

# **„Invisible hand of effectiveness” - is effectiveness an invisible power or a tool devised by managers**

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## **Abstract**

The paper describes effectiveness from three perspectives: personal, organizational, and societal to support an argument of its dual nature. From the perspective of a single act of a single actor effectiveness can and should be considered as a gauging tool for achieving desired effects. However, in the market where various actors, hence various strength of effectiveness meets, effectiveness seems to be a subject of the evolutionary laws where the stronger wins. The paper points out also the problem of super effective organizations which, if not for the state laws that limit their influence, would dominate the whole market eliminating competition. It also argues that the alternative way of measuring effectiveness should be that of using one's potential and that business schools should teach effectiveness both as a process of achieving goals but also as reliance in times of crisis.

## **Key words**

Effectiveness, super effective companies, resilience, Kotarbinski, praxeology, invisible hand

## **1. Introduction**

The main purpose of this study is to develop an understanding of effectiveness by answering the question: is effectiveness an invisible power that rules human behaviour regardless of who performs an action or where it is performed or is it a tool devised by a human mind to measure an effort in achieving goals. This paper investigates understanding of effectiveness on three levels: personal, organizational, and societal. Since effectiveness is the core of human action it is assumed that any human being will use all possible and available tools to achieve one common basic goal - survival through adjustment.

The paper argues that effectiveness is influenced by different forces exerted by various market actors. It goes on to argue that effectiveness is a power that guides human actions and frequently a doer inadvertently succumbs to this power because to be effective is a default mode of every action. Acting in a group, congregation, or society, where various and opposite/hostile goals are confronted, there must be a clash of various powers. As if one effectiveness would be more powerful than others.

It also illustrates effectiveness as a form of communication between people - an acting man is seen as a cog in a machine and the effectiveness of that cog describes their utility. On the

organizational level it is the institution that decides how effective or ineffective each of its members is

The main idea behind Kotarbiński's action theory is the significance of the philosophical investigations of the general conditions of effectiveness, efficiency, and economy of intentional actions. This paper investigates effectiveness on three levels and concludes by suggesting that on all of them- 'effective' means using potential and should be gauged on a spectrum since utter goal achievement is a rarity.

## **2. One effectiveness or many**

When Adam Smith introduced his theory on division of labour that laid foundations for the social system in which he assumed the economy will grow if each and every member will pursue to achieve personal goals, he coined the phrase 'invisible hand' to describe the unobservable market force that helps the demand and supply of goods in a free market to reach equilibrium automatically, "and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention." (Smith:2013) By introducing into the theory an abstract agent to explain the system of exchange that can normally be depicted with numbers, graphs, logic, analysis or simple and complex mathematical formula, he intuitively drew attention to the fact that people act within the environment of intricate and invisible connections.

What Smith bypassed without explanation is effectiveness of actions. On several occasions he uses the word 'dexterity' which, judging by the broad spectrum of its meaning, describes what seems to be the core of praxiological endeavour – study of human action. Effectiveness is used in various disciplines: physics, mathematics, heat transfer, medicine, computer interactions, military, and management. Without going into details, the common understanding of effectiveness is as follow: the capability of producing a desired result or output. Kotarbinski writes (1972): 'In short, practical evaluation, i.e. efficacious one, comes down to the question of effectiveness and economy of action. What are effective acts? Those which lead to a chosen goal'.

What seems to be problematic is whose goals are to be achieved when various actors act in a society? When car, clothes, electronic equipment companies shorten life cycles of their products to achieve a goal of higher sales, environmentalists want to achieve a goal that seems to be the opposite - protect the environment by lowering sales. A company X wants to sell as much sugar containing products as possible by targeting children, but parents of those

children want to minimize sugar consumption. John reduces energy consumption in his household to save money but at the same time his energy supplier increases energy prices. A company pushes its employees to achieve a goal, but Robert does not feel like working today because of personal reasons and is realizing his goal of finding consolation by chatting with friends. All goals can be ethically justified.

There seems to be a conflict of various kinds of ‘effectiveness’ where one can exclude the other. Without a social context effectiveness can be described from an analytical perspective; analysing thoroughly each actor, relationships and definition. But would that approach explain effectiveness in the social arena with various actors or would we need a different perspective, different tools, different gauging means? And the ultimate question remains unanswered: Is there one effectiveness or many?

### **3. Personal effectiveness**

From the micromanagement perspective effectiveness describes an action whose aim is to eliminate the gap between a goal and its realization. All goals are purely theoretical and abstract entities that describe a desired<sup>1</sup> state and are created in the mind of an actor. None other but actor’s goal is to be achieved with the means and tools available. The relationship between a goal, an abstract, and an end result, a measurable achievement, is the source of various internal relationships such as: need for a goal, available resources, time, skills and abilities, methodology, control, satisfaction.

Regardless of the intricate nature of these relationships, they are constantly evaluated and calculated in the mind of an actor. Due to changes in one of the variables, it is still possible to either raise or lower expectations which lead to a goal adjustment. The main goal does not have to be achieved in order to describe an action as effective. It is enough that other goals are reached that make it easier to achieve or realize the main goal [Bieniok, 2003, s. 82]. Effectiveness can be then measured as the extent to which the goal has been reached [Zieleniewski, 1974, s. 20].

Effectiveness with regards to a human action [Hendzel, 1998, s. 85; Cabała, 2007a, s. 9; Cabała, 2007b, s. 32–56; Szafranski, 2003, s. 23] is described as ‘one’s ability to perform certain actions’ [Doroszewski, 1963, t. 8, s. 628] and equally applies to a body and mind. Effectiveness applies to any human action regardless of its reason and goal. [Machnik, 2002;

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<sup>1</sup> Needs and Desires from a praxiological perspective are addressed by Timo Airaksinen in his article ‘Trouble with Success’ in *Praxiological Essays*, 2018

Łasiński, 2003; Panfil, 2006; Tryśła, 1997]. As a complex entity there are various measuring criteria: effectiveness, usefulness, efficacy<sup>2</sup>.

On a personal level the same actor sets a goal, acts, and evaluates the process with regards to personal needs and desires. The goal is set to change a current state into a better one, the act is set in a timeframe, available resources are well established, the end goal is either accepted or rejected. Should the goal be such that eliminates social interaction, the probability of achieving it is high, e.g. John wants to make a sandwich with ingredients available in the kitchen.

#### **4. Effectiveness from an organization's point of view**

It is enough, however, when two actors cooperate towards one goal, that their cooperation can be described as organization. Kotarbinski's concept of organization is as follows: 'a certain kind of totality with regards to the relationship between its own elements, such a totality, in which all parts cooperate to contribute the wellbeing of the whole' (Kotarbiński 2000: 49). The same principle applies to a simple and complex organization. Providing that an organization realizes its own goals it relies utterly on its members that act within certain structures.

To understand more about the structure of an effective organization and the connection to productivity, Right Management conducted a global study of nearly 29,000 employees from ten major industry sectors in 15 countries in the Americas, Europe and Asia Pacific<sup>3</sup>. The purpose of the study aimed at discovering which components contribute most to organizational effectiveness. As the results of the study uncovered, to create organizational effectiveness and ensure sustainability, business leaders need to focus their attention on aligning their people, the systems, the structure and roles with the organization's strategy, while engaging their employees with their jobs and with the organization.

Organizational effectiveness is thus derived from a complex system of elements, each of which if taken separately cannot guarantee success and only cooperation of all of them can lead to effectiveness improvement. That conclusion leads to three questions: how to accurately measure effectiveness; what better enhances effectiveness - cooperation or competition; who is responsible if the company fails to achieve its goals? These questions

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<sup>2</sup> Anna Mazurkiewicz provides theoretical descriptions of praxiological effectiveness in 'Sprawność działania - interpretacja teoretyczna pojęć.

<sup>3</sup> The research has been presented in Right Management A Manpower Company report 'Organizational Effectiveness. Discovering How To Make It Happen' 2010

have been the subject of such intense study that it led to establishing separate subcategories of managerial studies.

Not only reduction of waste - a paradigm of effectiveness - is in the focus of management, but also intangible assets such as the attitude of people, their wellbeing, stress level, cooperation between actors, alignment. The science of management noticed that well motivated and properly treated workers can be engaged more hence are more effective. Effectiveness from an organization's point of view might lead to a paradox - employees can be both the source of effectiveness and ineffectiveness at any given moment. At this level the attribute of effectiveness as an inherent power for survival is made void. Effectiveness changes into a tool that, if inappropriately used, can lead to abuse. What further complicates the issue is the fact that organizational culture as seen by Kozminski (1998, 155) analysing Shein (1990) that is: relationship between an organization and the environment, human nature, relationships between people and events, motivation may or may not influence company's effectiveness as they are frequently unconscious. Equally effective can be an organization with a Darwinian style corporate culture and that with very effective work - life balance style.

As company's effectiveness has been reduced to managing people, human resources departments focus on how to develop the full potential of each and every employee, hence activities such as talent management, stress management, work life balance, formal and informal recognition, a system of rewards and punishments have been introduced. By doing so, the company tries to overtake the invisible hand of effectiveness and steer it for its own purposes as if overtaking the inner, personal drive of effectiveness. People are then motivated to be more effective in order to win the competition. What really needs to be aligned is the personal drive for effectiveness with company's goals.

## **5. Effective society**

As far as effectiveness seems to be more tangible on a persona and company level it seems to be a slipper subject in terms of society. A man can be effective in his own private eyes (I worked a lot) but ineffective from the perspective of an employer (no results). A man can be effective towards a society by contributing development or ineffective by contributing loss (criminals, pensioners, babies). A man can be effective towards the government by buying alcoholic drinks and tobacco and by doing so increasing tax revenue but ineffective when he

goes to a hospital for cancer treatment in the aftermath of tobacco and alcohol excessive consumption.

It seems that the history of human action in business is a constant search for the proper description of the relationship between a single human being, society and government. All market systems describe and ascribe a role of a man in society with regards to others. By doing so they seem to be dictating whose goals are more important, that of a man, an institution/organization or a society. Two opposing systems, communism and capitalism, have been in such a strong conflict that it led to political division of the world.

When Kotarbinski introduced an idea of 'dobra robota' he certainly wished to apply the rules of decent labour in all areas of the society that needed to improve and develop after wounds inflicted during the war. He wanted to improve effectiveness of all institutions. In order to improve work ethic Kotarbinski's motto of 'decent work' was being developed (Kotarbiński 1968); its aim was to shape the mentality of the society towards the 'exact and conscientious work' (Zieleniewski 1965: 198).

Though Kotarbinski created his system nearly a hundred years ago, the need for 'decent work' has not changed much. Constant economic development generates new problems, new attitudes and new solutions to the theory of human action and social interaction. Masiukiewicz (2018) describes new areas of Praxiological Research pointing out the following segments of public life: regulatory Processes in Economy versus Compliance; Risk Management Efficiency, parallel digital economy, sharing economy, decisions and managers' responsibility with the list of problems that need to be addressed. Two of them seem to be of crucial importance: how to manage huge corporations, how to make decisions in an effective and efficient manner, and the second; how to improve ethics level in managing those corporations. All in the context of shared economy and proper understanding managers' responsibility.

Establishing the need for high work ethic as a paradigm for an effective society, the following questions naturally arise: what does it mean an 'effective' society, how to measure society's effectiveness, who sets goals, who controls them, what organizational tools can be used in shaping society's attitude? And finally, can effectiveness be learned? At the basic level, where effectiveness is considered to be a power aimed at survival (and that applies to any environment) there seems to be no need to learn survival skills as everybody is born with them. Additionally, every action is inherently aimed at effectiveness. However, effectiveness understood as an improvement of one's potential can and should be learned as its main

function is to acquire new skills and develop abilities that lead to enhance one's power in achieving goals through becoming better at mastering certain activities.

Business schools and MBA programmes offered by universities worldwide want to effectively teach effective managers at an academic level. Invariably management has become a science whose main objective it to make organizations more effective. Business consultancy is so well developed that it becomes an industry on its own with a detailed segmentation of the market. Project managers are expected to work in accordance with certain methodology of which the most popular in the UK is the Prince2. In the US the Malcolm Baldrige National Quality Award (MBNQA) is an award established by the U.S. Congress in 1987 to raise awareness of quality management and recognize U.S. companies that have implemented successful quality management systems. The award is the nation's highest presidential honour for performance excellence. Three MBNQA awards can be given annually in six categories: manufacturing, service company, small business, education, healthcare, non-profit. Effectiveness of similar social ideas is also materialized in social responsibility by creating equal conditions for minors, handicapped, pensioners. Would that nation be most effective whose citizens are the happiest or the nation whose citizens who are the most resilient in the face of a catastrophe?

Superefficient businesses create the potential for social disorder by unequally bestowing market power on the most-effective competitors and eliminating weaker actors. To counterbalance unrestricted efficiency governments, introduce antitrust laws to curb the impact of super-efficient market players forcing them to adjust to a Gaussian distribution rather than to Pareto's (Martin, 2019). But even if the market had not been regulated too much concentration of power by one company can and eventually always does lead to a catastrophe. Super-efficient enterprises pose a threat to a steady growth of all society members. But the crises do not occur according to anyone's plan - they seem to be obeying gravitational law, as if an invisible hand of effectiveness equalizes chances of all market players.

## **6. Rules of effectiveness**

Should it be possible to fully understand and describe effectiveness none of the praxiological efforts in understanding human action would be justified. But effectiveness might be for management a paradox just as Newtonian and Einsteinian physics are to each other, where different rules apply to describe small and large objects.

Effectiveness as a tool always aims at evaluating the effort of an actor who receives goals created beyond his mind. Effectiveness as a power means that there is a constant conflict of effectiveness elaborated by organizations in the social arena where one is more effective than the other. The ultimate goal of effectiveness always aims at survival at all costs. Effectiveness is inherent - once a goal has been brought to life an actor is inherently programmed to achieve that goal. Moreover, even if the goal is not reached the action is still effective because secondary goals are achieved on a continuum of becoming. As Steer writes: 'the process model does not specify criteria for effectiveness; instead, it focuses on the process of becoming effective. The model incorporates various aspects of the goal model and systems model and introduces a third aspect—the link between individual behaviour and organization performance. Based on this approach, the concept of organizational effectiveness is best understood in terms of a continuous process rather than an end state' (Steers, 1976).

Effectiveness has its own life cycles and its own gravity; too much concentration of power by one actor will inevitably lead to a market catastrophe. Equally companies are liable to life cycles of customer's demands and expectations. There seem to be two extreme points for company's effectiveness which independently call for mastering two sets of skills: resilience when a company collapses, and market domination when a company controls the market. Within these limits companies usually adjust to changing environment. This attitude is expressed by innovation.

Effectiveness is based on developing one's potential, be it a person, company, organization, or a society. To enhance that development various stimuli are needed. Would creating some obstacles rather than eliminating them, lead to more effective results? Society is no different than a commercial entity in managing human capital, talent and potential, and since effectiveness is always with regards to something, proper variables need to be named. Effectiveness is a rarity where a perfect combination of factors need to take place simultaneously.

### **Conclusion**

The paper analysed effectiveness from three different perspectives: personal, organizational, national. One of the more interesting findings that emerge from this study is that effectiveness is of dual nature. On a private and organizational level, it is a tool that measures an actor's effort, however, on a societal level, effectiveness is invariably forged through a clash of conflicting powers and is a subject of life cycle rules. The author proposes to see

effectiveness as an act of unlocking potential on a continuum of becoming. That philosophy applies to effectiveness described on three discussed levels. The simple fact that the more complex organization includes more variables in the process of achieving a goal, makes it difficult to set a general assessment tool for all organizations as well as to create a concrete formula for effectiveness. Would it suggest that effectiveness has its own life - that it is steered with an 'invisible hand' that inevitably leads to a goal achievement. Practical implications of the paper can lead to understanding effectiveness as unlocking potential of a person, organization, or society that can be translated into company's policy of talent management, organizational culture, work – life balance, social responsibility, innovations, leadership, goal setting. Paradoxically one of the more serious problems of effectiveness is the fact that some of the companies became super effective. To prevent them from overtaking market power governments must regulate their activities to protect weaker players as well as to avoid a social catastrophe. That would implicate that business education in itself has proven to be very effective.

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