



Efficiency of Co-operative Bank in Davanagere District, Karnataka.

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Abstract

In the current stiff competition, the vital success factors of any group would be on the role of effectiveness of Leadership. It can't exist, survival, growth, profitability, productivity and functioning of any group. Indeed, the organizations recognize their success is highly-dependent upon the quality of effectiveness. It is widely considered to be an important aspect of organizing and there are several reasons to suggest that leadership plays one of the particular relevance in this context. However, there is a lack of both theoretical and empirical work on leadership effectiveness. The purpose of this paper was to reconcile and integrate the banking literature related effectiveness with various models of organisational effectiveness formulated within the field of organisational theory. It has been shown that in response to theoretical and practical pressures, the leadership has evolved differently based on construct perspective. We have adopted the interaction through interview with a general manager of the bank. The entire process of interaction was developed into a descriptive study. The structured questionnaire has adopted to identify the dimension about effectiveness of the bank. The findings of this paper provide valued insights for further work. The analysis of the paper can be referred to empirical study towards co-operative bank.

Keywords: Leadership, Organisational effectiveness, Urban Co-operative bank.

1. Introduction

In today's competitive world, Banks play a significant role in achieving the objective of economic development through financing and help for the smooth operation. In global scenario with several changes and challenges faced by the Banking Industry especially co-operative banking where leadership play one of the important elements in the decision making and influence on the effectiveness of the organisations. Organizational effectiveness (OE) has been one of the most extensively researched issues since the early development of organizational theory (Rojas 2000). Despite some consent, there still significant lack of agreement on the definition and operationalization of this concept (Cameron 1986). The purpose of this paper was to reconcile and integrate the banking literature related effectiveness with various models of organisational effectiveness formulated within the field of organisational theory. It has been shown that in response to theoretical and practical pressures, the leadership has evolved differently based on construct perspective.

2. Literature Review

Chang and Huang (2010) Previously, scholars tended to use the term „organisational performance“ to mean financial and economic-related measures such as profitability, return on investment, earnings per share and so on (Harel et al., 2003).

Eccles (1991), academics and practitioners has begun to demonstrate that accrual-based performance measures are obsolete and often harmful. Consequently, business practices could be assessed in terms of their contribution to subjective psychological wellbeing (e.g. commitment, involvement or satisfaction), rather than in terms of objective criteria (Jansen et al., 2001), since employers employ not just one part of a person but rather the whole person, including personal, social and professional qualities (Harnesk, 2004).

Chang and Huang (2010) Organisational effectiveness refers to how successfully organisations achieve their missions. Organisational effectiveness measures are concerned with understanding the unique capabilities that organisations develop to ensure that success. This includes measuring the value of organisational human resources (Jamrog & Overholt, 2004).

Holbecke (2012) an emerging definition of organisational effectiveness is incorporates notions of ethical behaviour and fairness to all constituents, not merely short-term delivery of value to shareholders. This is both morally right and also makes sense in our knowledge- and service-based economy, in which people are the key source of competitive advantage. How "engaged" they feel with their organisation has an impact on performance and, in tough times, employee engagement is likely to be at risk. What we propose as a "New OE" concept takes as its desired endpoint sustainable, self-renewing outcomes. For this to be achieved, change must be done with - rather than to - people.

Holbecke (2012) we recognise that what we propose challenges established ways of viewing power, status, leadership and management, the nature of employee relations, as well as the role of HR. The paper added the new mindset of the organisations will improve the productivity and employee involvement attaining the success of the organisation as a whole.

3. Research Objective

1. To study the various approaches of organisational effectiveness.
2. To identify the dimensions/criteria of effectiveness of co-operative bank of Davanagere District.

4. Leadership Effectiveness

Based on the above facts we can define as it is concerned with measuring the abilities and styles of leaders, financial aspects, internal customers as well as each and every dimension which are connected to achieve the organisational goals". Leaders help the banks to frame their unique strategies for the organizational success.

5. Historical Opinions about Organizational Effectiveness

Frederick Taylor: "Effectiveness Was Determined By Factors Such As Production Maximization, Cost Minimization, Technological Excellence, Etc."

Henri Fayol: "Effectiveness Is A Function Of Clear Authority And Discipline Within An Organization".

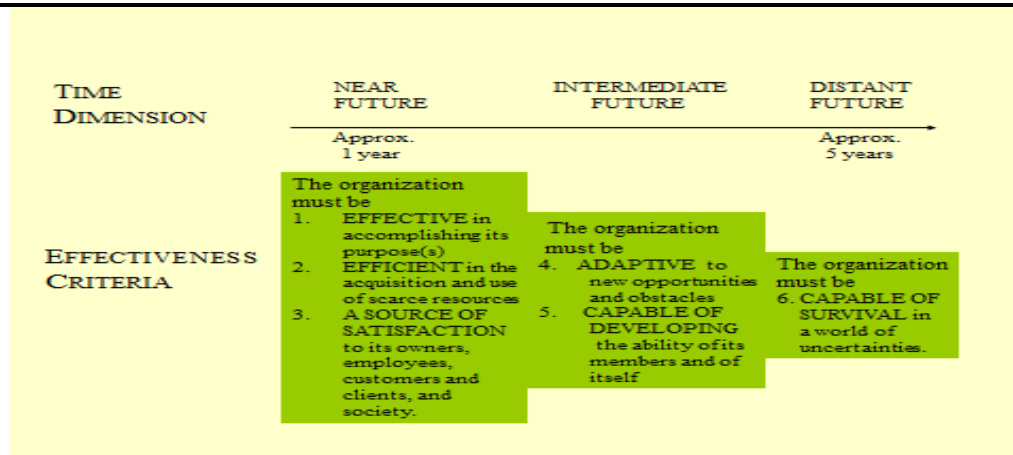
Elton Mayo: "Effectiveness Is A Function Of Productivity Resulting From Employee Satisfaction".

Effectiveness v/s Efficiency

Effectiveness: Effectiveness is the level of results from the actions of employees and managers. Employees and managers who demonstrate effectiveness in the workplace help produce high-quality results. Take, for instance, an employee who works the sales floor. If he is effective, he will make sales consistently. If he is ineffective, he will struggle to persuade customers to make a purchase. Companies measure effectiveness often by conducting performance reviews. The effectiveness of a workforce has an enormous impact on the quality of a company's product or service, which often dictates a company's reputation and customer satisfaction.

Efficiency: Efficiency in the workplace is the time it takes to do something. Efficient employees and managers complete tasks in the least amount of time possible with the least amount of resources possible by utilizing certain time-saving strategies. Inefficient employees and managers take the long road. For example, suppose a manager is attempting to communicate more efficiently. He can accomplish his goal by using email rather than sending letters to each employee. Efficiency and effectiveness are mutually exclusive. A manager or employee who's efficient is not always effective and vice versa. Efficiency increases productivity and saves both time and money.

While **efficiency** refers to how well something is done, **effectiveness** refers to how useful something is. For example, a car is a very effective form of transportation, able to move people across long distances, to specific places, but a car may not transport people efficiently because of how it uses fuel



Organizational Effectiveness

Historically, organizational effectiveness has focused on how well organizations compete, how quickly they bring products to market, their status in the community, their attractiveness to potential employees, and their profitability. In other words, organizational effectiveness considers how well an organization performs business.

Meaning: “Meeting Organizational Objectives and Prevailing Societal Expectations in the Near Future, Adapting and Developing in the Intermediate Future and Surviving in the Distant Future”.

6. Approaches to Measuring Organizational Effectiveness

- **Goal Approach:** Effectiveness is the ability to excel at one or more output goals.
- **Internal Process Approach:** Effectiveness is the ability to excel at internal efficiency, coordination, motivation, and employee satisfaction.
- **System Resource Approach:** Effectiveness is the ability to acquire scarce and valued resources from the environment.
- **Constituency Approach:** Effectiveness is the ability to satisfy multiple strategic constituencies both within and outside the organization.
- **Domain Approach:** Effectiveness is the ability to excel in one or more among several domains as selected by senior managers.

Main Models of Organizational Effectiveness

The Goal Approach

The first extensively used approach in organizational effectiveness is the goal approach. Its focus is on the output to figure out the essential operating objectives like profit, innovation and finally product quality (Schermerhorn, Hunt, R. N. Osborn, & R. Osborn, 2004). There are some basic assumptions for the goal approach. One of them is that there should be a general agreement on the specific goals and the people involved should feel committed to fulfilling them. The next assumption is that the number of goals is limited and achieving them requires certain indispensable resources (Robbins, 2003). As Altschuld and Zheng (1995) said the weakened significance of the goal-based approach for the evaluation of the effectiveness of research organizations and academic establishments is depicted in the accurate and clear measurement of the results. In fact, it is crucial in the vividness of the goals and output measures. The goal model is suitable only when these conditions are met. However, this is not usually applicable for the educational research organizations specifically in conditions where they are responsible to the goals and there must be justifications for their large-scale social functions. Moreover, any research possesses an exploratory nature and for the job of inquiry, freedom is essential. These are the facts which must not be restricted by narrow goals. In this case, the goal-oriented approach will be only partly suitable.

The System Resource Approach

The second approach is named the system resource approach which pays attention to the input of the figure. It explains the effectiveness from the point of view of the ability to obtain necessary resources from the environments outside the organization (Schermerhorn *et. al.*, 2004). The application of system resource can be effective if a vivid relation exists

between the resources which an organization receives and the goods or services it produces (Cameron, 1981). This approach invites managers to consider the organization not only as a whole but as a part of a larger group as well. The dominating attitude is that any part of the activities of an organization has an effect on all other parts (Mullins, 2008). In addition, due to their quantitative features, the uses of input and output measures of effectiveness in the system resource approach seem appealing. However, they will not actually display the entire story of performance, because it is not possible for new thoughts and discoveries to have an immediate and directly observable effect. It is also possible that the academic and research organizations will not give out outstanding results even after a long period of funding. Considering the prospect of making remarkable contributions in the future, and even though there may be no adequate evidence of effectiveness, founders may go on offering support (Altschuld & Zheng, 1995).

The Process Approach

The third approach is known as the process approach which pays attention to the transformation process and is dedicated to seeing to what extent the resources are officially used to give services or produce goods (Schermerhorn *et. al.*, 2004). By effectiveness, it is meant that the organization is internally healthy and efficient and the internal processes and procedures in that place are quite well-oiled. In an effective organization, there is no trace of stress and strain. The members are completely part of the system and the system itself works smoothly. The relationship between the members is based on trust, honesty, and good will. Finally, the flow of information is on a horizontal and vertical basis (Cameron, 1981). The trend of this approach in higher educational institutions is to fulfil the objectives by providing timely and sufficient information to the students, and the academicians. The collection of information and communication management is of major importance here (Kleijnen, Dolmans, Muijtjens, Willems, & Van Hout, 2009).

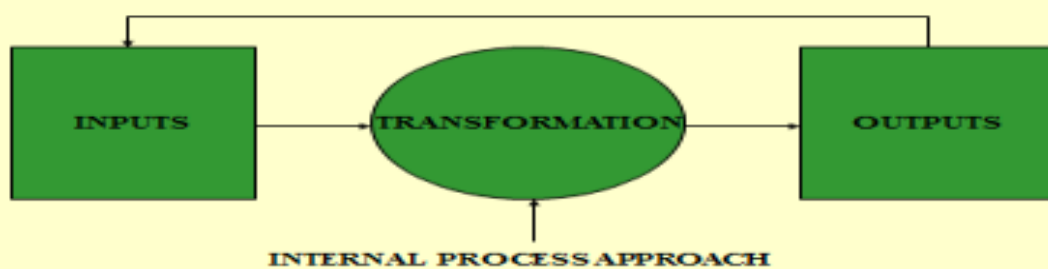
The Strategic Constituency Approach

The fourth approach is the strategic constituency approach. It deals with the effect of the organization on the main stakeholders and their interests (Schermerhorn *et. al.*, 2004). Based on this approach, effectiveness refers to the minimal satisfaction of all of the strategic constituencies of the organization. Strategic constituency involves all the people that are somehow connected to the organization. These people may have different roles such as the users of the services or products of the organization, the resource providers, the facilitators of the organizations output, the main supporters and the dependents of the organization (Cameron, 1981). T. Dalton and L. Dalton (1988) noted that in academic and research environments in which it is not quite easy to define the cost-benefit relations, it is sensible to make use of the strategic constituency approach. This approach assumes an exhaustive attitude toward effectiveness and evaluates the factors both in the environment and within the organization. In this outlook, the concept of social responsibility is taken into consideration. This is the notion that was not formally paid attention to in the traditional approaches, but it is of crucial importance for academic and research institutions which are financially supported by national money. Policy makers continuously pay attention to social responsibility because the resources which are available for research and development have been growing smaller and smaller at all levels of organizations. Therefore, in order to evaluate how answerable an organization is to the society, there raises the question of accountability of research activities and outcomes in relation to public expectations. Besides these approaches, the legitimacy model, and the ineffectiveness model are involved, dealing with some dimensions of the general issue of organizational effectiveness (Altschuld & Zheng, 1995). Although based on Cameron's (1978) description many different effectiveness models and approaches have evolved, there have been few studies on organizational effectiveness in higher education settings. Likewise Karagoz and Oz (2008) pointed out that there is a shortage of research in this regard. However, in the current paper, a review will be conducted of the attempts made in order to study organizational effectiveness at the higher education.

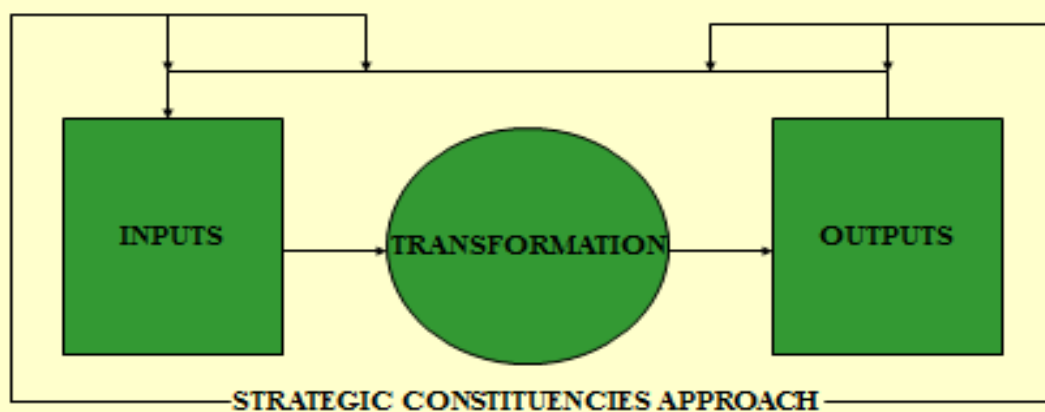
Flow Charts of Approaches to Organizational Effectiveness – Goal Approach



Flow Charts of Approaches to Organizational Effectiveness – Internal Process Approach



Flow Charts of Approaches to Organizational Effectiveness – Constituency Approach



7. Comparison of the Four OE Approaches

Approach Used	Definition	When
An organization is effective	Preferred when	to the extent that
System Resource	it acquires needed resources	a clear connection exists between inputs and outputs
Constituencies	all strategic constituencies are at least minimally Satisfied	constituencies have powerful influence on the organization, and the organization must respond to demands
Internal Processes	combines internal efficiency and affective health	costs, outputs & satisfaction are easily measurable

OE Criteria for Selected Constituencies

- Constituency: Typical Criteria
- Owners: Return on Investment; growth in earnings
- Employees: Compensation; fringe benefits; job Satisf.
- Customers: Satisf. W/price, quality, service
- Suppliers: Satisf. W/payments, future sales
- Creditors: Satisf. W/debt payments
- Unions: Satisfy. W/competitive wages & benefits;
- Satisf: working conditions, fairness in bargaining
- Local Communities: Involvement in local affairs; environmental damage
- Government Agencies: Compliance w/laws, avoidance of penalties

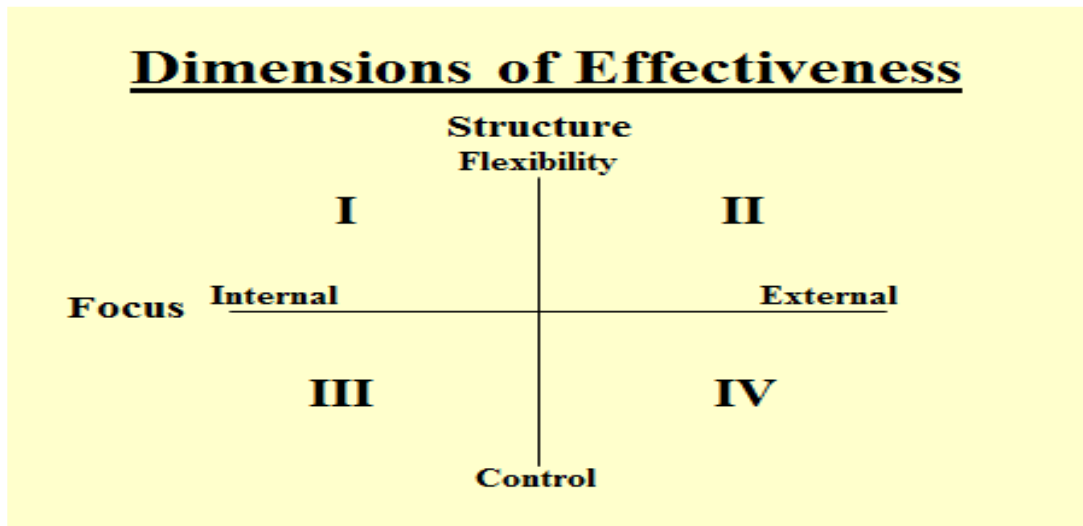
The Dimensions/Criteria of Effectiveness of Co-Operative Bank of Davanagere District

In an open discussion with the general managers of co-operative banks, based on one to one interview, the researcher identifies the following criteria for the effectiveness of bank. They are:

1. Financial performance
2. Leadership Styles
3. Culture
4. Power
5. Politics
6. Networking
7. Period of experience of Bank
8. Flexibility
9. Structure
10. Technology updating
11. Employees commitment
12. Customer Service

The above mentioned points can contribute towards the evaluating the effectiveness of the co-operative bank. The strategic contingency approach (the four dimensions/ models) will be much suitable to reach the above identified criteria by the researcher and hence study has to be undertaken by the empirical evidence.

Four Models of Effectiveness



Quadrant-I : Human Relations Model – internal Focus and flexible structure. Management concern is on the development of human resources. Employees are given opportunities for autonomy and development. Management works toward sub-goals of cohesion, morale, and training opportunities. Organizations using this are more concerned with employees than the environment.

Quadrant-II: Open Systems Model – Combination of external focus and flexible structure. Management’s goals are primarily growth and resource acquisition. Sub-goals are flexibility, readiness, and positive evaluation by the external environment. Dominant value is establishing a good relationship with the external environment to grow and acquire resources. Similar to the systems resource model.

Quadrant-III: Internal Process Model – Reflects the values of internal focus and structural control. Seeks a stable organizational setting that maintains itself in an orderly way. Well established in environment and just wish to keep their current position. Sub-goals include mechanisms for efficient communication, information management, and decision-making.

Quadrant-IV: Rational Goal Model – Reflects Management values of structural control and external focus. Primary goals are productivity, efficiency, and profit. Organization wants to achieve output goals in a controlled way. Sub-goals include internal planning and goal-setting, which are rational management tools, similar to the Goal Approach.

Figure 1 Framework of Criteria for Organisational Effectiveness



Figure 2 Framework of Leadership Effectiveness

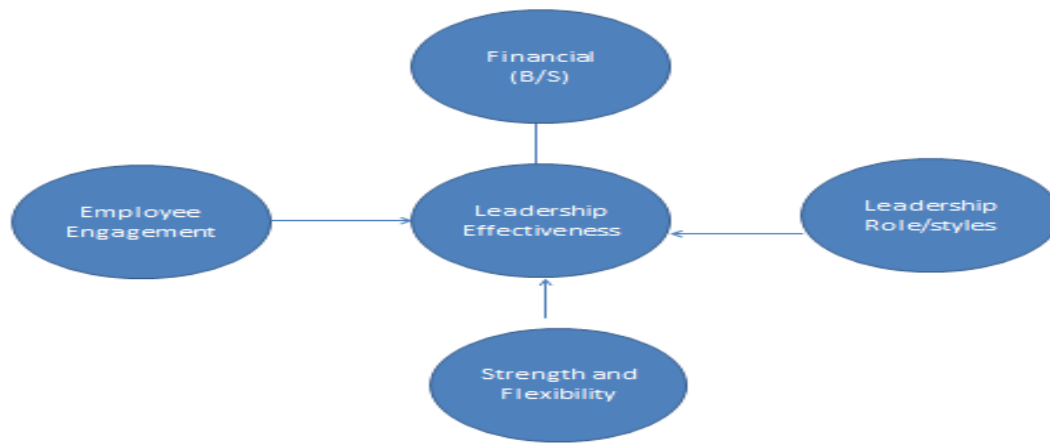
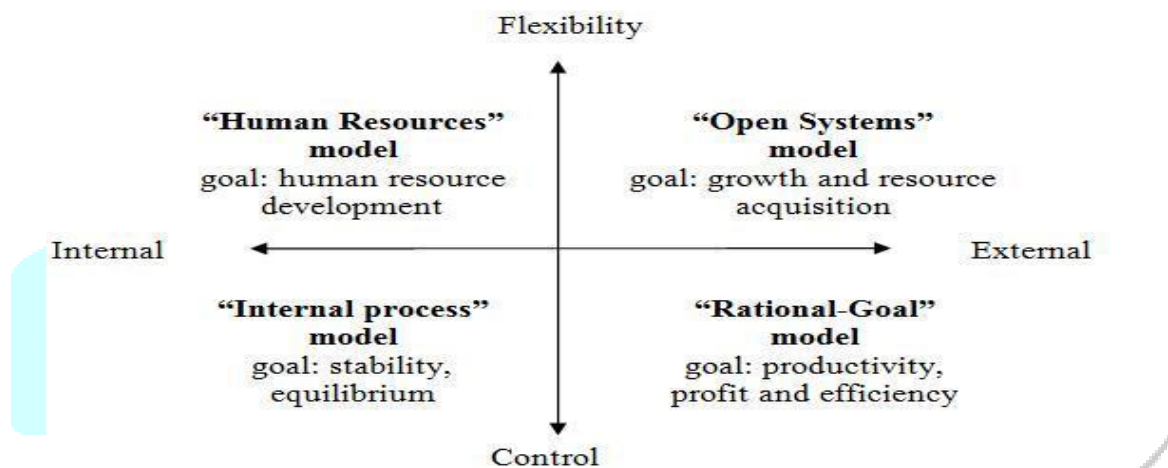


Figure 3 Basis for Evaluating the Effectiveness of Co-Operative Bank Using Strategic Contingency Approach



8. Conclusion

It has been observed from various literature periodicals that many of the empirical studies executed from the numerous authors to recognize the banking operation in private and public sector banks have been undertaken in the areas of E- banking, performance appraisal, core banking, and virtual banking and so on. During the literature survey, it was also found that number of research papers has been studied in the banking sector but limited number of study was undertaken in co-operative bank especially urban co-operative bank, from the literature review, several studies were performed but it provides insights to address in the field of leadership. Hence, by motivated, leadership is one of the new way of thinking towards effectiveness and its influence on the organisation. During the review, very little attention on the leadership and effectiveness of organization were recognized. Further, organizational effectiveness has long been the subject of numerous studies through different areas in the HR as well as models.

It is suggested that the primary problem with much of the research into effectiveness and productivity within the co-operative banks is that it generally miscarries to take account of a full series of factors which impact on these phenomena. Therefore, it is argued that it is appropriate for a researcher to evaluate the nature of the industry, the structure of the organisation, the level of technology and so on.

Understanding why some organisations are more effective than others requires a broad knowledge of the contextual, technical, structural and human factors which effect on each organisation.

These factors are not mutually exclusive, but overlap and constantly interact with each other, thus initiating important common developments which researchers in the banking industry should seek to understand. Evaluating the effectiveness of organisations requires selecting the appropriate criteria. Several approaches of OE have been described herein.

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