

# Major Factors Affecting the Organizational Effectiveness: A Study of City and Town Municipalities

## ปัจจัยที่มีอิทธิพลต่อประสิทธิผลขององค์การ: กรณีศึกษาเทศบาลเมืองและเทศบาลนคร

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จิตติ กิตติเลิศไพศาล

### บทคัดย่อ

แบบจำลองของงานวิจัยชิ้นนี้สามารถอธิบายประสิทธิผลของเทศบาลได้อย่างชัดเจน ทั้งนี้ปัจจัยทรัพยากรนโยบาย ประสิทธิภาพของผู้นำ และบรรยากาศขององค์กรส่งผลโดยตรง และโดยอ้อมต่อประสิทธิผลของเทศบาล เว้นแต่เพียงปัจจัยธรรมาภิบาลมีอิทธิพลโดยตรงต่อประสิทธิผลขององค์กร ในบรรดาปัจจัยที่ส่งผลต่อประสิทธิผลขององค์กรพบว่า ปัจจัยธรรมาภิบาล และบรรยากาศขององค์กรมีอิทธิพลอย่างมีนัยสำคัญต่อประสิทธิผลขององค์กร

การศึกษาปัจจัยที่ส่งผลต่อประสิทธิผลขององค์กรระหว่างเทศบาลนคร และเทศบาลเมือง พบว่ามีความสัมพันธ์ที่แตกต่างกัน ปัจจัยธรรมาภิบาล ประสิทธิภาพของผู้นำ และบรรยากาศขององค์กรสามารถอธิบายประสิทธิผลของเทศบาลนครร้อยละ 51 ในขณะที่ปัจจัยธรรมาภิบาล ทรัพยากรนโยบาย บรรยากาศขององค์กร และประสิทธิภาพของผู้นำสามารถอธิบายประสิทธิผลของเทศบาลเมืองได้ร้อยละ 62

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ความแตกต่างที่สำคัญคือ ทรัพยากรนโยบาย สำหรับเทศบาลนครพบว่า ปัจจัยทรัพยากรนโยบาย ไม่ส่งผลโดยตรง แต่ส่งผลโดยอ้อมต่อประสิทธิภาพขององค์กร ปัจจัยทรัพยากรนโยบายเป็นปัจจัยที่ส่งผลผ่านประสิทธิภาพของผู้นำ บรรยาการขององค์กร และธรรมาภิบาล

บรรยาการขององค์กรเป็นปัจจัยที่ส่งผลโดยตรงมากที่สุดต่อประสิทธิภาพขององค์กร ดังนั้นการสร้างบรรยาการขององค์กรโดยเน้นผู้ปฏิบัติงานเป็นสำคัญ ด้วยการสร้างบรรยาการให้ผู้ปฏิบัติงานมีความรับผิดชอบ ซึ่งจะเป็นปัจจัยที่นำไปสู่ประสิทธิผลขององค์กร

การบริหารงานภายในเทศบาล ควรเน้นการสร้างบรรยาการขององค์กร และความโปร่งใสอันเป็นหลักการสำคัญของหลักธรรมาภิบาล การสร้างบรรยาการขององค์กรควรเน้นการสร้างความรู้สึกลึกซึ้งเป็นส่วนหนึ่งขององค์กร ซึ่งจะเป็นปัจจัยสำคัญที่ทำให้ผู้บริหารและผู้ปฏิบัติงานได้ตระหนักถึงในขณะปฏิบัติงาน นอกจากนี้การใช้หลักธรรมาภิบาลควรเน้นการแบ่งแยกอำนาจหน้าที่ให้ชัดเจนของผู้ปฏิบัติงาน การให้ข้อมูลข่าวสารแก่ผู้มีส่วนได้ส่วนเสียอย่างต่อเนื่อง และเน้นการประเมินผลการปฏิบัติงาน และนำผลที่ได้ไปปรับปรุงและพัฒนาผลการปฏิบัติงานของเทศบาล

นอกจากนี้ ทรัพยากรนโยบาย และประสิทธิภาพของผู้นำยังเป็นปัจจัยสำคัญที่นำไปสู่ประสิทธิผลขององค์กร การบริหารทรัพยากรนโยบายเป็นสิ่งสำคัญ เนื่องจากเทศบาลประกอบด้วยหน่วยงานย่อย ๆ จำนวนมาก ซึ่งทุกหน่วยงานต้องการแนวทางการประเมิน และการจัดสรรทรัพยากรนโยบายที่ยุติธรรมสำหรับประสิทธิภาพของผู้นำ นับได้ว่าเป็นความสามารถของผู้บริหารที่จะต้องพัฒนาตนเอง สนับสนุน และกระตุ้น รวมทั้งนำผู้ปฏิบัติงานให้ร่วมกันบรรลุวัตถุประสงค์ของเทศบาล

## Abstract

*The research results indicate that the model of analysis provides substantial power for the organizational effectiveness of the municipality. Policy resources, leadership competency, and organizational climate have both a direct and indirect influence on the organizational effectiveness of the municipality. Only good governance exhibited a direct influence on organizational effectiveness. Among all the variables proposed in the model, good governance and organizational climate play the most prominent role in organizational effectiveness.*

*In comparison between the city and town municipality, differences in the interrelationships among the variables were found. Good governance, leadership competency, and organizational climate accounted for 51 percent of variation in the organizational effectiveness of the city municipality, while good governance, policy resources, organizational climate, and leadership competency accounted for 62 percent of variation in the organizational effectiveness of the town municipality.*

*A major difference was found in policy resources. For the city municipality, policy resources do not have a direct influence but only an indirect influence on organizational effectiveness. Policy resources are mediated by leadership competency, organizational climate, and good governance.*

*Organizational climate had the most direct influence on the organizational effectiveness of the municipality. The employee-*

*centered climate is an important factor in that they must pay attention to stimulating subordinates to feel highly responsibility, and this leads to a high level of organizational effectiveness.*

*This research suggests that the administration of the municipality should create an organizational climate and transplant the concept of good governance. The organizational climate is a feeling on the part of administrators and subordinates concerning how they perceive that something should be done in the municipality. Further, the author would recommend that good governance might separate and assign authority to subordinates clearly, provide information to stakeholders continually, evaluate performance and bring results to develop municipal performance.*

*Moreover, policy resources and leadership competency are also important factors that relate to organizational effectiveness. Policy resources are crucial: however, resource management should be mentioned. The main reason is that a municipality consists of several functions and departments, thus criteria are required to evaluate, with equity, all of the functions in the municipality. Leadership competency is still important in that the ability of administrators involves the ability to develop, support, facilitate, or lead subordinates to achieve municipal goals.*

*Keywords: Policy resources, Leadership competency, Organizational climate, Good governance, Organizational effectiveness*

## Introduction

During the last few years, Thailand has increased the democratic basis of its sub-national governments, complementing the deepening of democracy at the national level. Local governance is believed to enhance both the legitimacy of government (by strengthening participation and accountability in policy making) and the efficiency of public service delivery (by improving information, input and oversight).

Local Thai authorities have been given more political power to make decisions, elect their own mayors and councils, to raise revenues, and to make independent investments. Along with this greater political autonomy come more responsibility and financial resources through expanded tax bases or transfers from the center. Today, the challenges of Thai local governance include: (a) strengthening the capacity of the Thai people to engage with local government as citizens; (b) increasing the responsiveness of local governments to their citizens through new democratic institutions, and (c) enhancing the efficiency and quality of services.

Therefore, the way in which Thai society, citizens, businesses and civil society deal with their local government is changing radically. In general, good Public Administration will rely on the sufficiency of public policy resources, the quality of local leadership competency, organizational climate and good governance in the public sectors.

Municipal administration is one of the major local administrative organizations that the government uses to manage local communities. The communities accommodate city residents; many of them are knowledgeable and capable, with economic, political and cultural potentials. At present,

there are over 1,100 municipalities incorporated to provide large urban areas with limited self-government.

### **Objectives of the Study**

This study focuses on the objectives listed below:

1. To evaluate the organizational effectiveness of the city and town municipality

2. To identify the major factors affecting the organizational effectiveness of the city and town municipality

3. To explain the relationships of the major influential factors regarding the organizational effectiveness of the city and town municipality

4. To compare the major factors affecting the organizational effectiveness of city and town municipalities in order to determine whether these factors are the same or different

### **Benefits of the Study**

This study purports to contribute to public management theory by means of identifying the major factors affecting the organizational effectiveness of the municipality. Further, this study serves as a guideline to measure the organizational effectiveness of other public organizations such as Tambon Administrative Organizations (TAOs), Provincial Administrative Organizations (PAOs) and Special Administrative Organizations (SAOs).

## **Scope of the Study**

This study focuses on the organizational effectiveness of city and town municipality, attempting to identify the major factors affecting the organizational effectiveness. The specific population under study mainly focuses on the city and town municipality by collecting data from administrators (consisting of mayors, deputy mayors, clerks, heads of functional offices, and assistant heads of functional offices). This research is primarily based on quantitative research, with some qualitative data generated from an open-ended questionnaire

## **Related Research and Literature**

Good Public Administration will rely on the sufficiency of public policy resources, leadership competency, organizational climate and good governance in the public sectors. This study focuses on the major factors affecting the organizational effectiveness of the city and town municipality. Research and literature are as follows:

### **Related Research on Leadership Competency, Good Governance and Organizational Effectiveness**

Rodsutti and Swierczek (2002: 250-259) studied the leadership and organizational effectiveness in multinational enterprises in Southeast Asia. This study identifies the key relationships of leadership and organizational effectiveness in Southeast Asia. Managers from 1,065 multinational companies based in Thailand and representing 31 different nationalities participated in the study. The study revealed that leadership competency

is positive and directly related to organizational climate and organizational effectiveness.

Maddock, Kralik and Smith (2006: 198-212) studied "Clinical Governance Improvement Initiatives in Community Nursing" The purpose of this study was to describe a clinical governance framework that could be applied in a community nursing setting. Significant opportunities for improving the quality and safety of clinical governance within a community-nursing organization were identified. It was found that a clinical governance framework improves the quality of organizational effectiveness. Also, the study revealed that leadership competency is an important factor in the process of clinical governance.

#### **Related Research on Organizational Climate and Organizational Effectiveness**

Davidson (2003: 169-175) examined organizational climate and organizational culture within a hotel industry framework. An argument was put forward that there is a causal link between a good organizational climate and the level of service quality in a hotel. The organizational climate was also examined within the service quality framework in order to explore the effects of its integration into quality initiatives. A conceptual model of organizational climate and service quality and performance was presented that provides an explanation of the linkage between organizational culture, organizational climate, service quality, customer satisfaction and hotel performance.

Yoon, Beatty and Suh (2001: 175-189) studied "The effect of work climate on critical employee and customer outcomes: An employee-level



analysis” This study examines several climate variables and their impact on service quality. While there exists a variety of work climates relevant to contact employees during service encounters, this study investigates two components for successful implementation of internal marketing: service climate and supportive management. It is suggested that both variables affect the attitudes and behaviors of employees, and consequently affect customers’ perceptions of employees’ service performance. This study shows that both climate variables contribute directly to job satisfaction and work effort, and indirectly impact customers’ perceptions of employee service quality.

#### **Related Research on Good Governance and Organizational Effectiveness**

Laing and Weir (1999: 149-175) studied “Governance Structures, Size and Corporate Performance in UK firms” The study found that UK public companies have, in general, complied with the Cadbury Committee’s Code of Best Practice and have adopted the recommended governance structures. However, compliance is more common among larger firms. Also, the study found that the governance mechanism related positively with organizational performance.

#### **Related Research on Policy Resource and Organizational Effectiveness**

Winter (1990: 257) presented the idea that appropriate quality and adequate quantity of staff and information and facilities are necessary for successful organization. He stated that not only is the quantity of resources essential, but so is their appropriate allocation. Regarding incentives,

he stated that policy implementers and regulators are not offered any incentives as a motivation for effectively implementing policy, and the outcome of the policy implementation greatly depends on the incentives, in any form, for implementers.

## **Methodology**

### **Type of Study**

This research is a descriptive study and a non-experimental research. The study uses the questionnaire as a survey instrument for collection of data and information. Quantitative analysis is mainly used; however, qualitative techniques are adopted for explanation of the research results. The use of both techniques will provide more reliable and valid information for data analysis according to the hypotheses of the study.

### **Unit of Analysis**

The survey aims at the micro level of the municipalities as the unit of analysis. The unit analysis is the organizational level. The municipality in the study focuses on two classes based on their population, revenue capabilities, and ability to provide services. They are the city and town municipality.

### **Population and Sampling Techniques**

The target population of the study is municipalities. The population under study has 134 municipalities, which are as follows:

City municipality	22	municipalities
Town municipality	112	municipalities
<b>Total</b>	<b>134</b>	<b>municipalities</b>

This research study is done at the organizational level. The target population is administrators working for a municipality. The municipal administrators are the mayor, deputy mayor, clerk, head of functional offices and assistant head of functional offices.

### **Data Collection**

Data were obtained by means of survey administration and interviews. The details of the questionnaires used in the survey and the conduct of interviews are discussed below.

### ***Questionnaires***

Data obtained by means of survey were collected from 1,340 samples of administrators of each municipality. The questionnaires were distributed and collected by the mayors' assistants of each municipality during December 2006 – March 2007. The return rate of the questionnaire responses was at 71.2 percent for 134 municipalities.

### ***Interview***

Data obtained by means of in-depth interviews were collected through face-to-face interviews by the author at the municipality. Interviewees consisted of 8 mayors and 8 heads of functional offices of city and town municipalities.

### **Questionnaire Design**

The questionnaire was designed by the author based on empirical studies of various scholars found in the literature review and was reviewed and approved by the dissertation advisory committee.

The purpose of the questionnaire survey was explained in the first stage. The questionnaire consists of six parts: part one contains demographic data of the respondents, part two data regarding evaluation of organizational effectiveness, part three organizational climate, part four good governance, part five leadership competency, and part six policy resources.

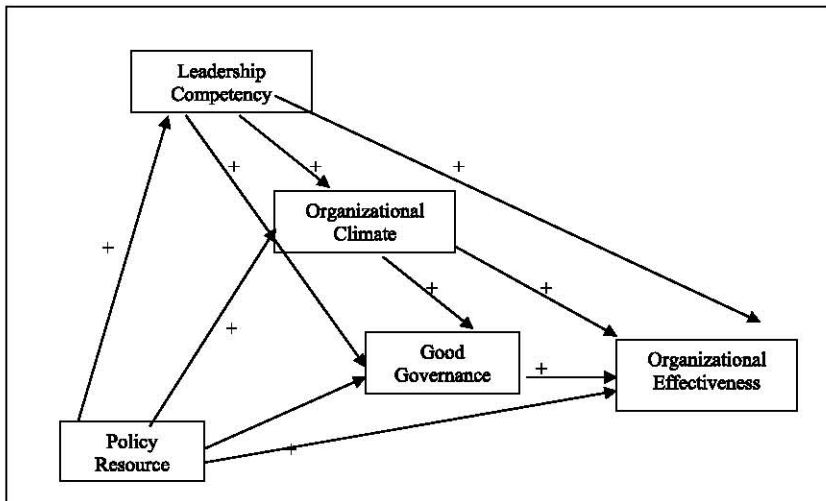
### **Conceptual Framework of the Study**

The conceptual framework is based on a variety of theories and models postulated by scholars from different fields to form a new conceptual framework which suits the context of the present study. To explain the determinants of the organizational effectiveness of the municipality, the conceptual framework consists of the major factors that determine organization effectiveness.

Variables in the conceptual framework comprise organizational effectiveness as a dependent variable, while the independent variables are leadership competency, policy resources, organizational climate and good governance.

#### **The Conceptual Framework**

The conceptual framework of the factors affecting organizational effectiveness of the municipality is proposed as follows (figure 1).



**Figure 1** Conceptual Framework of the Study

From the conceptual framework presented in figure 1, it can be seen that the major factors which are expected to have a strong influence on organizational effectiveness include leadership competency, policy resource, organizational climate, and good governance. The anticipated relations are as follows:

Leadership in this study means leadership competency. These leadership competencies include setting goals, empowering others, stimulating, emotion and stability. Leadership competency is expected to be positively related to organizational effectiveness.

Policy resources consist of funds, incentives, staff, and facilities. Thus, the more adequate the policy resources, the more effective an organization effectiveness.

Organizational climate influences organizational effectiveness. The organizational climate means employee-centered climates, including degree

of trust, norms of open communication, and degree of risk or caution encouraged in decision making. The organizational climate of facilitation, support, openness and cooperation tends to positively affect organizational effectiveness.

Good governance based on the elements of Good Governance B.E. 2542, is composed of the rule of law, integrity, transparency, participation, accountability, and value for money. The better the good governance in the municipality the more effective the organizational effectiveness.

### **Hypotheses of the Study**

Based on the literature, the conceptual framework (figure 1) and the relationships among the variables as specified in the conceptual framework, the following research hypotheses and structural equations are derived:

Hypothesis 1: Policy resources are more likely related to leadership competency.

Hypothesis 2: Policy resources and leadership competency are more likely related to organizational climate.

Hypothesis 3: Policy resources, leadership competency and organizational climate are more likely related to good governance.

Hypothesis 4: Policy resources, leadership competency, organizational climate, and good governance are more likely to be related to organizational effectiveness.

## Result and Discussion

### The General Characteristics of the Sample

Frequency statistics reveal that the samples taken from the target population consist of general characteristics, as specified in table 1.

The number of city and town municipalities is 134. Among these 134 municipalities, 94 returned their questionnaires with valid information, for a response rate of 71.2 percent. The number of questionnaires returned to the author was 836 questionnaires.

**Table 1:** Municipality

Type	Northern	Northeastern	Middle	Southern	Total
City	2.1	5.3	7.5	5.3	20.2 (19)
Town	10.6	22.3	29.9	17.0	79.8 (75)
Total	12.8	27.7	37.2	22.3	100.0 (94)

Seventy-four percent are male. With regard to education, forty-seven percent of the respondents hold a higher degree, while forty-six percent hold a bachelor degree.

The average age of the respondents is forty-nine years; the minimum age is twenty-six years, while the maximum age is seventy-two years. The average length of experience is fourteen years; the minimum length of experience is only two years, while the maximum length of experience is forty-one years.

For position level, twenty-eight percent of respondents work as head of a functional office; twenty-one percent work as deputy mayor, sixteen percent work as assistant head of a functional office, fourteen

percent work as deputy clerk, eleven percent work as mayor, and ten percent work as clerk.

### Relationship among Variables

The results obtained from the correlation analysis in revealing the correlation coefficients among all independent variables included in the model in order to investigate the multi-collinearity problem are presented in table 2. Multi-collinearity is a problem with a correlation matrix that occurs when variables are too highly correlated (0.8 and above). Although there is no limit to what defines “high” correlation, values exceeding 0.8 could indicate problems, and values below 0.8 could be compensated for by declaring covariance paths between independent variables.

Table 2 includes the descriptive statistics of mean, standard deviation, and minimum and maximum values of all independent variables for the total samples in the study.

**Table 2:** Correlation Matrix and Mean, Standard Deviation, and Minimum and Maximum Value of Variables

Variable	Bsc	Gov	Resource	Leader	Climate
Bsc	1.000	.712	.482	.596	.701
Gov		1.000	.477	.648	.708
Resource			1.000	.376	.525
Leader				1.000	.641
Climate					1.000
Mean	3.01	3.10	2.91	2.89	3.12
S.D.	0.35	0.37	0.57	0.54	0.67
Min	2	2	2	1	1
Max	4	4	4	4	4
N	94	94	94	94	94



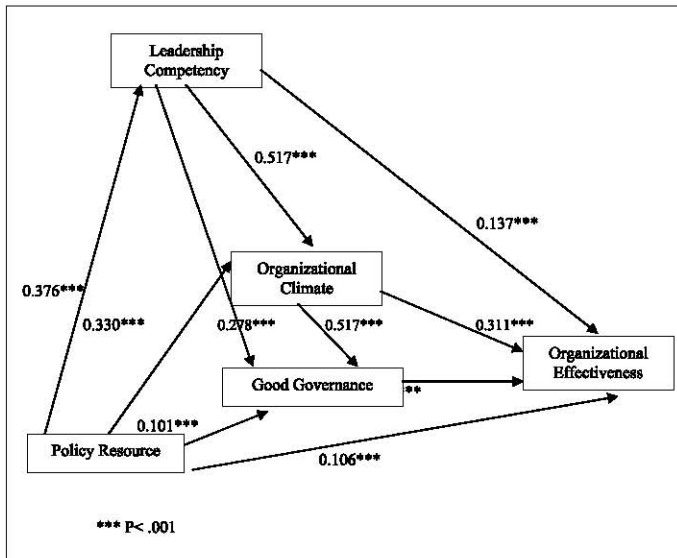
### **The Relationships between Independent and Dependent Variables**

The relationships between independent variable and dependent variables are divided into three parts, as follows:

1. The path analysis of factors affecting the organizational effectiveness: a study of the municipality
2. The path analysis of factors affecting the organizational effectiveness: a study of the city municipality
3. The path analysis of factors affecting the organizational effectiveness: a study of the town municipality

#### **1. The Path Analysis of Factors Affecting Organizational Effectiveness: A Study of the Municipality**

The model depicted in figure 4.1 includes only the path coefficients found to be significant at a 0.5 level.



**Figure 2** Path Analysis of Factors Affecting Organizational Effectiveness:  
A Study of the City and Town municipality

The application of the path analysis to test the hypotheses yields the results in the path diagram presented in figure 2.

**Hypothesis 1:** Hypothesis 1 states that policy resources affect leadership competency. The results indicate that policy resources are significantly and positively related to leadership competency (Beta = 0.376). Pressman and Wildavsky (1979: 259) emphasize the adequacy of policy resources, meaning the amount available resources for policy implementation effectiveness. The adequacy of policy resources increases the leadership competency. The main reason is that the leadership competency can use the ability to develop, support, facilitate, or lead subordinates to achieve organizational goals.

Moreover, the interview data reveal that most of administrators believe that adequacy policy resources will make it easy for the leader to lead his or her organization to reach organizational effectiveness. Especially, most of them pay attention to budget, staff and equipment.

**Hypothesis 2:** Hypothesis 2 states that policy resources and leadership competency affect the organizational climate so that a high level of policy resources leads to a higher level of the organizational climate; and a higher level of leadership competency increases the level of the organizational climate.

Policy resources are found to be significantly and positively related to the organizational climate ( $\text{Beta} = 0.330$ ), as anticipated in hypothesis 2. The higher the level of policy resources, the higher the level of the organizational climate. Policy resources are a major factor in stimulating the organizational climate level. The main reason is that all resources in city and town municipalities must manage and allocate for management effectiveness. Therefore, the organizational climate focuses on an employee-centered climate, meaning more openness of communication and being more open to participating in organizational management.

Leadership competency is also found to be significantly and positively related to the organizational climate ( $\text{Beta} = 0.517$ ), as anticipated in hypothesis 2. Leadership competency is a significant factor in creating organizational climate. The administrators of city and town municipalities are more open and encourage their subordinates to provide an opinion. These factors induce an employee-centered climate, a high degree of trust, and open communication in the municipality.

**Hypothesis 3:** Hypothesis 3 states that policy resources, leadership competency and organizational climate affect good governance. Policy resources are found to be significantly and positively related to good governance (Beta = 0.101), as anticipated in hypothesis 3. Due to the good governance issue, the administrators of city and town municipalities need a higher level of policy resource. The higher the level of policy resources, the higher the level of good governance; that is, each municipality must hold to the Good Governance Act. The significant reason is that the administrators pay attention to the use of all resources in accordance with the Good Governance act of B.E. 2542. Especially, most of them concentrate on transparency, accountability and value for money.

Leadership competency was found to be significantly and positively related to good governance (Beta = 0.137), as anticipated in hypothesis 3. The higher the level of leadership competency, the higher the level of good governance. Leadership competency is a fundamental factor in pushing good governance into practice. The administrators of city and town municipalities feel that they must induce all participants to participate in municipality management. Participants encourage the administrators to hold to the Good Governance Act in practice.

The organizational climate was also found to be significantly and positively related to good governance (Beta = 0.517), as anticipated in hypothesis 3; the more employee-centered the organizational climate, the more successful the good governance. Organizational climate was another fundamental factor that stimulates the transparency of management in an organization. From the interview with the administrators, it was found that an employee-centered organizational climate was a key success factor in

stimulating subordinates and participants to participate in organizational management. The administrators communicate to subordinates and the public regularly to report their performance. Therefore, the organizational climate positively affects good governance.

**Hypothesis 4:** Hypothesis 4 states that policy resources, leadership competency, organizational climate, and good governance affect organizational effectiveness. Policy resource was found to be significantly and positively related to organizational effectiveness (Beta = 0.106), as anticipated in hypothesis 4. The higher the level of policy resources, the higher the level of the organizational effectiveness. The appropriate quality and adequate quantity of resources are necessary for successful organization. The appropriate allocation of quality and quantity of resources is an essential factor. These resources are motivational factors leading to organizational effectiveness.

Leadership competency was found to be significantly and positively related to the organizational effectiveness (Beta = 0.137) as anticipated in hypothesis 4. The higher the level of leadership competency, the higher the level of the accomplishment of the organizational effectiveness. Leadership competency is a fundamental factor in pushing city and town municipalities to be managed effectively. From the interview, most administrators invite subordinates to participate in organizational management. They always use group discussion to exchange ideas and to put these into practice.

The organizational climate was also found to be significantly and positively related to organizational effectiveness (Beta = 0.311), as anticipated in hypothesis 4. The more employee-centered the organizational climate, the higher the level of the organizational effectiveness. Organizational

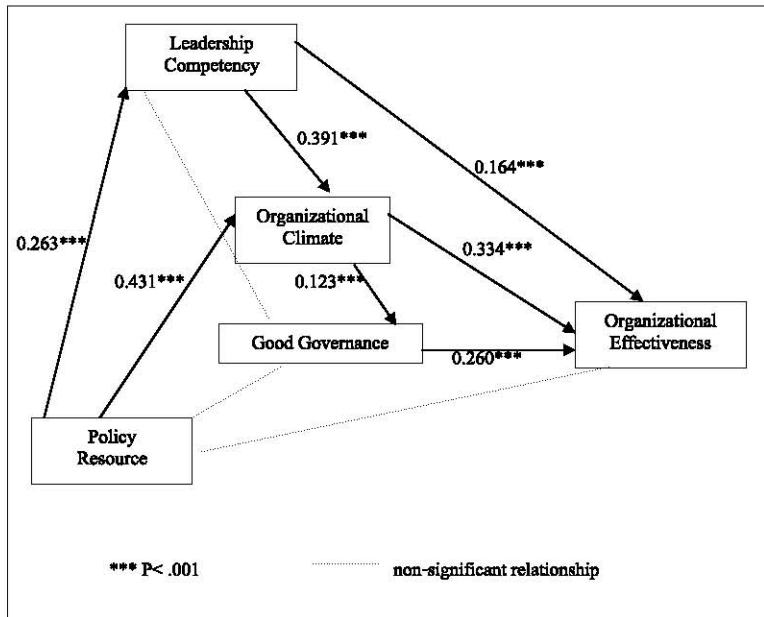
climate means more of an employee-centered climate. From the interview, most administrators of city and town municipalities try to encourage their subordinates to participate in their organization. More participation leads to organizational effectiveness.

Good governance was found to be significantly and positively related to organizational effectiveness ( $\text{Beta} = 0.340$ ), as anticipated in hypothesis 4. The more the administrators hold to the Good Governance Act, the higher the organizational effectiveness. From the interview with the administrators, they hold to the Good Governance Act in practice since at present all participants check their municipal performance. Therefore, they must announce their performance regularly.

## **2. The Path Analysis of Factors Affecting Organizational Effectiveness: A Study of the City Municipality**

In order to compare the interrelationships among variables in the two classes of the municipality divided by their population, revenue, capabilities and ability to provide services, the data obtained from the total sample in the survey are segregated into two types, the city and town municipality.

Path analyses were conducted on the two sets of data. The following figures (figure 3 and 4) present the results of the path analyses for the two data sets.



**Figure 3** Path Analysis of Factors Affecting the Organizational Effectiveness:  
A Study of the City Municipality

Figure 3 presents the results from the path analysis of data obtained from administrators of the city municipality. In comparison with the results of the total samples from 19 municipalities, there are some differences in terms of the existence and non-existence of relationships among variables in the study, as follows:

1) The policy resources are not significantly related to leadership competency. This relation was not anticipated and was contrary to the proposition.

2) The relations among policy resources, leadership competency and organizational climate. Policy resources and leadership competency

affect the organizational climate so that a higher level of policy resources leads to a higher level of the organizational climate; and a higher level of leadership competency increases the level of the organizational climate. This relation supports hypothesis 2.

Policy resources were found to be non-significant in relation to organizational climate (Beta = 0.431). The higher level of policy resources, the higher the level of organizational climate. The policy resources were a major factor to stimulate the organizational climate level. The main reason is that all resources of the city municipality must manage and allocate for management effectiveness. Therefore, the organizational climate focuses on the creation of an employee-centered climate, meaning more openness of communication and being more open to participating in organizational management.

Leadership competency was also found to be significantly and positively related to the organizational climate (Beta = 0.391). Leadership competency is a significant factor in creating the organizational climate. The administrators of the city municipality are more open and encourage their subordinates to participate. These factors induce an employee-centered climate, a high degree of trust, and open communication in municipality.

3) The relations among policy resources, leadership competency, organizational climate and organizational effectiveness.

The policy resources were not significantly related to good governance. This relation was not anticipated and was contrary to the proposition, while leadership competency was also not significantly related to good governance.

However, organizational climate was also found to be significantly



and positively related to the good governance (Beta = 0.123), as anticipated in hypothesis 3. The more employee-centered the organizational climate, the more successful the good governance. Organizational climate is a fundamental factor in stimulating transparent management in the organization. From the interview with the administrators, it can be seen that the employee-centered climate is a key success factor in stimulating subordinates and participants to participate in organizational management. The administrators communicate to subordinates and the public regularly to report their performance. Therefore, the organizational climate positively affects good governance.

4) The relations among policy resources, leadership competency, organizational climate, good governance and the organizational effectiveness. Policy resources were not significantly related to good governance. This relation was not anticipated and was contrary to the proposition, while leadership competency was found to be significantly and positively related to organizational effectiveness (Beta = 0.164), as anticipated in hypothesis 4. Leadership competency involves the ability of leaders to develop, support, and lead their subordinates to achieve municipal goals.

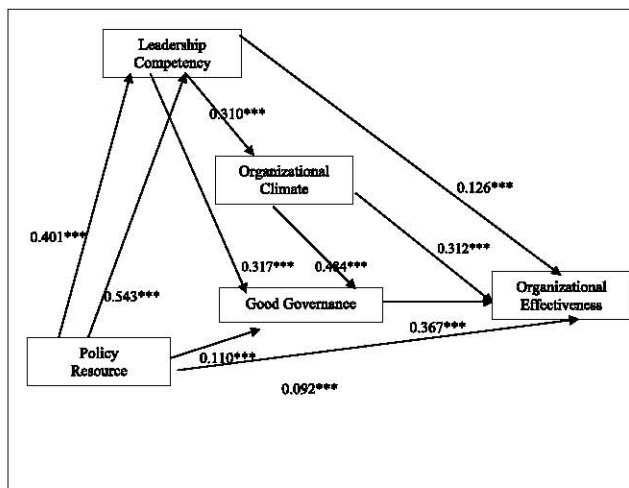
The organizational climate was also found to be significantly and positively related to organizational effectiveness (Beta = 0.123), as anticipated in hypothesis 4. When the administrators create an employee-centered climate, this environment leads to organizational effectiveness.

Good governance was found to be significantly and positively related to organizational effectiveness (Beta = 0.260), as anticipated in hypothesis 4. The more the administrators hold to the Good Governance Act, the higher the organizational effectiveness.

For the city municipality, leadership competency, organizational climate, and good governance are major factors that directly affected organizational effectiveness, while policy resources directly affected organizational effectiveness. These relationships call for administrators to look into strategies to increase the degree of leadership competency, organizational climate and good governance so that organizational effectiveness will be improved.

### 3 Factor Analysis on the Factors Affecting Organizational Effectiveness: A Study of the Town Municipality

The results from the path analysis technique of the town municipality data yield some differences from the city municipality in terms of the interrelationships among variables, as presented in the proposed model (figure 4).



**Figure 4** Path Analysis of Factors Affecting Organizational Effectiveness: A Study of Town Municipality

Figure 4 presents the results from the path analysis of data from administrators of the town municipality. The results are different when compared to those obtained from the city municipality. The major differences are as follows:

1) The relation between policy resources and leadership competency. Policy resources were significantly and positive related to the leadership competency ( $\text{Beta} = 0.092$ ). The adequacy of policy resources increases the leadership competency. The adequacy level of policy resources will make it easier for leader to lead their organization to reach organizational effectiveness. Especially, most of them pay attention to budget, staff and equipment.

2) The relation among policy resources, leadership competency and organizational climate. Policy resources and leadership competency affect the organizational climate so that a high level of policy resources leads to a better organizational climate; and a higher level of leadership competency increases the level of the organizational climate.

Policy resources were found to be significantly and positively related to the organizational climate ( $\text{Beta} = 0.543$ ), as anticipated in hypothesis 2. The higher the level of policy resources, the higher the level of the organizational climate. The policy resources were a major factor in stimulating the organizational climate. The main reason is that all resources in the town municipality must manage and allocate for management effectiveness.

Leadership competency was also found to be significantly and positively related to organizational climate ( $\text{Beta} = 0.310$ ), as anticipated in hypothesis 2. Leadership competency is a significant factor in creating

the organizational climate. The administrators of the town municipality are more open and encourage their subordinates to voice their opinion. These factors induce an employee-centered climate, a high degree of trust, and open communication in the municipality.

3) The relations among policy resources, leadership competency, organizational climate and the good governance. Policy resources, leadership competency and organizational climate affect good governance. Policy resources were found to be significantly and positively related to good governance (Beta = 0.110), as anticipated in hypothesis 3. The higher the level of policy resources, the higher the level of good governance. The significant reason is that administrators pay attention to the use of all resources in accordance with the Good Governance Act of B.E. 2542. Especially, most of them concentrate on transparency, accountability and value for money.

Leadership competency was found to be significantly and positively related to good governance (Beta = 0.317), as anticipated in hypothesis 3. The higher the level of leadership competency, the higher the level of good governance. Leadership competency is a fundamental factor in pushing good governance into practice. The administrators of the town municipality feel that they must induce all participants to participate in municipality management. Participants encourage administrators to hold to the Good Governance Act in to practice.

The organizational climate was also found to be significantly and positively related to good governance (Beta = 0.484), as anticipated in hypothesis 3. The more employee-centered the organizational climate, the more successful as the good governance was. Organizational climate is a

fundamental factor in stimulating transparency in an organization.

4) The relations among policy resources, leadership competency, organizational climate, good governance and organizational effectiveness. Policy resources, leadership competency, organizational climate, and good governance affect organizational effectiveness. Policy resources were found to be significantly and positively related to organizational effectiveness (Beta = 0.092), as anticipated in hypothesis 4. The higher the level of policy resources, the higher the level of organizational effectiveness. The appropriate quality and adequate quantity of resources were necessary for successful organization. The quality and quantity of resources were essential, but so also was their appropriate allocation. These resources were a motivating factor, making the organizational effectiveness.

Leadership competency was found to be significantly and positively related to organizational effectiveness (Beta = 0.126), as anticipated in hypothesis 4. The higher the level of leadership competency, the higher the level of accomplishment of organizational effectiveness. Leadership competency involved the ability to encourage participants to improve organizational effectiveness.

The organizational climate was also found to be significantly and positively related to the organizational effectiveness (Beta = 0.312), as anticipated in hypothesis 4. The more employee-centered the organizational climate, the higher the level of organizational effectiveness. Organizational climate meant focusing on an employee-centered climate: most administrators of town municipalities encouraged their subordinates to participate in their organization, and more participation led to organizational effectiveness.

Good governance was found to be significantly and positively

related to organizational effectiveness (Beta = 0.376), as anticipated in hypothesis 4. The more the administrators hold to the Good Governance Act, the higher the level of organizational effectiveness was.

From the path model in figures 3 and 4, which were the results obtained from two different data groups divided into city and town municipality, the following findings and discussions are a comparison between the city and town municipality.

Good governance, leadership competency, and organizational climate account for 51 percent of variation in the organizational effectiveness of the city municipality while good governance, policy resources, organizational climate, and leadership competency accounted for 62 percent of variation in the organizational effectiveness of the town municipality.

What might explain the rest of the variation in the organizational of both the city and town municipality needs to be explored in future research.

The rest of the variation in organizational effectiveness of the city and town municipality can be explained by some variables not included in the model.

Further, the relationships between each independent variable and the dependent variable can be divided into direct and indirect causal relationships, as shown in table 3.

**Table 3:** Relations between Independent Variables and Dependent Variable of the City and Town Municipality

Independent Variables	Source of Causation		
	Direct City/Town	Indirect City/Town	Total City/Town
Policy Resources	0.000/0.092	0.239/0.464	0.239/0.556
Leadership Competency	0.164/0.126	0.143/0.152	0.307/0.278
Organization Climate	0.334/0.312	0.032/0.178	0.366/0.391
Good Governance	0.260/0.367	0.000/0.000	0.260/0.000

From table 3, a comparison can be made in terms of direct, indirect, and total causal effects on the organizational effectiveness of the city and town municipality.

Policy resources do not have a direct influence but have only an indirect influence on the organizational effectiveness of the city municipality. The policy resources are mediated by leadership competency, organizational climate, and good governance. The explanation can be speculated on in terms of the low variation in data obtained from responses to the scale in terms of policy resources being inadequate to produce organizational effectiveness.

In contrast, policy resources have a direct and indirect influence on the organizational effectiveness of the town municipality. This can be explained by the nature of the town municipality in that in the same class of town municipality there are differences in terms of budget, staff, equipment, and incentives. Further, the budget received from the governments depends on the size of the population. Therefore, the town municipality still requires all resources to develop their municipality.

For leadership competency, the city and town municipality have a direct and indirect influence on organizational effectiveness. In terms of indirect influence, the relationship between leadership competency and organizational effectiveness of the city municipality is mediated only by organizational climate. The leaders are mostly involved in the ability to create an employee-centered climate to encourage their subordinates to participate in policy-making or decision-making. According to the interview, leaders focused on the importance of participatory management with subordinates as a tool for enhancing organizational effectiveness.

However, the relationship between leadership competency and organizational effectiveness of the town municipality is mediated by organizational climate and good governance. From the interview with administrators, it can be seen that most of them focus on the participatory management, especially in creating an employee-centered climate. Further, the leaders are key persons in terms of putting good governance into practice.

The organizational climate has a direct and indirect influence on the organizational effectiveness of the city and town municipality. Both the city and town municipality are mediated by organizational climate, which means that the employee-centered climate is a fundamental factor in stimulating the good governance. The main reason is that this climate highlights the participation in policy-making and decision-making. From the interview, it can be seen that the leaders are quite open to the opportunity for subordinates to exercise discretion at work. This practice gains higher trust and increases organizational effectiveness.

Good governance was significant and related to the organizational



effectiveness of the city and town municipality and produces greater effects in the town municipality (Beta = 0.367). The Good Governance Act of B.E. 2542 should be taken seriously by the administrators. From the interview, it can be seen that administrators hold to the Good Governance Act in practice, since at present all participants have to measure their municipal's performance. Therefore, the more they hold to standards of good governance, the more organizational effectiveness increases.

The results from table 4 indicate that organizational climate has the highest influence on the organizational effectiveness of the city municipality (Beta = 0.366). However, for the town municipality, policy resources have the highest influence on the organizational effectiveness for the town municipality (Beta = 0.5560).

## **Conclusion and Recommendation**

### **Conclusion**

The objectives of this study were four-fold: firstly, to evaluate the organizational effectiveness of the city and town municipality; secondly to identify the major factors affecting the organizational effectiveness of the city and town municipality; thirdly, to explain the relationships of major influential factors regarding the organizational effectiveness of the city and town municipality; finally, to compare major factors affecting on organizational effectiveness between the city and town municipality.

The study has fulfilled the four objectives as specified. The applications of the multivariate statistical technique of the path analysis allow for the exertion of the causal relationships among the variables

proposed in the model of study. Explanations given are based on the review of the literature in addition to an analysis of the interview data to support the findings.

The findings from the relationships among the variables as stated in the four hypotheses are supported. The model provides substantial power for the organizational effectiveness of the municipality. Policy resources, leadership competency, and organizational climate have a direct and indirect influence on the organizational effectiveness of the municipality. Only good governance was found to have a direct influence on organizational effectiveness. Among all the variables proposed in the model, good governance and organizational climate play the most prominent role in organizational effectiveness.

In comparison between the city and town municipality, differences in the interrelationship among the variables were found. Good governance, leadership competency, and organizational climate accounted for 51 percent of the variation in the organizational effectiveness for the city municipality, while good governance, policy resource, organizational climate, and leadership competency accounted for 62 percent of variation in organizational effectiveness for the town municipality.

The major difference is in policy resources. For the city municipality, policy resources did not have a direct influence, but had only an indirect influence on the organizational effectiveness. Policy resources are mediated by leadership competency, organizational climate, and good governance.

In contrast, policy resources exhibited a direct and indirect influence on the organizational effectiveness of the town municipality. This can be explained by the nature of the town municipality, in that in

the same class of town municipality, there were differences in terms of budget, staff, equipment, and incentives. Further, the budget received from the government depended on the size of the population. Therefore, the town municipality still requires all resources to develop its municipality.

### **Recommendation**

The municipality likes other local governments: Tambon Administrative Organizations (TAOs), Provincial Administrative Organizations (PAOs) and Special Administrative Organizations (SAOs). TAOs, which function as a single operating unit, are very close to local residents, providing local public services within their defined territory, and PAO, which covers an entire province and is responsible for administering local public services at the provincial level. At present, the municipality requires an approach in order to enhance the efficiency and quality of services. Therefore, the theoretical factors which have a strong influence on organizational effectiveness need to be seriously taken into consideration by administrators. The major factors affecting the organizational effectiveness proposed in this study's model and that were found to be the most influential factors are leadership competency and organizational climate. Further, good governance and policy resources should be mentioned. Especially, the good governance should be transplant and widespread to all stakeholders. They are major parts to stimulate to push and pull administrators and subordinates to improve their municipality to reach organizational effectiveness.

Firstly, leadership competency is still important in that the ability of administrators involves the ability to develop, support, facilitate, or lead subordinates to achieve municipal goals. Administrators must encourage

participation in management and decision-making. Participation is the process of involving subordinates in the decision-making process and it stresses active involvement of the people. It uses their competency in solving important managerial problems. It rests on the concept of shared authority, which holds that administrators should share their managerial authority with their subordinates. It also attempts to involve subordinates in the important decision processes of the municipality, not just in tangential problems or concerns. Further, a proficiency in managerial relationships is an ability to build rapport. Administrators with a high level of social skill are effective at leading change, show a superior ability to build and lead their subordinates, and become known for their persuasiveness.

Next, the organizational climate is a feeling by administrators and subordinates about how they perceive that something should be done in the municipality. The subordinates get these feelings from both their leaders and peers, formally and informally. Feelings are transmitted to them by how their leaders act and model, and what they praise and ignore. Strategically, the administrators must create climate employee-centered climates, including a degree of trust, norms of open communication, and a degree of risk or caution encouraged in decision-making. The subordinates require an organizational climate that is more flexible and that provides a greater opportunity for participation. Thus, the administrators should also review the promotion system and make adjustments as deemed appropriate.

The objective of good governance is to strengthen the institutions of civil society and to transform government into a more open, responsive, accountable, and democratic system. Municipalities need to open-up to

public scrutiny and install mechanisms that will ensure accountability and incentives. Therefore, the biggest burden of a public management reform towards good governance will fall on the members of the local Thai society and powerful political leaders. The author would recommend that good governance might separate and empower authority to subordinates clearly, provide information to stakeholders continually, evaluate performance and bring about results to develop municipal performance.

Finally, policy resources are also important factors that relate to organizational effectiveness. Although policy resources are crucial, resource management should be mentioned. The main reason is that the municipality consists of several functions: thus, criteria are required to evaluate the equity for all of the functions in the municipality. Further, good incentive and adequate budget are two crucial factors to push and pull administrators and subordinates to improve their municipality to reach organizational effectiveness.

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