

Performance Score as a Measure of Organizational Effectiveness

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Abstract

Organizational effectiveness is primarily about assessing an organization's performance using several criteria. This study aims to determine Nepalese telecommunications companies' organizational effectiveness using a performance score based on the most crucial non-financial performance metrics (namely, context, focus, integration, and interactivity). The quantitative research strategy was utilized to extract the information from the designated working delegates of the Nepalese telecommunication industry. The study employed a probability sampling technique, and the quantitative data were obtained using an organized questionnaire survey to compute the performance scores of the sample organizations and the industry as a whole. The findings revealed that Nepal Telecom's score was 58.40 (systematic) and Ncell's score was 69.54 (transforming), averaging the industry score was 61.43. Such scores represent the extent to which the Nepalese telecommunication industry has applied non-financial performance measures to enhance organizational performance knowledge.

Keywords: Financial Measures, Ncell, Nepal Telecom, Non-financial Measures, Performance.

Introduction

Organizational effectiveness encompasses a variety of performance outcomes (Sparrow & Cooper, 2014). It is a broad concept or idea that describes how an organization might accomplish its goals and objectives. Literature reveals that organizational effectiveness is primarily concerned with evaluating an organization's performance using a variety of criteria, including financial and non-financial measures. Organizational performance evaluation is based on the premise that measuring an organization's effectiveness and implementing effective performance measurement and management strategies will lead to positive behavioral changes that will ultimately benefit the company's operations and success (Upadhaya et al., 2014).

A set of methods by which an organization manages its strategy implementation, communicates its position and progress and influences the behaviors and actions of its people are known as performance measurement (Franco et al., 2004). Performance measurement, according to Moullin (2003), is an evaluation of how well businesses are managed and the value given to stakeholders. In the words of Michaela and Marketa (2012), performance measurement measures the efficacy, effectiveness, and efficiency of previous actions and activities.

In recent years, scholars and practitioners have emphasized the necessity to incorporate a far broader range of non-financial metrics into an organization's performance reporting, in addition to

financial measures of operations. Therefore, this study focuses on non-financial indicators of the Nepalese telecommunication industry's organizational performance as measured by a performance score. Measuring the telecommunication industry's performance is a challenging issue today and even more in the future as it becomes increasingly complex due to the convergence of telecommunications, media, and information technology.

Performance measurement systems currently adopted in the Nepalese telecommunication industry are based on the thought of financial measures that may mislead the overall organizational performance. In this consequence, the study addresses the following relevant issues (i) is it essential to redefine the existing performance measurement framework of the Nepalese telecommunication industry by incorporating non-financial performance measures? And (ii) how to enhance the performance of the Nepalese telecommunication industry by implementing non-financial measures in performance measurement? Therefore, the fundamental purpose of this study is to discourse on the increasing significance of non-financial metrics that contribute to the organization's value and are not shown in the balance sheet but are crucial for corporate success and long-term profitability. More precisely, the study intends to evaluate the organizational effectiveness of Nepalese telecommunication businesses using a performance score based on the most important non-financial performance indicators.

Non-financial measures enable organizations to address these issues on a broader outlook rather than financial measures alone. A firm's knowledge, especially relating to non-financial measures, is a crucial factor in achieving long-term success as it facilitates greater organizational performance and ensures an effective response to stakeholders' requirements and needs (Alshanty et al., 2019). Nepalese executives require a new method to evaluate the effectiveness of their organizations. Therefore, non-financial performance metrics may transform the organization's strategic plan from an attractive but inert document into daily marching orders.

Literature Review

Effectiveness is primarily concerned with the values and activities of the human side of the organization. It is an individual's ability to achieve a specific goal within the timeframe allocated for the task (Sule-Dan & Ilesanmi, 2015). Organizational effectiveness (OE) measures the prevalent ideas about what enables an organization to accomplish its required results, both the means and the ends (Holbeche, 2016). The most crucial step toward operational efficiency and organizational performance is role clarification that includes responsibilities and authority, as well as the task's substance, work technique, operational priority, and timelines facilitating work alignment in a team and enhancing process efficacy and cross-functional dependency (Jena, 2020).

In a constantly changing business environment, financial-based performance measurements no longer provide the required information to businesses and fail to adapt to technological and competitive advances. The transformative performance assessment is a visionary goal that does not yet exist, and it is more of a journey than a goal (Spitzer, 2007). Assessment and reflection of non-financial performance measures in organization performance measurement and management framework assist an organization in achieving and sustaining the transformation (Ahmad & Zabri, 2016a, Aguinis, 2019, Holbeche, 2016). Transformational measurement leads to improvements in virtually every aspect of organizational performance. As suggested by Spitzer (2007), the four keys latent non-financial measures – context, focus, integration, and interactivity are the foundation for realizing the transformational performance measurement vision.

The Context of Measurement

Context influences all aspects of the organization's performance measurement system. Organizational climate is the dominant atmosphere that strongly influences all behavior. Typically, the perceptions of employees are used to measure organizational performance. The efficiency of a measuring system is ultimately determined by humans, as measurement results have no value without human interaction.

Individual perspectives on measuring are mostly influenced by past experiences. Organizations should prioritize the significance of measurements over their calculations.

The Focus of Measurement

Any organization contains an endless array of performance indicators. It is essential to concentrate measuring efforts on the appropriate measures. The appropriate measures offer management with laser-like concentration and clarity. Any organization can gain tremendous leverage by implementing the appropriate procedures. Management must concentrate on the metrics that truly impact the performance of their firm. When an emerging measure contributes to substantial advances in organizational practice, it transforms into a transformational measure.

The Integration of Measurement

Integration of measurement is all about overall trade-offs and performance measurement equilibrium. Performance measures must be linked with the organization's strategy and then integrated throughout the entire enterprise. Various measurement framework applications enable firms to approach these concerns from a broader perspective. Understanding the interrelationships and trade-offs between measurable parameters can provide useful insights into the predictability of measuring systems.

The Interactivity of Measurement

Transformational performance evaluation requires extensive organizational and social participation. Calculations, data gathering, and analysis are not the primary focus of performance measurement. It entails contact with stakeholders and society on a continuing basis. Frequent interaction between stakeholders with behavioral and social concerns increases the efficiency and effectiveness of the organization.

Based on the discussion, the conceptual framework for computing the performance score of the sample organizations is demonstrated in Figure 1. The score gives an idea of how the organization has been using non-financial measures in the corporate performance measurement system, which also satisfies the study's objective. More importantly, this assessment should be used as a diagnostic and foster dialogue about crucial performance measurement issues.

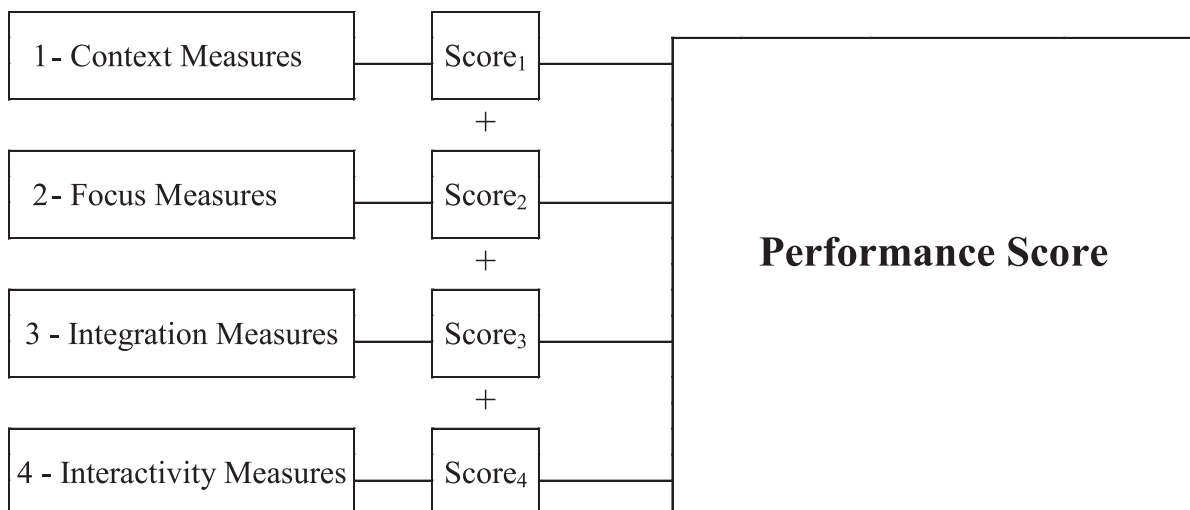


Figure 1 The conceptual framework

Methodology

The study's goal was to explore the synergy effect of non-financial based measures in the performance

measurement framework in the Nepalese telecom industry. The quantitative research strategy was utilized to extract the information from the designated respondents. This study's populace involved all the Nepalese telecommunication operator companies and their working delegates. Two major Nepalese telecom companies, Nepal Telecom and Ncell, were taken as sample organizations. The working delegates who were working at least at the officer level above positions and expected to comprehend the significance of non-monetary measures on overall organizational performance were the study's designated respondents.

The study employed a probability sampling technique, and the quantitative data were obtained using an organized questionnaire survey. The questionnaires were delivered by means of online and field surveys. Using Google Docs – an online platform - 250 questionnaires were distributed to the intended respondents. During the 60-day period between March and April 2021, 112 correctly filled-out responses were received (85 from NT and 27 from Ncell). From January to April 2021, a total of 300 respondents were contacted through a field survey in the Kathmandu Valley. There were 199 correctly filled-out responses received (145 from NT and 54 from Ncell). Consequently, the overall number of participants in the study was 311, including 230 from NT and 81 from Ncell. Table 1 provides a summary of the demographics of the respondents.

Table 1
Demographics of the respondents

	Respondents	
	Nos	%
Working organization:		
NT	313	74.3
Ncell	108	25.7
Current position of the respondent:		
Officer	336	79.8
Manager	72	17.1
Executive	13	3.1
Respondent's sex:		
Female	116	27.6
Male	305	72.4
Total		

The survey questionnaire was comprised of 23 questions and was divided into two sections. The first section consisted of three questions requesting demographic information from respondents. The 20-question final portion was comprised of a series of closed-ended questions using a six-point Likert scale to measure transformational performance. The interpretation of the questionnaire's scales was as follows:

Table 2
Questionnaire's Scales

Exemplary (6)	: The organization had clear outstanding in this aspect.
Very good (5)	: This aspect was evident to a considerable extent throughout the organization.
Good (4)	: This aspect was evident to some extent throughout the organization.
Fair (3)	: This aspect was evident to a few extents throughout the organization.
Poor (2)	: This aspect was no evidence to any significant extent in the organization
Don't know (1)	: The respondent was not aware of the status of this aspect in the organization.

As suggested by Spitzer (2007), the performance scores of the sample organizations and the industry

were determined as the sum of the percentage of rated responses multiplied by the respective weights:

Table 3
Performance Scores

	% of response rated*	(×)		Score
Exemplary (6)	-----	100	=	-----
Very good (5)	-----	80	=	-----
Good (4)	-----	60	=	-----
Fair (3)	-----	40	=	-----
Poor (2)	-----	20	=	-----
Don't know (1)	-----	0	=	-----
Total performance score				-----

* The total number of the responses divided by the total number of responses rated (total responses minus the number of responses with 'don't know').

Spitzer (2007) stated that no one intended correspondents to make uninformed suppositions regarding unknown topics. Therefore, the score was modified to accept 'Don't Know' responses. However, a large proportion of replies to 'Don't Know' showed that non-financial measures were not sufficiently apparent to organizational stakeholders.

Results and Analysis

Before computing the performance score, the study assessed the internal consistency of the observed study variables using Cronbach's Alpha within the respective construct to analyze if the item was deleted. None of the items was found to delete. Then, the study found the extent of the CMB (Common Method Bias) of the observed variables using Harman single-factor variance. The insights of the respective outcomes with suggested cut-off values are demonstrated in Table 4.

Table 4
Cronbach's Alpha and CMB insights

	No of variables	Cronbach's Alpha (α)	Cut-off value	Suggested by	Remarks
Contexts of measurement	5	0.865	≥ 0.70	Nunnally, 1993	Excellent
Focus of measurement	5	0.902			
Integration of measurement	5	0.913			
Interactivities of measurement	5	0.941			
		Harman single-factor variance			
CMB indicator	20	0.4428	≤ 0.50	Cho & Lee, 2012	Excellent

Performance measurement transformation in the Nepalese telecom industry was assessed through performance scores. The sample organizations and the industry scores were computed in four groups: context, focus, integration, and interactivity. Each group was valued through five test variables. The scores were computed as the sum of the percentage of responses rated by multiplying the weight. The average from the groups stood as the overall score. Table 5 demonstrates the summary of the scores with respect to each group.

Table 5

The sample organizations and the industry's performance score

	Particulars	Computed score of		
		Ncell	NT	Industry
The score for contexts of performance measurement:				
V_4	In my organization, performance measurement is frequently utilized by employees at all levels.	72.35	60.10	63.51
V_5	My organization's employees view the performance measurement system as valuable and practical.	63.70	57.10	58.85
V_6	Our organization places a higher emphasis on the performance measurement system.	69.88	58.95	61.99
V_7	A performance measuring system facilitates employee autonomy and self-management.	69.63	66.58	67.34
V_8	Performance evaluation data are discussed openly and honestly among staff.	69.62	59.31	62.20
Contexts of measurement average score (A)		69.04	60.41	62.78
The score for the focus of performance measurement:				
V_9	To measure success, our organization selects some key indicators that are most pertinent to our job.	71.11	57.63	61.27
V_10	The key parts of my organization's strategy are reflected in the performance measures.	67.16	59.27	61.40
V_11	Our organization incorporates performance metrics that promote organizational norms and values.	68.64	57.47	60.46
V_12	In my organization, the performance measurement system is routinely examined and revised.	67.07	55.23	58.43
V_13	My organization's use of non-financial performance measures continues to advance.	69.63	56.00	59.67
Focus of measurement average score (B)		68.72	57.12	60.25
The score for integration of performance measurement:				
V_14	My organization takes both financial and non-financial success measures into account.	68.00	58.10	60.73
V_15	At all levels, there is a strong commitment to using both financial and non-financial performance measures.	69.75	60.46	62.93
V_16	Our organization's policy documents and strategy acknowledge the significance of merging financial and non-financial performance measurements.	70.62	60.91	63.53
V_17	Integrated measuring systems continue to advance in their development and refinement.	72.25	58.28	62.00
V_18	Our organization utilizes a unified performance measurement system.	68.25	57.87	60.68
Integration of measurement average score (C)		69.74	59.12	61.97
The score for interactivities of performance measurement:				
V_19	Our company encourages frequent communication on performance measurement systems.	69.15	55.75	59.24
V_20	The performance measuring system is examined and improved based on employee feedback.	69.00	55.86	59.58

Particulars	Computed score of		
	Ncell	NT	Industry
V_21 In order to enhance the performance assessment system, our organization allows time for quality discussions.	69.02	53.43	57.72
V_22 During performance measurement, both beneficiaries and relevant stakeholders are consulted.	72.84	57.33	61.65
V_23 Our organization utilizes technology to facilitate a performance measurement system interface.	73.34	62.21	65.32
Interactivities of measurement average score (D)	70.67	56.92	60.70
Overall Performance Score (Average score of A, B, C, & D)	69.54	58.40	61.43

Discussions and Conclusions

Performance is largely concerned with the human side of the organization's values and operations. Improvements in the implementation of board frameworks for performance management have shown a rational path by applying enhanced scientific and factual approaches that have been developed for the measurement and assessment of organizational performance across numerous dimensions and criteria (Yildiz et al., 2010). According to Spitzer (2007), there are three basic stages of performance measurement through performance score: adhoc (level-1), systematic (level-2), and transformative (level-3), as presented in Figure 2. Each level has the same weight of 33.33.

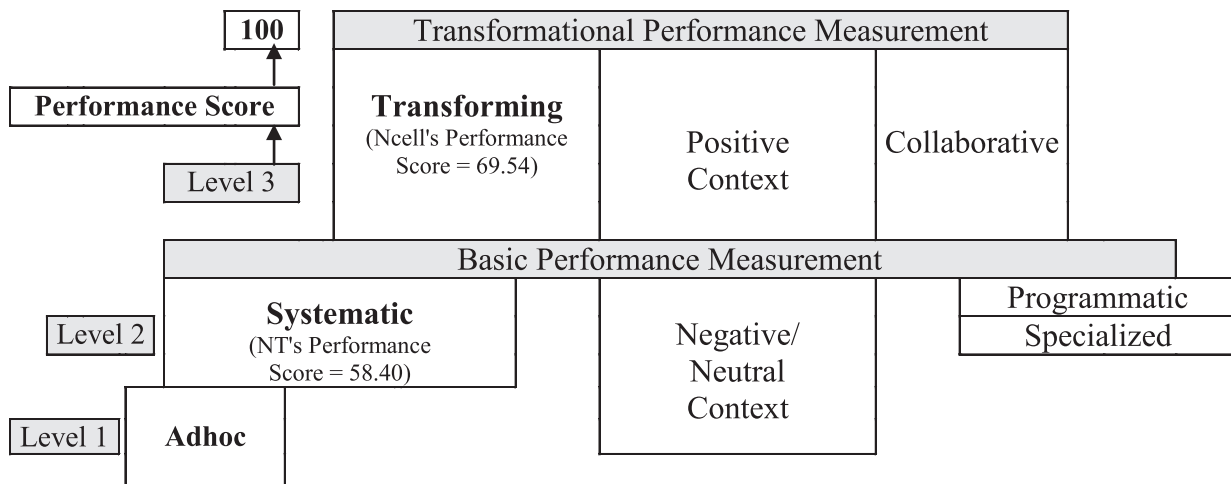


Figure 2 Levels of performance measurement

As shown in Table 5, the NT fell at level 2 with an overall performance score of 58.40. (i.e., systematic). The level showed that NT has been working in a planned way to adapt and incorporate the non-financial measures of organizational performance and provide a basis for measuring performance. It has been offering and putting in place specialized and programmatic ways to measure organizational activities other than money. But it wasn't able to use performance measurement to its full potential, and it's important to go much further than this basic level. On the other hand, Ncell's score just moved up to level 3 (i.e., transforming) with 69.54, which showed that Ncell's position was better in applying non-financial measures where all four keys to transformational performance measurement worked together synergistically and allowed powerful performance measurement to make a difference in the organization. When looking at the industry as a whole, the score fell to 61.43, which is the same as the NT position.

The study concluded by assessing the performance score to identify the extent to which the Nepalese telecoms industry has adopted performance measurement as a new lens to enhance the understanding of organizational performance. The total industry performance score of 61.43 was lowered at level

2 (systematic), indicating that the industry must adopt more non-financial indicators to unlock the true potential of performance measurement. Regarding individual sample organizations, Nepal Telecom's 58.40 score was lower than the industry average. The score indicates that NT measures organizational performance using at least some functionality (i.e., context, focus, integration, interactivity). Ncell's score of 69.54 exceeded the average score of 61.43 and narrowly missed the level 3 threshold (transforming). The outcome revealed that all four factors (i.e., context, focus, integration, and interaction) have begun to function in concert. Such a result indicated that Ncell's position in the use of non-financial performance indicators was superior.

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