**Theme:** 3.

**Reading:** Evolution and Revolution as Organisations Grow.

**Author:** L. Greiner.

-Organisations need to change internally as they grow.

-Internal analysis is as necessary as external analysis.

**Organisational Development Model**

*Five dimensions:*

**1) Age of Organisation.**

-The same organisational practices are not used for the entire life span of a company; they change over time. i.e. crises develop over time. e.g. complacency of staff/management to change old ways, only become a problem after time has passed to allow said complacency and to require said change.

**2) Size of Organisation.**

-As a firm gets bigger (increases its staff and sales volume) coordination/communication become bigger tasks, more functions are created, management roles become more interrelated and multiply.

**3) Stages of Evolution.**

-Prolonged periods of undisturbed growth are termed *Evolutionary Periods* and do not require any changes by management.

**4) Stages of Revolution.**

-Evolutionary growth is not indefinitely sustainable. Periods of turbulence and management upheaval occur several times in companies’ life spans. It is typically brought on my high-level managers who realise that the management structure is outdated for the company’s present situation.

-Firms who fail to restructure, will fold or there growth rate will level-off.

-Managers must find a new management practice that will allow the firm to proceed to the next stage of development. Typically, these practices will have to be reviewed upon entering the next revolutionary phase.

**5) Growth Rate of Industry.**

-The growth rate in the industry will the determine the rate at which the organisation grows in size, thus, will change the length of evolutionary periods. Thus, with high industry growth rates; evolutionary periods will be shorter and revolutions will be occur more frequently than low growth rate industries.

**Five Phases of Growth**

Each Evolutionary Period will have a dominant management style which will lead to a particular management crisis in the following revolutionary period, which in turn leads to a new dominant style of management to enable growth to continue.

***Phase 1: Creativity.***

Birth stage/Evolutionary period:

* Entrepreneurial owners; focus on making and selling product, not on management.
* Communication: Frequent and informal.
* Long hours: modest salaries, promise of ownership benefits.
* Decisions and motivations highly sensitive to the market.

Revolutionary period - *Crisis of Leadership*:

* Production/efficiency management is required to manage larger-scale production.
* Communication and motivational methods needed for larger staff numbers.
* Financial control.
* Must find a suitable leader.

***Phase 2: Direction.***

Evolutionary period:

* Production/Marketing separation, higher specialisation.
* Accounting systems for purchasing/inventory.
* Motivation/Incentivisation work standards are introduced.
* Communication: more formal and impersonal. Hierarchical development.
* Power centralised at the top management: key lower management treated as functional units rather than autonomous decision makers.

Revolutionary Period - *Crisis of Autonomy*:

* Motivation decreases.
* Communication: Valuable employee/mid-low level management insights lost due to procedures and downward communication.
* Must decentralise decision-making.

***Phase 3: Delegation.***

Evolutionary Period:

* Increased responsibility given to plant managers and market managers.
* Profits and bonuses used to motivate.
* Top management manage by exception based on periodic reports from below.
* Management concentrates on acquiring enterprises to adjoin existing divisions.
* Communication from top management is infrequent and brief.
* Heightens motivation and power of mid-level management→Rapid growth.

Revolutionary Period - *Crisis of Control:*

* Top management lose control.
* Division becomes increasingly isolated.
* Parochial attitudes can develop.
* Top management may want to re-centralise control.
* Specialised coordination must be developed.

***Phase 4: Coordination.***

Evolutionary Period:

* Formal systems developed to coordination divisions.
* Product groups developed.
* Formal planning procedures established and intensively reviewed.
* Staff hired for headquarters: control programs, line-manager review.
* Capital resources allocated to divisions based on performance/Return on Investment.
* Data processing is centralised at HQ, daily decision-making remains decentralised.
* Stock options/profit sharing are used to ensure staff identify with the company as a whole.
* Division managers justify decisions more carefully.
* Efficiency is increased.

Revolutionary Period - *Red-Tape Crisis*

* Lack of confidence builds between levels.
* System of control: difficult for all levels to be well-informed.
* Formal rigid systems restrict innovation: procedures are important problem-solving.
* Organisation must reduce rigidity and formality.

***Phase 5: Collaboration.***

Evolutionary Period:

* Focus on fast problem-solving through team action.
* Teams assembled across functions to handle specific tasks.
* Staff experts at HQ are mixed in discipline and reassigned in teams to consult with field units.
* Formal control systems are simplified and made into multi-functional systems.
* Conferences of key managers are held frequently to focus on major problems.
* Education for management on behavioural skills to better conduct teams.
* Real-time information systems are integrated into decision-making.
* Economic rewards are directed at teams and not individuals.
* Experimentation is encouraged.

***Possible Future Developments:***

-Intensity becomes too much.

-Functional/reflective divisions of companies.

-Sabbatical leave.

-Excess teams, keep one team in re-education at all times.

***Advice for Managers:***

1) - Know your business’ stage of development.

-Don’t avoid revolutions or skip phases: platform for change/valuable learning curve.

2) - Recognise limited range of solutions.

-Solutions to the previous revolution won’t suffice.

-Management must be prepared to dismantle current structure before revolution becomes too turbulent.

-Management not suited to next phase should remove themselves and find another company at the suitable stage.

3) - Realise that solutions breed new problems.

-Management should realise that every solution brings about a new problem and should be prepared in advance to restructure if they choose to grow.