

Organizational Development: The Concept of the Age of an Organization

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Abstract — Existing theories of the lifecycle in the context of the organizational development are based on the evolution and change of the internal factors of the organization, taking the increase in sales as the enterprise develops. Thus, organizational development is associated exclusively with the internal characteristics of an enterprise. On the other hand, the existing external circumstances dictated by the market force organizations to adapt to changes. In this regard, the authors propose the concept of the age of the organization, combining internal parameters and those that can be attributed to the adaptation of the enterprise. The article opens the question of an integrated approach to the age of the organization, combining elements that allow to more accurately predict the model of organizational development.

Keywords: *life cycle of the organization, theories of the life cycle, age of the organization*

I. INTRODUCTION. THE MAIN PROVISIONS OF THE EXISTING THEORIES OF ORGANIZATIONAL DEVELOPMENT

Theorists of the concept of the organizational lifecycle suggest a pattern of stages that enterprises must go through in the course of their lives. Kenneth Boulding [1] pioneered the concept of *organizational lifecycle* and introduced the most famous one: birth, growth, decline, death. According to Boulding [1], management sets different goals at different stages of a company's lifecycle depending on an existing strategic goal and whether it is achieved or not. At the first stage of the development, an entrepreneur is mainly focused on making a profit for the organization, and not on its growth and survival. After making a profit, an organization may shift its attention to growth and sustainability. In some cases, management may invest in new ventures and ideas, allowing the organization to move back to the first phase of the lifecycle.

Another model that was formed from Kenneth Boulding's one and which is rarely mentioned in modern literature is that of Frank Tuzzolino and Barry R. Armandi [2]. Remarkably, it is an antipode to its predecessor, where each stage is associated with a certain management structure, that arises upon solving the necessary tasks: entrepreneurial, organic, bureaucratic, restructuring, and at the final fifth

stage there is no structure at all. A. Downs [3] links organizational problems and transition among stages with difficulties in retaining innovative people. The Gordon L. Lippitt and Warren H. Schmidt system [4] is built on a set of questions relating to a particular stage. B. Liberhood [5] was among the first to suggest applying the analogy of human development to the development of an organization thus using the term *social organism*. The Kimberly model was the first to introduce the assumption that there is a preliminary stage, preceding the formation of an organization, including the ordering of resources and the formation of ideology. The four-stage model of R. Quinn and K. Cameron [6] is based on the idea of four dominant types of corporate culture, emerging based on the "framework construction of competing values". L. Greiner [7] identified several stages of organizational development based on management practices. At the heart of his model is the belief that a company's future is determined primarily by history and not by external forces. The S. Hanks' [8] study differs significantly from all the others as in that he attempted to create a lifecycle model empirically. One of the most modern and complete, in our view, models is that of Ichak Adizes [9]. Worth noting that he reviews the development of an organization as the development of a living organism which improves significantly the perception of each of the proposed stages. This model is also versatile and doesn't depend on a particular industry or sphere.

II. LIMITATIONS OF THE EXISTING MODELS

A. *Drastic reduction of the companies' lifecycle*

Harvard Business Review Russia has recently published a study conducted by Dartmouth College Professor Vijay Govindarajan [10] on the life expectancy of 29 688 companies listed on the US stock market between 1960 and 2009. According to the study, "enterprises that existed before 1970 in 92% of cases lasted more than five years; this indicator dropped to 63% for those companies created between 2000 – 2009, which indicates the reduction of the companies' lifecycle" [10]. This trend is associated with the growth of digital service enterprises that have an advantage

over capital-intensive production: the lack of expensive infrastructure and the ease of the service replication. Professor Govindarajan appeals to the “Schumpeter’s creative destruction” in the context of declining life expectancy of the organizations.

B. *Existence of long-living organizations*

At the same time, there are the opposite statistics. As of 2015, there were 967 companies founded before 1700. Among these long-living enterprises there are three hotels, two of which were opened in 717-718 and one in 760, the Japanese company producing paper bags, started in the year 771, Europe’s oldest restaurant in Salzburg operating since the year 803. The question is, how did it happen that after more than 1 100 years, a company hasn’t acquired the traits inherent to the stages of *bureaucratization* or *aging* in the lifecycle terminology. Professor Govindarajan points out the complexity of a product or service as its competitiveness trait. However, such companies as Sotheby’s (founded 1744), Twinings (1706) and Christie’s (1766) as well as the others have competitors that offer more sophisticated prices. The Twinings tea company is among the largest tea producers. According to the Twinings 2013 annual report [11], sales of green tea increased by 5,8% year-to-year allowing the company to occupy 43,5% of the market.

C. *Merge and alliance*

There is yet another important aspect. All the lifecycle theories speak of a certain immutable order: an enterprise must be *born*, they must *grow*, and then *mature*. Even Greiner in *evolutions* and *revolutions* starts with the creation phase, then analyzing the changes occurring during the growth. But can the company come into existence already *matured*, bypassing the stages of *birth* and *growth*?

Merge is the union of two or more economic entities resulting in a new united economic unit. Among the most striking, in our opinion, examples of M&A deals are the merge of American Airways and US Airways resulted in American Airlines which currently operates more than 6 700 daily flights; Delta Air Lines and Northwest Airlines, which can be considered as one of the largest mergers. A new company doesn’t need to conquer the market once again, looking for customers, as one of the criteria for the effectiveness of such economic relations is the criterion of synergy. It turns out that an organization may have a separate lifecycle not starting from the beginning?

III. THE CONCEPT OF THE AGE OF AN ORGANIZATION

These prerequisites pushed us to seize the need to elaborate a concept combining some of the traits reflecting both the internal features of an organization as well as adaptation to external conditions. In refraction of age periodization applied to enterprise structures, it is necessary to emphasize that “we are not in favor of applying biological laws to human social organization” [12] but only taking them as a model.

The idea of Lev Vygotsky’s neoplasms is at the heart of all modern systems dealing with the division of human

aging [13]. The Soviet academic believed that peculiarities observed in human behavior reflected in the ideas of phasing, associated with the changes in forms generated through interaction with the external environment, which gives birth to more complex forms. Taking this provision as a basis, we have identified four main stages of the age of an organization: *youth*, *adolescence*, *maturity*, *senescence*.

A. *A factor of an enterprise’s stress resistance*

The linchpin of an organization’s age is the concept of *stress resistance*. According to Doctor of Science in Medicine, Professor Yu. A. Alexandrovskiy and Doctor of Science in Medicine, Professor Lebedev, “stress resistance is the barrier of mental adaptation” [14]. Thus, we have elaborated a definition of an *adaptive organization* as a commercial organization that has a shared among its members’ goal and is built based on a flexible self-educating structure that involves open information flows and equality of employees. At the same time, comprehension of the common goal provides cohesion, strong self-identity when employees feel like part of a single organism. Thus, if the medical comprehension of a human stress resistance relates quite closely to the concept of *adaptation*, for the analysis of which a researcher takes into account the individual’s traits, then an organization’s stress resistance is associated closely with the concept of *adaptive organization*; that is, stress resistance is a characteristic trait of an organization in which there is an optimal combination of the following internal features: shared goal to the members, structural flexibility, openness of information flows and equality of employees. Stress resistance is associated with other characteristics such as inertia or bureaucratization. D. Klutz and H. Haveman [15] identify two negative consequences of bureaucracy – inertia and shifting goals. Formalized, rules-based organizational structures, resisting changes, lead to the advent of structural inertia: they cannot change and adapt to changes in the environment [12].

The results of A. de Geus’ study [16] confirm that the high level of stress resistance can be attributed to the stages of *youth* and *adolescence* of an organization. The researcher conducted in the 1980s a study of 27 corporations founded before 1890 to identify the factors of their *adolescence*. Among other findings, he revealed the cohesion around the goal (an *idea of society* in de Geus’ interpretation), a responsibility to stakeholders and attention to the development of each employee. Confirmation of the link between adaptability and *adolescence* of a company can be traced in the principle of E. Deming [17], who is considered the founder of the process of revival of the Japanese economy and the country’s breakthrough into the ranks of world leaders.

B. *A factor of enterprise’s innovation*

The next interesting for us feature is “innovation”. *Youth* is described by the desire for collective activity, participation in all group endeavors: young men strive to be accepted into a group, to assert themselves, to have prestige, to take a stand. This *self-affirmation* within an organization occurs through the elaboration of a *creative* or *innovative product*. In foreign literature creative

product as an economic good or service is defined as a product emerging as a result of the creative process and having value [18]. The presence of a creative component sometimes referred to as *creative production*, is potential value for customers since it adds not only aesthetics but also causes an emotional impact determining customers' identity with a product. One of the most comprehensive definitions of a creative product is found in the works of D.N. Borovinskaya: "creative product is a result of creative activity that has economic application and cultural meaning" [19]. Thus, it may be the improvement of the qualitative characteristics of a product through positioning, sales, etc. In contrast, an innovative product offers new features providing customers with new experiences. In the periods of *youth* and *adolescence* companies are constantly creating *creative products*. Yet at the first *youth* stage experiments predominate that, according to E. Ris [20] allow to better understand the needs of consumers, to identify emerging needs and to arrive at the final product or service. A.V. Tolstyh [21] notes that in youth a human works on the assertion of his destiny and take an active social approach. Enterprise's self-identity is achieved through its interaction with consumers and its continuous self-improvement based on the internal system – the absence of bureaucracy.

C. A factor of enterprise's activity

PR promotes not so much the product as the company itself into the public consciousness. At the stages of *youth* and *adolescence*, a company proactively uses internal and external PR instruments – it's necessary not only to notify the market about a new product or service but also to smith customer loyalty. An enterprise stimulates sales through the distribution of coupons, discounts, samples, prizes, souvenirs, etc. These actions to make a *creative product* and to quickly adapt to the needs of consumers are possible thanks to a flexible organizational structure and the absence of bureaucracy. Currently, there are many authors [16, 17, 20, 22] offering various organizational models aimed at creating a flexible structure that allows, on the one hand, to quickly adapt to changes, on the other – to disclose information flows.

D. A factor of enterprise's self-education

Special attention is paid to the enterprise's self-education. A. Garvin [23], Professor of Business Administration at Harvard Business School, defines a self-education organization as an "organization that has the skills to create, acquire, interpret, transmit, and retain knowledge, and to purposefully change its behavior to echo new knowledge and ideas". E. Ris offers and approaches to self-education as a result of feedback on two levels: feedback from customers and the effectiveness of the tech itself to create a product. Active self-education is an important trait of the *youth* and *adolescence* stage.

E. A factor of enterprise's inertia

The Swiss psychologist Y. Klapared [24] believed that mature age is equivalent to the stop in development, to *fossilization*. At the stage of *maturity*, an enterprise becomes more bureaucratic and, therefore, inert, stubbornly adapting

to the environment. Since a company rarely releases even a *creative product*, there's no need for such active interaction with the external environment as at the previous stages. As a result, a company loses the ability to self-educate and inertia emerges. Bureaucracy deprives a person of creativity and, consequentially, begets an inability to elaborate a *creative product*. Moreover, bureaucracy is extremely irreparable: it undertakes its own life and behaves in a way that often surprises and even confuses the managers themselves [25]. Such negative trends lead to *senescence* which is expressed in the complete lack of interaction with its consumers and the lack of production of new products.

IV. SUMMARY AND CONCLUSIONS

Thus, the concept of the age of an organization takes into account the level of interaction of a company with the external environment, which helps to understand the phenomenon of rapid turnover of contemporary organizations and the stability of long-living ones. Also, the concept of the age is not tied to the number of employees in an organization and its growth rate which also allows the newly created enterprise to emerge at grand scale (as in the examples of airlines). Both the concept of human biological age allows multiple approaches, including those taking into account primarily internal or external factors of the functioning of organism, and the concept of age of an organization may supplement missing fittings within the understanding of organizational development, providing the chance to fill in missing elements, namely the comprehension of an organization as a part of an ever-shifting ecosystem. Nevertheless, the authors of the presented article agree that as a newly described concept it requires adjustments and refinements in the process of usage.

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