

A conceptual framework for the analysis of health care organizations' performance

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Organizational performance remains an elusive concept despite its importance to health care organizations' (HCOs') management and analysis. This paper uses Parsons' social system action theory to develop a comprehensive theoretically grounded framework by which to overcome the current fragmented approach to HCO performance management. The Parsonian perspective focuses on four fundamental functions that an HCO needs to ensure its survival. Organizational performance is determined by the dynamic equilibrium resulting from the continual interaction of, and interchange among, these four functions. The alignment interchanges allow the creation of bridges between traditional models of organizational performance that are usually used as independent and competing models. The attraction of the Parsonian model lies in its capacity to: (1) embody the various dominant models of organizational performance; (2) present a strong integrative framework in which the complementarity of various HCO performance perspectives are well integrated while their specificity is still well preserved; and (3) enrich the performance concept by making visible several dimensions of HCO performance that are usually neglected. A secondary objective of this paper is to lay the foundation for an integrative process of arbitration among competing indicators and perspectives which is absolutely necessary to make operational the Parsonian model of HCO performance. In this matter, we make reference to the theory of communicative action elaborated by Habermas. It offers, we think, a challenging and refreshing perspective on how to manage HCO performance evaluation processes.

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Introduction

In the last few years, organizational performance has become a central topic in the management of public service organizations including health care organizations (HCOs), which account for a substantial share of the GDP in industrialized countries. The fiscal crisis faced by governments means that they

are unable to continue health care spending at current levels. This has resulted in policy directives to reduce costs, while maintaining or improving access to care and the quality of care delivered. Central to these policies is the need for HCOs to improve both the efficiency and the effectiveness of services. However, within these HCOs, the relationships among health outcomes, quality of services, and program costs are complex, and require that clinicians, managers, and policymakers have access to, understand, and be able to use relevant information in order to make effective decisions (Flood *et al.*, 1994).

Despite the obvious and growing concern with organizational performance in the health care industry, research and theory on this topic are still lacking. HCO performance theory currently displays two main deficiencies. First, there is a problem of conceptual confusion and overlap in the HCO performance multidimensional construct which remains highly elusive. The existence of a variety of organizational performance assessment models often leads to the adoption of truncated and one-sided views. If progress is to be made in HCO performance, an integrative theoretical framework is needed to overcome the fragmented approach stemming from the presence of various, often competing assessment models.

Second, the assessment process in itself needs to be taken into consideration. HCO performance is multidimensional, thus easily paradoxical. An organization that may be performing well in terms of one criterion or in the opinion and in reference to the values of one group of stakeholders, may possess certain attributes that make it perform less well in terms of other performance criteria (Cameron, 1986a). The development of comprehensive and integrative models of HCO performance assessment may help in understanding the complex nature of performance, as might an integrative process of arbitration among competing indicators and perspectives. Such a process would make values and choices explicit, thus enhancing the comprehensive consideration of performance dimensions and indicators.

The purpose of this paper is to describe and propose a comprehensive theoretically grounded framework for the analysis of HCO performance intended to address these two deficiencies. This framework takes into account the complex nature of performance and of HCOs' functioning, while at the same time

making the construct of HCO performance apprehendable.

The Parsons' social system action theory model will be used as the basis of this proposed framework (Parsons, 1951, 1977; Parsons and Smelser, 1956; Parsons and Platt, 1973). Parsons' model emphasizes four major functions that all social systems (including an HCO) need to address in order to survive. A functioning social system: (1) is goal-oriented; (2) interacts with its environment to get required resources and to transform itself; (3) needs the integration of its internal processes to ensure production; and (4) maintains the values and norms that aid and constrain the three preceding functions. From this perspective, the concept of equilibrium is central. The notion of social system or HCO performance is indeed strongly linked to this concept. A performing organization is one that manages to maintain a dynamic equilibrium among its various functions. Thus, we propose the following definition of HCO performance assessment: a multidimensional construct referring to a judgement reached through the interaction of several stakeholders on the overall and specific qualities that characterize the relative worth of the organization. These qualities can be inferred from the manner in which organizational functions meet specified parameters (a normative perspective); and from the extent of alignment of organization functions (an alignment perspective).

The strength of the Parsonian model is its capacity: (1) to embody the various dominant models of organizational performance, respectively, the rational goal model, the resource acquisition model, the internal decision process model, and the human relations model (Cameron and Whetten, 1983); (2) to present a strong integrative framework in which the complementarity of various HCO performance perspectives are well integrated while the specificity of each of those perspectives is still well preserved; and (3) to enrich the HCO performance concept in making visible several dimensions of HCO performance that are usually neglected. Overall, we think that the Parsonian framework allows us to go a step further in making explicit several mechanisms that are important in organizational performance management and to reconcile the ongoing permanent tensions that characterize HCOs.

Before presenting Parsons' social system action theory as applied to HCOs, we will first

Table 1 Integrative reviews of organizational performance models

		Authors		
		Seashore, 1983	Cameron, 1979	Quinn and Rohrbaugh, 1983
Suggested integrative taxonomies	Rational system model	Goal model	Goal model	Rational goal model
	Natural system model	Natural system model	Strategic constituency model	Human relations model
	Open system model	Natural system model	Systems resource model	Open system model
	Internal/decision process model	Decision-process model	Internal process model	Internal process model

review the concept of organizational performance in the organization theory literature, and subsequently, underline the particularities of the HCO as an organization.

The concept of organizational performance

How can we evaluate organizations or HCOs? What is an efficient HCO? What is a satisfactorily functioning HCO? Are they the same thing? In either case, what criteria are to be used to make these value-laden judgement calls? These questions all refer to the same basic issue, central to all organizational theories referred to in the literature as organizational effectiveness.*

Although central and unavoidable, the performance construct may be one of the most elusive in organizational theory. Excellent discussions of this phenomenon can be found in the literature (Steers, 1975; Mulford, 1976; Goodman and Pennings, 1977; Cameron and Whetten, 1983; Seashore, 1983; Quinn and Rohrbaugh, 1983; Lewin and Minton, 1986; Quinn, 1988). Clearly, the definition of organizational performance is closely associated with conceptualizations of organizations, and variety in conceptualizations leads to variety in models of organizational performance (Cameron & Whetten, 1983).

Although many indicators, dimensions, and models of organizational performance have

been proposed, they tend to reflect various approaches to organizational analysis and have resulted in a fragmented, incomplete view of organizational performance. The multitude of existing models reflect different, but complementary, dimensions of performance. These different dimensions are often valued differently by the various organizational stakeholders. Each stakeholder or stakeholder group has its own aims, preferences and values (Champagne *et al.*, 1986). Authors who have attempted to synthesize and integrate the literature on performance have all stated that three or four models encompass most of the performance criteria suggested (Table 1).

Traditionally, the rational/goal model has been the *de facto*, implicit model used by most organizational analysts and practitioners. Indeed, this model corresponds to the functionalist instrumental conceptualization of organizations which has been and remains one of the dominant perspectives on organizations. According to this model (Price, 1972), an organization exists to accomplish specific objectives. Evaluation of its performance naturally consists of assessing the extent to which these objectives are attained through organizational production stemming from the use of organizational resources. In other words, it consists of empirically assessing the strength of the relationships in the organization's means-ends chain.

Evolution in the conceptualization of organizations and difficulties in defining, identifying, and measuring outputs and outcomes have led to multiple criticisms of the goal model and to the elaboration of other performance models.

The human relations model derives from an organic or natural view of organizations, which

*We prefer to use the term 'performance' as the generic term referring to the questions raised above. As we will see, effectiveness more properly refers to only one aspect of performance, i.e. the relationship between output (services provided by an HCO) and outcomes or the attainment of expected outcomes.

are seen as political arenas where multiple stakeholders and coalitions interact and where emphasis is placed on the satisfaction of stakeholders' needs and on activities required by the organization to maintain itself. Performance is thus defined in terms of the organization's internal health (Bennis, 1966) using dimensions such as morale, climate, cohesion, conflict, human development, and ultimately, survival.

When organizations are conceived of as open systems and emphasis is placed on the relationships between an organization and its environment, one of the key organizational processes becomes the acquisition and maintenance of an adequate supply of resources. As first elaborated by Yuchtman and Seashore (1967) and later by Benson (1975), for managers this becomes the operational definition of the purpose of the organization, and success in the acquisition of resources, be they material, financial, or symbolic, as well as growth through flexibility, adaptation, and external support, become the valued performance criteria.

The fourth model usually considered in a comprehensive review of performance is the internal/decision process model. According to this model, a high-performance organization is one which runs smoothly, without undue internal strain. Stability, predictability, and control are valued, and information management, communication, and optimized decision-making are key processes. The current emphasis on total quality and excellence clearly proceeds from this conceptualization of performance.

One of the most interesting and convincing attempts to integrate the performance literature is the study by Quinn and Rohrbaugh (1983). They started with a comprehensive compilation of performance criteria generated by Campbell (1977) from a major review of the relevant literature. A list of 30 factors was given to two panels of experts who had published in the field of organizational performance and organizational theories. The experts were asked to rate the similarity between every possible pairing of criteria. Multidimensional scaling was used to identify the dimensions of organizational performance that underlay the comparison rating provided by the participants. The various performance constructs were mapped according to what the authors termed a 'spatial model' of organizational performance. This spatial model allowed the identification and labeling of four middle-range approaches to organizational analysis corresponding to the

four models described above: the Rational Goal Model, the Human Relations Model, the Open System Model, and the Internal Process Model.

Quinn and Rohrbaugh (1983) suggested that their results point to a competing value approach reflecting a competing-models framework of means, ends, management values and structural preferences. To the extent that this signifies multiple models of equal validity, it supports the conclusion that there cannot be one universal model of organizational performance and that performance involves trade-offs and management of paradoxes (Cameron, 1986b; Cameron and Whetten, 1983). Problems of criteria dissonance are precisely those that the competing values model of performance helps to address, by encouraging analysts to think of criteria as competitive rather than compatible and congruent. This thinking highlights an important attribute of performance that helps explain why the literature has remained so chaotic and confusing regarding what performance is and how to measure it: organizational performance is inherently paradoxical. A high-performance organization must possess attributes that are simultaneously contradictory, even mutually exclusive (Cameron, 1986a).

It has long been recognized that improving the performance of an organization from one perspective may result in poorer performance from another perspective (Cameron, 1986a; Miller, 1990). Without the involvement of key stakeholders in defining HCO performance, this diversity would be missed, likely resulting in an unbalanced, inappropriate performance assessment and assurance system.

Many authors have stressed the need to reflect the diverse needs of multiple stakeholders in the assessment of organizational performance. Habermas (1987, 1993) proposed specific principles and processes for eliciting and arbitrating diverse points of view from multiple stakeholders. Scott (1981) suggested that organizations were characterized by shifting coalitions of stakeholders, both internal and external, with differing views of the organization. Kanter and Brinkerhoff (1981) stressed that the multiple constituencies and environments impacting upon the organization required multiple measures of performance.

In summary, although many indicators, dimensions, and models of performance have been proposed that reflect various approaches to organizational analysis, attempts to integrate

the literature and overcome the fragmented approach stemming inherently from the exclusive consideration of a single model have all the same led to a certain consensus:

- Different models reflect different dimensions of performance, thus the performance of an organization is the result of trade-offs and tensions between the different dimensions of performance
- Different dimensions may be valued differently by the various organizational stakeholders
- Attempts to develop a single index of performance are ill-founded and illusory
- Like all evaluations, evaluation of performance involves value judgements. The presence of various stakeholders promoting various opinions needs to be addressed. Objective judgement is illusory. Intersubjective judgement should be pursued through argumentation among stakeholders
- Performance is complex, even paradoxical, in the sense that an organization cannot perform well in terms of all the criteria at the same time. Furthermore for the stakeholders, it has and must have certain attributes which can make it perform less well in terms of other criteria or according to other stakeholders
- The integration of different models in a larger comprehensive framework may help in understanding the complex nature of performance
- What is needed is an integrative framework that permits a comprehensive consideration of performance dimensions and indicators in order to render explicit the values used by the stakeholders in their choices
- In addition, processes of arbitration among competing indicators and models should be explicitly considered.

The uniqueness of HCOs

HCOs are different from other types of organizations in several respects. These differences need to be carefully taken into account in the elaboration of a framework of HCO performance. First, HCOs are public service organizations. Even if the social role of HCOs in preserving and improving the health of individuals and of the general population is the object of a large social consensus, the definition and measurement of outcomes remain difficult.

Furthermore, the political, legal, and financial environments confronting health care organizations are extremely complex and pluralistic, requiring the development and maintenance of complicated intra- and inter-system linkages.

HCOs are professional bureaucracies according to Mintzberg's (1979) typology of organizational structures. The organization's orientation and operations are strongly influenced by the activities and aspirations of autonomous professionals who are uniquely qualified to determine how the operations should be carried out. Hospitals are good examples of HCOs. Cumulatively, the autonomous clinical decisions of physicians affect what the hospital does (Mintzberg, 1979). In the same manner, nurses acting as an organized group have a professional agenda that influences what the hospital does. Finally, a third important group is represented by management. The responsibility of this group, specifically focused on financial dimensions, introduces a third influence on the hospital universe. This means that most HCOs tend to be 'loosely coupled' in the sense that organizational segments are only mildly responsive to one another and to the environment, and organizational goals are vague (Fottler, 1987).

There exists little effective organizational or managerial control over physicians, the profession most responsible for generating work and expenditures. In many HCOs, there are dual lines of authority that create role ambiguity, role conflict, and problems of coordination and accountability. Accordingly, the assessment of performance is often done along dual lines of clinical performance on the one side, and economical or budgetary performance on the other.

When we get nearer the operations, we note the necessity of tight process integration despite the loosely macrostructure. Indeed, the work involved is highly variable and complex, highly specialized, and highly interdependent, requiring a considerable degree of coordination among diverse professional groups. The work often involves emergency or non-deferrable activities, permits little tolerance for ambiguity or error, and utilizes professionals whose primary loyalty belongs to professional values rather than to a rational mechanistic organizational view. Because the preservation and enhancement of human life supersedes purely 'rational' administrative concerns, if or when the two conflict, services must be individualized

to a greater extent than those of other human service organizations (Mintzberg, 1979; Fottler, 1987).

A conceptual framework of HCO performance

Following Cameron (1981) and Quinn and Rohrbaugh (1983), we propose that the conceptual framework underlying the assessment of the performance of HCOs should be built on a comprehensive view of how organizations function. Parsons' social system action theory provides such a comprehensive approach (Parsons, 1951, 1977; Parsons and Smelser, 1956; Parsons and Platt, 1973). In their original 1983 paper, Quinn and Rohrbaugh highlighted the convergence between their model of performance criteria and Parsons' four functional prerequisite subsystems of any system of action: the adaptive function; the goal attainment function, the internal integrative process function; and the pattern-maintenance function. These four functional subsystems form

the basis for the conceptual model of HCO performance that we propose in this paper.

The relevance of the Parsonian framework is in its capacity to link several perspectives of organizational analysis, and thus several organizational performance dimensions. The model provides a comprehensive map for exploring the broad terrain of HCO performance. In other words, Parsons' model makes possible the simultaneous consideration of several aspects of organizational performance that are usually considered and analyzed in isolation.

To reiterate, the Parsonian perspective focuses on four functions that an organization needs to ensure its survival: goal attainment; environmental adaptation; production; and culture and values maintenance, plus the interchanges taking place between each one of these functions and the others (Fig. 1). Organizational performance is determined by the dynamic equilibrium continually in play through the interaction of the four functional subsystems and their interchanges. In the following sections, we first present the fundamental functions

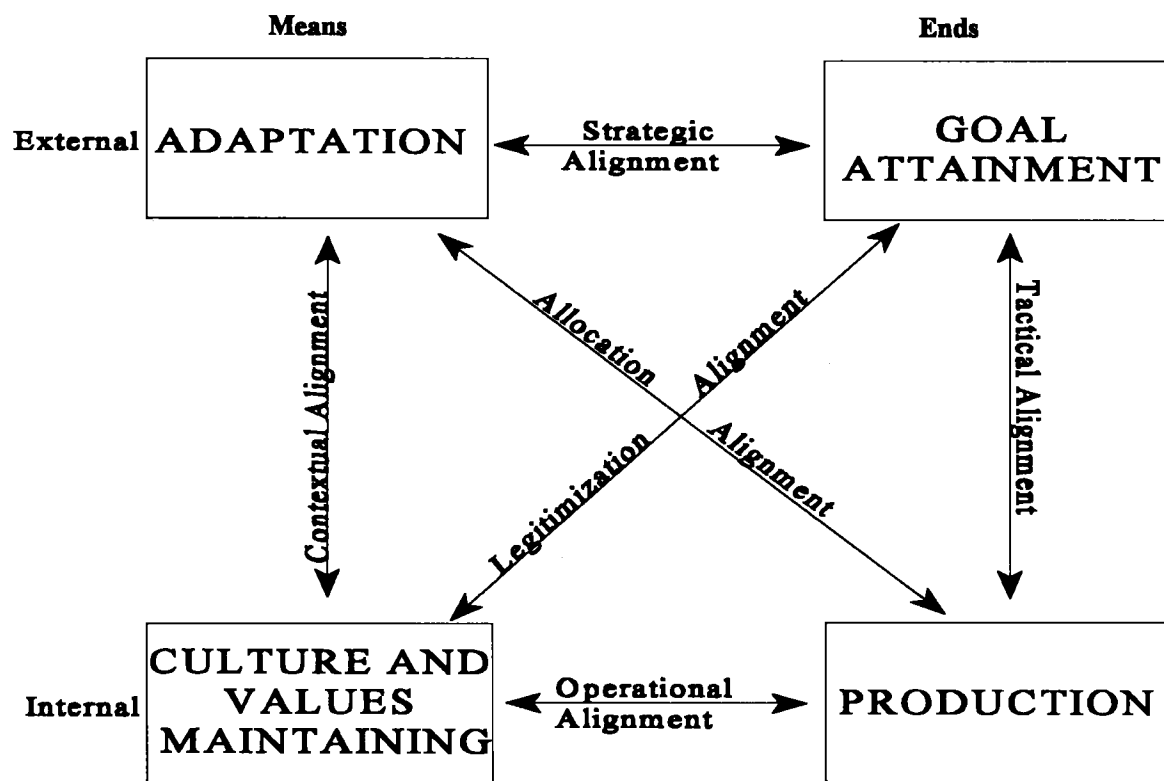


Fig. 1 Four functional systems of health care organizations and their six interchange subsystems.

of the model in relation to the performance of HCOs, and then describe the importance of the interchanges, resulting in the complete conceptual framework for the assessment of the performance of HCOs.

The functional subsystems

The components of the Parsonian model can be defined along two axes. The vertical axis, labeled internal-external, is concerned with the relationship between an open system and its environment(s). Open systems are engaged in continuous input and output exchanges with their environments. The horizontal axis, labeled means-ends, is concerned with the balance between the input of resources, material and symbolic, their processing to the point of being usable, their actual consumption, and the resulting outcomes. The four functional subsystems illustrated in Fig. 1 are positioned according to these two axes.

The adaptation function (external-means) (HCO open to its environment)

The adaptation subsystem mandate is to ensure institutional survival and growth through the judicious manipulation of the opportunities and threats present in the environment. In the short term, the organization must be able to attract the resources necessary to maintain core activities. Resource acquisition also includes the acquisition of symbolic resources, such as the capacity to mobilize external support. Further, the adaptation function represents the ability to respond to population needs and social values and requirements, and to attract a clientele. In the long term, the HCO must also have the ability to transform itself to adapt to the changing environment (Table 2).

The goal attainment function (external-ends) (strategic choice capacity of the HCO)

The goal attainment function refers to the capacity of the organization to make strategic choices that result in achievement of the long-term goals of effectiveness, efficiency, and stakeholder satisfaction. In health care organizations, effectiveness is usually defined in terms of health outcomes, such as improving the health status of individuals and the general population. While the rational goal model has been recognized as an important perspective for the evaluation of organizational performance (Price, 1972), it has been difficult to develop valid measures of goal attainment in the case of HCOs. The improvement of health is a complex phenomenon in which medical technology is still marked by uncertainties, delayed effects, and the absence of efficacious intervention in several domains. Nonetheless, work is underway on a number of fronts in Canada, the USA, and Europe, to develop valid process and outcome indicators to reflect health status (see article by Leggat *et al.*, in this issue).

Another important dimension of HCO performance associated with the goal attainment function is efficiency. The fiscal crisis faced by governments has highlighted the limited availability of resources and the imperative to prioritize health outcomes in terms of their cost.

Stakeholder satisfaction with outcomes is also an important dimension of performance of the goal attainment function. Although it has been traditionally confined to the satisfaction of internal stakeholders and of the main external stakeholders providing funding (government and insurance societies), the satisfaction of other stakeholders including the

Table 2 Dimensions of performance: adaptation function

Dimensions of performance	Evaluation questions
Capacity to acquire resources	What is the organizational capacity to attract environmental resources? (human, financial, and technological resources)
Ability to mobilize community support	Can the organization involve its community and mobilize it as needed?
Responsiveness to population needs and social values	What is the capacity to identify and to address population needs and new social trends?
Capacity for market presence	What is the capacity of the HCO to attract clientele?
Capacity for innovation and learning	What is the capacity of the HCO to transform itself?

Table 3 *Dimensions of Performance: goal attainment function*

Dimensions of performance	Evaluation questions
Effectiveness (production of health outcomes, teaching outcomes and academic outcomes)	Is the organization contributing to health improvement? To teaching excellence? To research development?
Efficiency	Are we an efficient organization? Is allocation of resources efficient in terms of outcome improvements?
Stakeholder satisfaction (with outcomes)	What is the level of satisfaction with the organizational outcomes?

general population and organized groups of patients is increasingly relevant to performance (Table 3).

The service production function (internal-ends) (the HCO facing the integration/differentiation dilemma)

Service production, including clinical and support services, is the technical core of the HCO and has typically been the focus of organizational performance evaluation. The traditional main dimension of HCO performance has been linked to the volume of service activities. The implicit definition of organizational performance is then closely linked to the coordination of production factors. The integration of organizational mechanisms and the smooth running of operations are key factors in maximizing outputs. The need to focus on performance assessment in this functional subsystem has been advocated through the internal process model of organizational performance.

The evaluation of HCO performance in terms of productivity is widespread. The unit cost of

various inputs and the average cost per patient (cost-benefit analysis) are widely used indicators of HCO performance. HCOs' accounting systems were especially developed to monitor this aspect of organizational performance. Unfortunately, productivity is too often the only dimension of performance considered. A comprehensive framework pattern analysis of HCO performance needs to incorporate other dimensions, although it needs to do so within a more complete and more balanced view of HCO performance.

Finally, the service production function also includes a dimension that has always been central to HCO performance, that is, the quality of care and services delivered. This dimension has increased in importance over the last few years. Traditionally seen as the sole responsibility of the professional, it is more and more seen as a global responsibility of the whole organization. The focus on patients treated as clients and the notion of services associated with care give evidence of these new priorities (Table 4).

Table 4 *Dimensions of performance: service production function*

Dimensions of performance	Evaluation questions
Service volume (health services, teaching, research)	What is the output production of the HCO?
Coordination of production factors	What is the ability to coordinate the production factors?
Productivity	What is the output productivity of the services production system?
Quality of care and services	What is the quality of care and services produced?
Humanization	
Accessibility	
Continuity	
Comprehensiveness	
Technical quality	
appropriateness	
competency of execution	
Patient satisfaction	

The culture and values maintaining function (internal-means) (the HCO as a culture)

Seen from the outside, the HCO is a logically designed tool with the ultimate goal of acquiring resources and accomplishing tasks. Seen from the inside, the organization is a socio-technical system influenced by the values and norms of the governing body and the organizational staff. The latent values maintaining subsystem is fundamental. This function produces sense, meaning, and cohesion among the members of the organization, and consensus as to fundamental organizational values. It thus generates the value system within which lie the other three functions. This subsystem contributes to organizational performance to the extent that the values and norms are reflected in the production structures and processes, to the extent that organizational goals are determined and judged in accordance with these values, and to the extent that the adaptation and resource acquisition mechanisms are aligned with the values system.

In HCOs, the cultural system is omnipresent and in great part determines the basis by which we judge performance. Indeed, the professional norms about ethics, professional autonomy, and patient dedication are generally perceived as positive values which contribute to HCO performance. HCOs differ from private firms, where the evaluation of success is often dominated by profit maximization, and from traditional bureaucratic firms that rely more on hierarchical authority and work process formalization (Larson, 1977). HCOs are far more complex organizations in which professional values play a major role. They are professional organizations that have greatly decentralized the control of activities to professionals. Professional norms are internalized by the professionals. Professional values and clinical commitments define and control the organization as an action system. Also, one must not forget that HCOs are composed of various groups of professionals, each having its own values and behavior code. Thus, a climate of collaboration and task-sharing responsibility

and execution becomes an important ingredient of HCO performance. When developing an HCO performance framework, these aspects must absolutely be taken into account, otherwise performance cannot be assessed and interpreted. The ideological commitments central to organizational culture need to be continuously reviewed to ensure that they contribute to organizational performance. This is essential to maintain the equilibrium of the system (Table 5).

To sum up, in the past, HCO performance has most often been evaluated in relation to adaptation and production, that is, mainly in terms of resource acquisition and output. From an external perspective, especially in a public system, output maximization (production), both in terms of volume of patients treated and quality of care (mainly its accessibility dimension), was the preferred measure of HCO performance. From an internal perspective, resource acquisition, that is, the capacity to attract symbolic, financial, material, and human resources, and to attract clientele, was dominant. Physicians, nurses and managers saw a high performance HCO as one that was able to attract environmental resources and grow.

Today, other functions need to be considered in the conceptualization of HCO performance. The innovation and transformation capacities of the organization are all vital in the current era of rationalization. In response, the service production function needs to be modified and the organizational climate and culture need to be monitored to see how the fundamental values are stressed by the modifications taking place in the goal achievement and the production subsystems.

These four functions are not independent of each other. They are deeply embedded in a more or less tight organizational system. There are six interchange systems that ensure the cohesion and the equilibrium of the system. The evaluation dimensions suggested by each of the interchanges are essential components of a comprehensive model of HCO performance. Most of those dimensions are too often omitted. The ability to make them unavoidable

Table 5 *Dimensions of performance: culture and values maintaining function*

Dimensions of performance	Evaluation questions
Consensus with fundamental values (culture)	Is HCO functioning congruent with its fundamental values?
Organizational climate of collaboration	Are the HCO values shared by all constituencies?

and operational is the main feature of the Parsonian framework. In the following section, we describe these interchanges that complete the conceptual framework for the assessment of the performance of HCOs.

The interchanges between the four functional subsystems.

Parsons recognized the interaction and reciprocal interconnection among the four functional subsystems. Since the subsystems are relatively self-sufficient, they tend to have contingent relations with one another. The subsystems do form environments for one another, but because their interchanges are internally regulated, the HCO has the opportunity to affect performance by modifying the interchanges. Such a perspective has been described by scholars in the strategic choice school that emphasizes the importance of alignment between key functions of the organization (Astley and Van de Ven, 1983).

The richness of the model lies heavily in the various interchanges that promote specific and independent decisive factors of performance while emphasizing the integration of those parts. In this manner, the complexity and the paradoxical reality of HCO performance are plainly illustrated, but in a cognitively apprehensible way. Figure 2 illustrates the full conceptual framework of HCO performance that we have developed on the basis of the Parsonian theory.

Strategic alignment (the interchange between the adaptation function and the goal attainment function)

Through the adaptation process, a supply of resources results from the exercise of power

within the environment and from the production of outputs. This supply is used to further develop the organizational productive capacity, and thus to improve the organizational level of adaptation. In this interchange, the goal attainment subsystem exercises control over performance capacity which is balanced by the adaptive subsystem control over decisions regarding the allocation of resources among the goals.

Based on this interchange, HCO performance is related to the allocation of inputs or the production capacity among the organizational goals. The performance question addressed here is about how the inputs (means) are allocated among the various organizational goals (ends). An important evaluation question is thus: *Is resource acquisition, transformation and allocation sufficient for attainment of the organizational goals?* However, goal choices should also be dependent upon the adaptation processes capability, so a second evaluation question is: *Are the organizational goals strategically aligned with the environment?* In the present era of major health care system restructuring, a valid performance model must explicitly ensure that allocation and reallocation of production capacity is consistent with the modification of the organizational goals (Table 6).

Allocation alignment (the interchange between the adaptation function and the service production function [diagonal interchange])

This interchange represents the exchange between the production subsystem and the various resources acquired by the HCO (the adaptation subsystem). In one direction, the interchange focuses on allocation appropriateness, that is, on the ability of the services produced to maximize the use of resources acquired by

Table 6 Dimensions of performance: strategic alignment (adaptation ↔ goals)

Dimensions of performance	Evaluation questions
Appropriateness of adaptation processes in relation to goals	Is allocation of resources adequate in regard to targeted goals? (A → G) Is HCO catchment area adequate? (A → G) Is organizational transformation congruent with goals? (A → G)
Relevance (strategic reliance) of goal choices in relation to adaptation processes	Is choice of goals adequate in regards to available resources? (A ← G) Are goals congruent with population's needs? (A ← G) Is choice of goals adequate in regards to market niches? (A ← G)

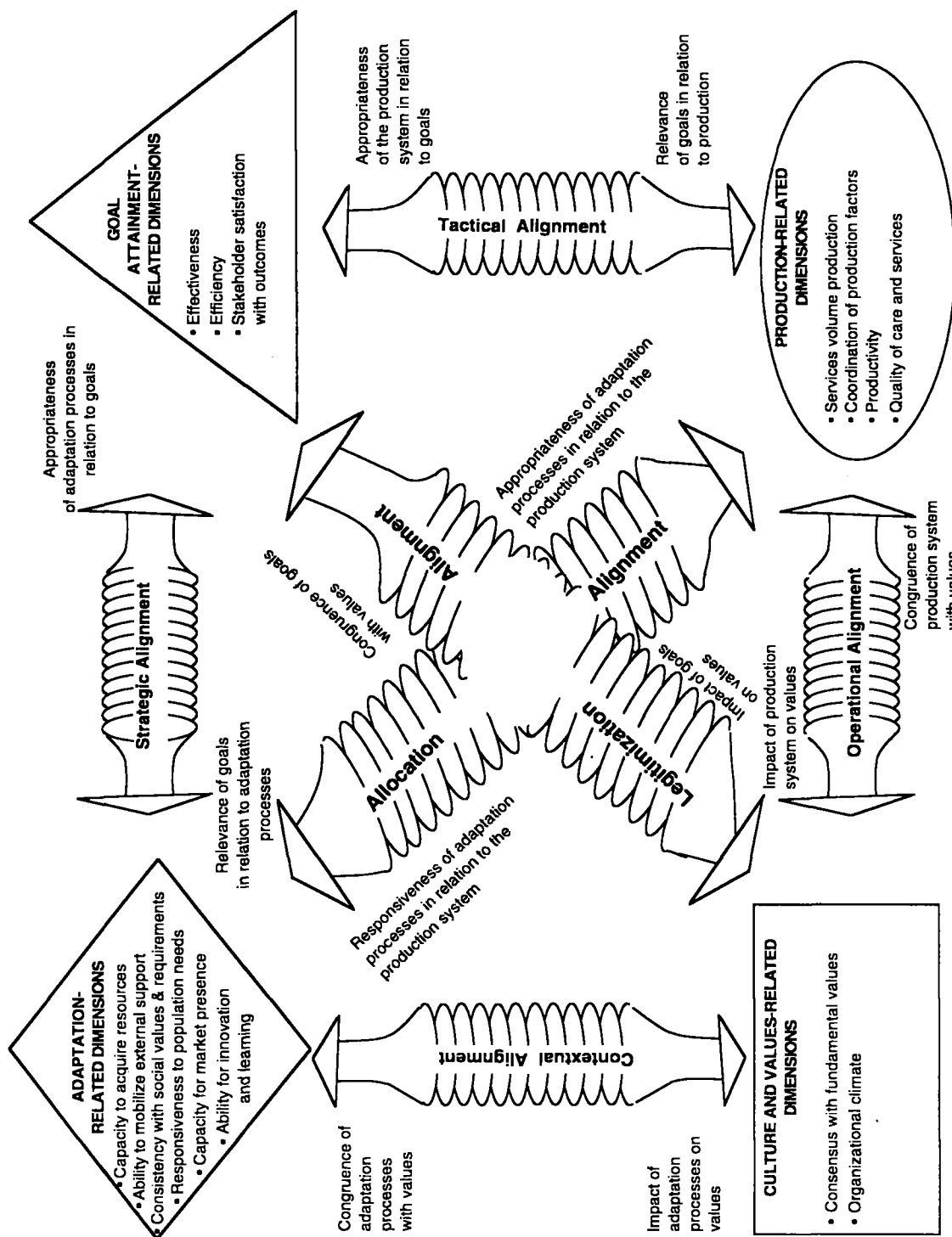


Fig. 2 A conceptual framework of health care organizations performance.

Table 7 Dimensions of performance: allocation alignment (adaptation ↔ production)

Dimensions of performance	Evaluation questions
Appropriateness of adaptation processes in relation to production	Is resource acquisition sufficient to maintain and to enhance quality of care and output? (A → P) Is the service production optimally integrated in relation to available resource? (A → P)
Responsiveness of adaptation processes in relation to service production	Is the service delivery system coherent with population needs? (A ← P) To what extent do the production process performance characteristics (volume, quality, clinical appropriateness...) enhance organizational development and transformation? (A ← P)

the organization and to meet the service needs of the population. The performance question addressed here pertains to how the inputs (means) are allocated to produced outputs (ends): *Given the conditions imposed by the external environment, are the services produced and delivered as optimally as possible?*

In the other direction, the assessment of the performance of the adaptation mechanisms is the essential concern. The performance question addressed here pertains to how the summative evaluation of the production system dictates modifications in the adaptation system: *Do output characteristics (productivity, volume output, quality of care...) command organizational adaptation?* (Table 7).

Tactical alignment (the interchange between the goal attainment function and the service production function)

According to the strategic management school, the purpose of this interchange is to ensure the conformity of the production system with the goals of the HCO. In professional organizations, the organizational structure is usually designed so that professionals assume the supervising role in regard to service production. Each group of professionals is generally supervised by an individual from its own ranks. Due to the complexity of the task and

the uncertainties in terms of outcomes, such a structural design which relies on experts to supervise experts is believed to be the most efficient one. However, it leaves a lot of power to the professional operations delivering day-to-day care. The hierarchical control is not nearly as tight as in other forms of organizations. In professional bureaucracies, the cumulative action of the individual professionals has a major impact on goal attainment. HCO strategic goal attainment should thus be analyzed in terms of a sum of individual actions. The main focus of tactical alignment is to assess the capacity of the organizational structuring and the work processes supervision to align the production system in relation with the achievement of the HCO goals.

In one direction, the evaluation question addressed here is: *Are the production outputs effective and appropriate in relation to organizational goals?* In the other direction, the evaluation question is: *Do output characteristics (volume output, productivity, quality of care ...) question the relevancy of HCO goals?* (Table 8).

Operational alignment (the interchange between the latent values maintaining function and the service production function)

Within the proposed framework, this interchange is treated as an input to performance

Table 8 Dimensions of performance: tactical alignment (goals ↔ production)

Dimensions of performance	Evaluation questions
Appropriateness of production system in relation to organizational goals	To what extent are the production process performance characteristics (volume, quality of care...) adequate to enhance goal attainment? (G → P)
Relevance of goals choice in relation to production	Is choice of goals adequate in regards to care delivered? (G ← P)

Table 9 Dimensions of performance: operational alignment (values ↔ production)

Dimensions of performance	Evaluation questions
Congruence of production system with organizational values	Is the production system congruent with organizational values? ($V \rightarrow P$)
Impact of production system on the promotion of organizational values	Is the production system conducive to encourage fundamental values? ($V \leftarrow P$)

capacity with the practices, standards and norms of the professional and non-professional staff impacting on the production processes. This interchange refers to the ethics and morals of the HCO staff.

In one direction, the evaluation question is: *Are the organizational structures and work processes congruent with organizational values?* In the other direction, the HCO strives to ensure that the organization of work and the delivery of services are congruent with organizational values. The evaluation question is then: *Do the staff practices, standards, and norms adopted in service production promote the building of rich values?* (Table 9).

Legitimization alignment (the interchange between the culture and values maintaining function and the goal attainment function [diagonal interchange])

Congruency between organizational culture (e.g. values and norms) and strategic choices is fundamental in achieving a high-performing organization. The legitimization subsystem has an important role in this matter. To the extent that the goal attainment subsystem is in equilibrium with professional values, the integration of the whole system is reinforced through this interchange, and the legitimacy of the governing system is improved. Also, the equilibrium should be further stabilized by the acceptance of moral responsibilities in relation to HCO goals. At a lower level, it corresponds to the acceptance of obligations of conscience and definitions of duty.

Indeed, there are several groups of profes-

sionals not necessarily promoting the same clinical values in any HCO. The negotiation processes by which goals are chosen correspond to the political side of the organization. This subsystem is important for HCO performance. To the extent that processes are open to debating the various values of each group of internal stakeholders, the subsystem can generally reinforce political loyalty and professional support and facilitate the goal attainment objectives. Also, these processes have an influence on the values system. The choice and consensus on goals helps to forge the values system of the HCO and may also modify the equilibrium of the influence acknowledged by the various groups of professionals.

In this perspective, the two main evaluation questions are: *Are the organizational goals legitimate in regard to the organizational values?* and *Has the choice of goals modified the organizational values?* (Table 10).

Contextual alignment (the interchange between the adaptation function and the culture and values maintaining function)

This interchange focuses on the organization's attempts to survive. The HCO needs adequate resources and should be playing a useful social role in relation to new social and technical trends. The organization needs to transform itself to keep up with changes in the environment. Such a transformation necessity needs to be carefully assessed in consideration of the traditional fundamental values of the organization. Disequilibrium in this alignment will have a negative impact on HCO performance.

Table 10 Dimension of performance: legitimization alignment (values ↔ goals)

Dimensions of performance	Evaluation questions
Congruence of the goal attainment function with organizational values	Are organizational goals (or reorientation of strategies) congruent with organizational values? ($V \rightarrow G$)
Impact of goal attainment on values	How is strategic choice reshaping organizational values? ($V \leftarrow G$)

Table 11 *Dimensions of performance: contextual alignment (values ↔ adaptation)*

Dimensions of performance	Evaluation questions
Congruence of adaptation processes with values	Are the organizational changes/restructuring congruent with organizational values rationality? ($V \rightarrow A$)
Impact of adaptation processes on values	How are the availability of resources, shifts in population needs and new social trends reshaping the organizational values? ($V \leftarrow A$)

For instance, professional jurisdiction is a critical dimension of HCO performance. HCOs are confronted with a profound division of labor. This single dimension interacting with other constraints, such as personnel availability, wage structure, and financial resources, may introduce forces that impact upon organizational values and culture. In a comprehensive model of HCO performance, the analysis of such workforce disequilibrium is essential.

In this perspective, the two main evaluation questions are, on the one hand: *Are the adaptation processes congruent with the professional and organizational values?* and, on the other hand: *How are organizational adaptation processes reshaping organizational values?* (Table 11).

Advantages of the proposed framework

We have just described in detail the conceptual framework of HCO performance that we have developed on the basis of the Parsonian theory. Before proceeding to the next section that focuses on the processes that need to be implemented in organizations in order to operationalize the framework, we will first discuss the advantages of our proposed framework in comparison with the usual ways of evaluating HCO performance.

Clearly, the adoption of a Parsonian perspective results in a more complex model than the usual HCO performance models. We think that this more complex model is warranted, useful, and not obtained at the price of confusion. First, it allows us to make fine-grained distinctions that are usually not made. Second, the framework gives us a more comprehensive understanding of organizational performance. A larger set of performance dimensions is made more apparent, including: those that are generally well taken care of; those that draw less attention but remain important; and those new dimensions that have not previously been put forward. Third, it not only provides a better enumeration of the several dimensions that

are generally available; it is also a real framework that underlines the relationships between the dimensions. Fourth, this better understanding that is linked to the preceding items allows for the introduction of an intersubjective evaluation process which is described in the next section.

Table 12 aims to illustrate the richness of the framework by comparing it with the most common dimension related to HCO performance. Common HCO management knowledge and practice in relation to organizational performance seems to be resuming itself to four dominant dimensions: effectiveness; efficiency; productivity; and quality of care. Without undermining the importance of these HCO performance dimensions which are included in the suggested framework, we think that the new framework offers a richer and more comprehensive perspective on HCO performance.

First, the new framework shows clearly that HCO performance is not solely limited to the too-often dominant rational goal model vision that is focused on the official goals of the organization. The new model presents a better balance of various perspectives, sustaining in this manner the multidimensional aspects of the organization performance concept. In this respect, we think the model is very useful in enlarging the management sphere of priorities and awareness to more than the traditional four dominant dimensions, an essential step to be better able to face the high complexity of HCOs.

Second, the new model overcomes the fragmented approach that is often observed in HCO management by placing emphasis on the interchange systems existing between the four fundamental functions of an HCO. The alignment interchanges allow the creation of bridges between the traditional models of organizational performance that are usually used as independent and competing models. Such a perspective issued from the strategic school of management indicates to the managers critical

Table 12 Dimensions of HCO performance comparison

Dominant models of organizational performance	Traditional dominant dimensions of HCO performance	Dimensions suggested in the new model
Open system model		Normative perspective Capacity to acquire resources Ability to mobilize community support Responsiveness to population needs and social values Capacity for market presence Capacity for innovation and learning
Rational goal model	Effectiveness Efficiency	Effectiveness Efficiency Stakeholder satisfaction with outcomes
Internal process model	Productivity Quality of care	Services volume production Coordination of production factors Productivity Quality of care and services
Human relations model		Consensus with fundamental values Organizational climate
Strategic choice school		Alignment perspective Appropriateness of adaptation processes in relation to goals Relevancy of goals in relation to adaptation processes Appropriateness of adaptation processes in relation to the production system Responsiveness of adaptation processes in relation to the production systems Appropriateness of the production system in relation to goals Relevancy of goals in relation to production Congruence of production system with values Impact of production system on values Congruence of goals with values Impact of goals on values Congruence of adaptation processes with values Impact of adaptation processes on values

issues that need to be assessed as performance dimensions and which need to be managed to improve the other performance dimensions linked to the four functions – dimensions that are evaluated on a normative perspective.

A process for the assessment of HCO performance

Previous work has recognized the need to incorporate a 'multiple stakeholder' approach to the assessment of organizational performance (Connolly *et al.*, 1980; Kanter and Brinkeroff, 1981; Weiss, 1987). This requires that in any assessment of organizational performance, the existence of multiple, and at times competing,

interests be acknowledged and addressed in the design of the performance assessment and assurance system(s) (Kanter and Brinkeroff, 1981).

The fundamental issue which stems from the recognition of the necessity to adopt a multiple-stakeholder approach to the assessment of organizational performance is the elaboration of an assessment process appropriate for the inevitable arbitration among competing values. Mechanisms that have been suggested include the consideration of only the values and preferences of the most powerful constituency, on the one hand (Pfeffer and Salancik, 1978); or, on the other hand, the satisfying of all constituencies' values and preferences through trade-offs

(Cameron and Whetten, 1983). We feel that Parsons' action theory, along with an orientation towards constructive argumentation among stakeholders, points to more promising avenues.

As illustrated above, Parsons' action theory is useful in permitting a global construction of performance and in generating a comprehensive set of performance dimensions. In a given context at a given time, diverse stakeholders will value these dimensions differently. On what basis can there be an arbitration among competing values? In his theory of communicative action, Habermas (1984, 1987, 1993) has proposed the principles of a process of constructive mediation between actors in a social system (see also Outhwaite, 1994). Actors who have stakes in the future of a system or organization may have different strategic plans. In addition, expectations may also vary within a given actor according to the perspective he or she adopts at a given moment to view and relate to the system or organization. As a consequence, Habermas suggests that it is imperative to create exchange mechanisms and establish the discussion ethics which would permit the diversity of points of view to be made explicit and to be arbitrated. In order that the resulting consensus be compatible with the collective well-being, the system of rules that makes up the discussion ethics must provide for the free expression of the different stakeholders' points of view, and for their participation in the elaboration of the consensus. The whole process needs to be transparent and open and requires the establishment of innovative political structures to combat what Habermas calls the disinvestment in the public sphere by stakeholders. In this sense, Habermas' logic of communicative action is a plea to reject technocratic dominance over public decision-making which inevitably leads to the exclusion of some stakeholders. Habermas' assumption is that innovative political structures and discussion rules will facilitate the proliferation of ideas and constructive debates, thereby minimizing the risk of particular interests being imposed over the collective well-being. According to Habermas, truth is inherently consensual and emerges from a wide process of argumentation between actors. Since stakeholders' interests in all organizations and societies are increasingly divergent, the a priori imposition of any normative framework will be judged illegitimate by some actors.

Epistemologically, Habermas' work is con-

sistent with the notion that objectivity and value-neutrality in intellectual inquiry and consequent knowledge acquisition (processes involved in organizational performance assessment) are untenable. In any domain of human inquiry, there cannot be a single unequivocal set of criteria for distinguishing what is genuinely objective from what is not. As Bernstein (1978) wrote, there are, however, 'intersubjective standards of rationality or norms of inquiry by which we attempt to distinguish personal bias, superstition, or false beliefs from objective claims... These standards are themselves open to criticism [and...] depend on the existence of communities of inquirers who are able, willing and committed to engage in argumentation' (p. 111).

Furthermore, Habermas' work must be seen within a wider movement calling for the adoption of a constructivist perspective of analysis. This paradigm of inquiry rejects the traditional positivist and post-positivist realism ontology in favor of an idealist or more specifically relativist ontology, according to which 'realities are apprehendable in the form of multiple, intangible, mental constructions, socially and experientially based, local and specific in nature...and dependent for their form and content on the individual persons or groups holding the constructions. Constructions are not more or less "true" in any absolute sense, but simply more or less informed and / or sophisticated. Constructions are alterable, as are their associated "realities,"' (Guba and Lincoln, 1994, pp. 110-111).

It is our contention that the nature of HCOs' performance and the widespread distribution of values and preferences of their stakeholders regarding performance dimensions and criteria can best be apprehended through a constructivist approach involving an intersubjective construction of performance through argumentation and exchange among stakeholders. As suggested by Habermas, constructive and truly democratic exchanges would require the establishment of innovative political structures and the elaboration of mediation rules. It should be noted that the literature on evaluation contains several propositions of evaluation models calling for approaches similar to that described above. Indeed, illuminative evaluation (Hamilton and Parlett, 1977), responsive evaluation (Stake, 1975, 1990), judicial evaluation (Wolf, 1975, 1979, 1990), transactional evaluation (Rippey, 1973, 1977, 1990), and naturalistic

evaluation (Guba and Lincoln, 1981, 1989; House, 1980) are all pluralist evaluation models suggesting, with different methodologies, that stakeholders' values need to be elicited and taken into account when assessing the (constructed) worth of an organization.

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Commentary 1

There is, I believe, a set of enduring problems that scholars encounter in studies of social systems generally, and organizations specifically. These are problems whose complexity makes for controversy and slow progress (if progress at all) in addressing them. They remain, however, significant problems that we need to address. This article has the virtue of bringing us back to one of these enduring problems: how to conceptualize and analyze organizational performance. Further, this article has the virtue of bringing us back to the work of Talcott Parsons, one of the foremost, and, in some ways, controversial, students of fundamental problems in social systems.

Beyond the importance of the topic and the fine use of Parsons' (1951) work, my view is that this article has several other strengths. To begin, the article provides a useful summary of the terrain that has been covered in previous attempts to define, conceptualize, and measure organizational performance. Of course, this summary is not exhaustive (it doesn't claim to be), and one could argue that it neglects or underemphasizes some important work. This includes the work of Georgopoulos (1986), whose many empirical studies assessed the performance of hospitals and their subunits. Ironically, Georgopoulos' work on problem-solving and organizational performance rests heavily on Parsons (e.g. Georgopoulos, 1978).

Another perspective that is not discussed as much as it could be is the institutional theory view of organizational performance. Meyer and Zucker's (1989) book, entitled *Permanently Failing Organizations*, says much about this perspective. This book raises the interesting question: why do some organizations continuously perform poorly (by many criteria) and yet survive? From an institutional perspective, the answer is that societies take certain organizations so much for granted that neither their existence nor their performance comes under question. An important point is that, at least until recently, many health care organizations were viewed this way. Again ironic is that institutional theory rests heavily on Parsons (Scott, 1995).

Though the article misses some parts of the