people relationships and support and management leadership respectively, and support and management leadership.

### 3.2. Hypothesis 2

The sub-dimensions of organizational effectiveness (people, finance, marketing, operations/service, corporate/business development) significantly intercorrelate with each other (Table 4).

**Table 3.** Intercorrelations amongst the sub-dimensions of organizational diagnosis

| Dimension | r/p | Key tasks | Structure | People relations | Motivation | Support | Management Leadership | Attitudes to change | Perf-ormance |
|---|---|---|---|---|---|---|---|---|---|
| Key tasks | r<br>p | 1.000 | | | | | | | |
| Structure | r<br>p | 0.717<br>0.000* | 1.000 | | | | | | |
| People relations | r<br>p | 0.570<br>0.000* | 0.827<br>0.000* | 1.000 | | | | | |
| Motivation | r<br>p | 0.440<br>0.004* | 0.544<br>0.000* | 0.593<br>0.000* | 1.000 | | | | |
| Support | r<br>p | 0.428<br>0.005* | 0.719<br>0.000* | 0.848<br>0.000* | 0.559<br>0.000* | 1.000 | | | |
| Management Leadership | r<br>p | 0.412<br>0.007* | 0.699<br>0.000* | 0.743<br>0.000* | 0.625<br>0.000* | 0.796<br>0.000* | 1.000 | | |
| Attitudes to change | r<br>p | 0.318<br>0.042** | 0.537<br>0.000* | 0.642<br>0.000* | 0.529<br>0.000* | 0.559<br>0.000* | 0.669<br>0.000* | 1.000 | |
| Performance | r<br>p | 0.642<br>0.000* | 0.536<br>0.000* | 0.478<br>0.002* | 0.312<br>0.047** | 0.415<br>0.007* | 0.330<br>0.035** | 0.472<br>0.002* | 1.000 |

*Note: * p < 0.01 ; ** p < 0.05*

**Table 4.** Intercorrelations amongst the sub-dimensions of organizational effectiveness

| Dimension | r/p | People | Finance | Marketing | Operations/Service | Corporate/business development |
|---|---|---|---|---|---|---|
| People | r<br>p | 1.000 | | | | |
| Finance | r<br>p | 0.806<br>0.000* | 1.000 | | | |
| Marketing | r<br>p | 0.340<br>0.029** | 0.550<br>0.000 | 1.000 | | |
| Operations/Service | r<br>p | 0.502<br>0.001* | 0.584<br>0.000* | 0.811<br>0.000* | 1.000 | |
| Corporate/business development | r<br>p | 0.372<br>0.017** | 0.485<br>0.002* | 0.659<br>0.000* | 0.597<br>0.000* | 1.000 |

*Note: * p < 0.01 ; ** p < 0.05*

Table 4 indicates that the sub-dimensions of organizational effectiveness (people, finance, marketing, operations/service, corporate/business development) significantly intercorrelate with each other. Hence, hypothesis 2 may be accepted. In particular, strong and direct relationships exist between people and finance, and marketing and operations/service.

### 3.3. Hypothesis 3

There is a significant relationship between organizational diagnosis and organizational effectiveness (Table 5).

**Table 5.** Spearman correlation: organizational diagnosis and organizational effectiveness

| Dimension | r/p | Organizational effectiveness |
|---|---|---|
| Organizational diagnosis | r | 0.345 |
| | p | 0.029** |

*Note: ** p < 0.05*

Table 5 reflects that there is a significant relationship between organizational diagnosis and organizational effectiveness at the 5% level of significance. Hence, hypothesis 3 may be accepted. However, it must be noted that the strength of the relationship is less than moderate.

### 3.4. Hypothesis 4

The sub-dimensions of organizational diagnosis significantly intercorrelate with the sub-dimensions of organizational effectiveness (Table 6). Table 6 reflects that:

• The people sub-dimension of organizational effectiveness significantly correlates with the people relationships and motivation sub-dimensions of organizational diagnosis respectively at the 1% level of significance and the management leadership and attitudes to change sub-dimensions of organizational diagnosis respectively at the 5% level of significance.

• The finance sub-dimension of organizational effectiveness significantly correlates with the people relationships and attitudes to change sub-dimensions of organizational diagnosis respectively at the 1% level of significance and the motivation and management leadership sub-dimensions of organizational diagnosis respectively at the 5% level of significance.

• The marketing sub-dimension of organizational effectiveness significantly correlates with the structure, people relationships and attitudes to change sub-dimensions of organizational diagnosis respectively at the 5% level of significance.

• The corporate/business development sub-dimension of organizational effectiveness significantly correlates with the structure and people relationships sub-dimensions of organizational diagnosis respectively at the 5% level of significance.

• No other correlations show significance.

Hence, hypothesis 4 may only be partially accepted.

**Table 6.** Intercorrelations: subdimensions of organizational diagnosis and subdimensions of organizational effectiveness

| Dimension | r/p | People | Finance | Marketing | Operations/service | Corporate/business development |
|---|---|---|---|---|---|---|
| Key tasks | r | -0.007 | -0.019 | -0.038 | -0.112 | 0.133 |
| | p | 0.963 | 0.908 | 0.815 | 0.486 | 0.408 |
| Structure | r | 0.240 | 0.218 | 0.315 | 0.245 | 0.347 |
| | p | 0.130 | 0.177 | 0.045** | 0.122 | 0.026** |
| People relations | r | 0.416 | 0.433 | 0.310 | 0.295 | 0.329 |
| | p | 0.007* | 0.005* | 0.048** | 0.061 | 0.036** |
| Motivation | r | 0.400 | 0.345 | 0.019 | 0.019 | -0.045 |
| | p | 0.010* | 0.029** | 0.907 | 0.907 | 0.780 |
| Support | r | 0.285 | 0.256 | 0.099 | 0.066 | 0.202 |
| | p | 0.071 | 0.110 | 0.539 | 0.683 | 0.205 |
| Management Leadership | r | 0.316 | 0.337 | 0.164 | 0.068 | 0.110 |
| | p | 0.044** | 0.033** | 0.306 | 0.673 | 0.492 |
| Attitudes to change | r | 0.314 | 0.428 | 0.314 | 0.218 | 0.182 |
| | p | 0.046** | 0.006* | 0.046** | 0.172 | 0.255 |
| Performance | r | 0.168 | 0.076 | 0.015 | 0.020 | 0.045 |
| | p | 0.294 | 0.640 | 0.926 | 0.902 | 0.782 |

*Note: *p ≤ 0.01; **p < 0.05*

### 3.5. Hypothesis 5

Organizational diagnosis significantly predicts organizational effectiveness (Table 7).

**Table 7.** Multiple regression: organizational diagnosis and organizational effectiveness

| Model Summary | | | | |
|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | 0.260ᵃ | 0.068 | 0.043 | 21.07267 |

*Note: ᵃ Predictors: (Constant), OD*

Table 7 reflects that organizational diagnosis of key tasks, structure, people relationships, motivation, support, management leadership, attitudes to change and performance only significantly predicts 4.3% of the variance in organizational effectiveness of people, finance, marketing, operations/service and corporate/business development. Hence, hypothesis 5 may be rejected.

### 3.6. Discussion of results

Since the sub-dimensions of organizational diagnosis (key tasks, structure, people relationships,

motivation, support, management leadership, attitudes to change, performance) significantly intercorrelate with each other, the implication is that the diagnosis of one dimension provides significant insight into other related variables, thereby enhancing overall evaluation in the organization. It was also found that strong and direct relationships exist between the diagnosis of key tasks and structure, structure and people relationships and support respectively, people relationships and support and management leadership respectively, and support and management leadership. The implication is that if key tasks, structure, people relationships, support and management leadership are continuously assessed, there is potential for continuous improvement in the organization. Management leadership, therefore, plays a critical role as an exceptional and inspiring management leadership style is needed (Beck, 2004) to define and succinctly communicate organizational objectives and priorities and ensure congruent unit level *key tasks* and priorities (Colbert and Witt, 2009), *structure* work logically and ensure more flexible jobs, work schedules and lines of authority (Torpey, 2007), enhance *people relationships* by listening to employees' ideas and managing conflict timeously using solutions derived through employee participation and ensure inter-departmental *support* and collaboration because it facilitates innovative performance and employee adaptability (Cuijpers *et al.*, 2011; Ferrer and Santa, 2012).

Similarly, since the sub-dimensions of organizational effectiveness (people, finance, marketing, operations/service, corporate/business development) significantly intercorrelate with each other, the implication is that gaining effectiveness in one dimension has a snowballing effect and has the potential to enhance effectiveness in the other dimensions. In particular, strong and direct relationships exist between people and finance, and marketing and operations/service. In driving towards effectiveness, marketing can play a strategic role. Marketing practitioners should, therefore, develop customer-centric marketing strategies that align the needs of the marketing mix (the effort of the sales force, advertising, quality and service), business functions (manufacturing, finance and marketing) and the external system (customers, distributers and suppliers) in order to gain a competitive edge (Kotler, 1977 cited in Piercy and Rich, 2004; Patterson, 2007). They need to focus on developing a strategic orientation that attains product differentiation through quality and reliability (Dale, van der Wiele and van Iwaarden, 2007; Nwokah and Ondukwuane, 2009).

The results also reflect a significant but less than moderate relationship between organizational diagnosis and organizational effectiveness. In fact, the organizational diagnosis of key tasks, structure, people relationships, motivation, support, management leadership, attitudes to change and performance only significantly predicts 4.3% of the variance in organizational effectiveness of people, finance, marketing, operations/service and corporate/business development. The implication is that caution must be taken to assume that effective organizational diagnosis will automatically lead to organizational effectiveness. Organizational diagnosis is needed for continuous improvement but

this does not always spell organizational effectiveness. It can be deduced that it is the effectiveness of the corrective action taken after diagnosis that ultimately leads to effectiveness. In doing so and designing strategies, careful cognizance must be given to attaining congruence between functional-level and business level strategies (Andreadis, 2009; Christiansen and Higgs, 2008; Nath and Sudharshan, 1994; Smith and Reece, 1999; Schniederjans and Cao, 2009 Ward, Leong and Boyer, 1995).

## 4. RECOMMENDATIONS AND CONCLUSION

Organizational diagnosis is a necessity for organizational effectiveness but does not immediately imply organizational effectiveness. Perhaps, it is the effectiveness of the corrective action, improvement strategy or innovative problem solving taken after diagnosis that has the potential to eventually lead to organizational effectiveness. It is, therefore, recommended that whenever diagnosis takes place and deviations or sub-optimal performance is noted, several improvement strategies or solutions should be brainstormed and the most suitable option with the potential to achieve optimal results should be adopted. Managing shortfalls in this way will eventually take the organization closer to its end goal of organizational effectiveness. Hence, organizational diagnosis is the stepping stone to organizational effectiveness.

## 4.1. Recommendations for future research

In this study, organizational diagnosis was assessed based on key tasks, structure, people relationships, motivation, support, management leadership, attitudes to change and performance and organizational effectiveness was evaluated in terms of people, finance, marketing, operations/service and corporate/business development. Operating in an environment engulfed with national and international imperatives and millennium goals, it would make sense to evaluate other societal imperatives like corporate social responsibility when engaging in organizational diagnosis and effectiveness as the belief is that no organization can be truly effective if it is not high on corporate social responsibility.

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