

THE DEVELOPMENTAL APPROACH TO THE GROWTH OF ORGANISATIONS



by
John O'Meara.
Senior Lecturer in Personnel
Management.
Graduate School of Business
Administration.
University of the Witwatersrand.

Hierdie artikel handel oor die evolusie van organisasies met besondere verwysing na die fases waardeur organisasies gaan en die kragte onderliggend aan hulle groei en ontwikkeling. Dit is 'n poging om die werk van Lievegoed, Blake en Mouton, Likert en Greiner te sintetiseer. Elk van hierdie skrywers benader die onderwerp verskillend, maar daaruit tree die elemente van 'n ontwikkelingsteorie na vore. Ontwikkelingsteorie maak dit vir maatskappye moontlik om die ontwikkelingsfase waarin hulle hulle bevind, te bepaal en wat hulle moet doen om vooruit te gaan. Die teorie is ook van toepassing op nasionale vlak. Volkere en rasse-groepe bevind hulle op verskillende stadia van ontwikkeling wat die bron is van baie probleme op nasionale en internasionale vlak. Die skrywer is van mening dat hierdie konsep van toepassing is op baie van ons plaaslike probleme. Hy beskou ontwikkelingsteorie as 'n makrobenadering wat 'n nuttige verwysingsraamwerk voorsien vir 'n begrip van organisatoriese groei en 'n waardevolle konsep in bestuursopleiding.

In order to improve our understanding of the growth and development of organisations it is helpful to find an approach, (or approaches) which enables us to view the massive amount of information available in a systematic and logical fashion.

To begin with "an approach" may be described simply as "a point of view", from which to study the phenomenon concerned. It is possible that from "the approach" a set of suppositions or principles may evolve which have explanatory or predictive value and "the approach" may then warrant the status of being considered "a theory".

I feel it is necessary to make this distinction, because many an approach or point of view has passed off as a theory, thereby gaining a status and an apparent validity which is not justified. This adds to the existing confusion arising from the bewildering number of approaches to organizations, such as,

- the contingency approach
- the developmental approach
- systems approaches
- universalist approaches
- interdisciplinary approaches
- the empirical approach
- the social systems approach
- the human relations approach
- the human resources approach
- the M by O approach

Each approach, since it represents a viewpoint, may have some value and will give rise to observations and possibly conclusions which are valid from that point of view, but which may tend to become dubious if

pressed beyond what Kelly¹ calls their "focus and range of convenience", which he defines as follows:

"The focus of convenience of a theory is that group of elements which it was originally designed to make predictions about. The range of convenience is the maximum number of elements the theory can be stretched to cover."

Kelly adds: "Theory begins to creak and become more woolly as its range of convenience is extended."

How well this explains so many of the feuds between different approaches or schools of thought.

Koontz² in seeking a way through what he calls the "Management Theory Jungle" suggests the following criteria in assessing theories:

- (1) "The theory should deal with an area of knowledge and enquiry that is manageable"
- (2) "The theory should be useful in improving practice"
- (3) "The theory should not be lost in semantics"
- (4) "The theory should give direction and efficiency to research into teaching."
- (5) "The theory must recognise that it is part of a larger universe of knowledge 'and theory'."

These are useful practical guides though not complete. Above all else theories should provide insight into, and increased understanding of, the area of enquiry.

One can expect also, that whatever their objective validity, where there is a choice of theories, they will have different appeals to different men according to their needs, their temperaments, their backgrounds and the many factors which govern their perceptions.

THE DEVELOPMENTAL APPROACH

In this paper I intend to deal with an approach to studying organisations which has a particular valence for me, "the developmental approach". It is an approach which meets Koontz's criteria and which I have found opens the way to increased understanding of organisations of all sizes and in all stages of development. It establishes a useful framework within which to co-ordinate knowledge, provides direction and has explanatory and predictive value. It more than warrants the status of a theory, "developmental theory", but until this has been adequately proven, I will refer to it as "the developmental approach" defined as *"the study of the evolution of organisations, with particular reference to the phases through which they pass and the forces at work governing their growth and development."*

The main contributors to this developmental approach appear to have come to this approach independently.

In 1966, Blake, Avis & Mouton³ published their book "Corporate Darwinism" in which they identified phases in the evolution of the modern corporation and described their approach as "a strategy of thinking which has proved uncommonly useful for understanding the forces which bring about change in an orderly and predictable way," but refer to this as "a not yet fully proven theory". They identify six stages in the evolution of the modern corporation.

- (1) — the food gathering family
- (2) — the food producing village
- (3) — commercialisation of economic life
- (4) — the entrepreneurial corporation
- (5) — the mechanistic corporation
- (6) — the dynamic corporation

They devote their book to a detailed description of the last three stages, which they claim makes it possible "to pinpoint any corporation's stage of evolution".

While they state that their approach is "not intended as a literal translation of a biological theory to the evolution of human institutions", it is obviously inspired by this concept.

In Holland, at much the same time B.C.J. Lievegoed, a medical man with a sociological bent, and Professor of Social Pedagogy at the Rotterdam School of Economics, was finding a developmental approach to the study of organisational growth of considerable value and had established a consulting organisation, the N.P.I., to implement this approach in helping industrial concerns with their organisational problems.

Lievegoed drew on his medical and psychological experience and seems to have come to a developmental approach independent of Blake and his colleagues. His book on "The Developing Organisation" was published in Dutch in 1969 and in English in 1973.⁴

Lievegoed identifies three phases in the development of modern organisation which he calls

- "(1) The Pioneer Phase
- (2) The Phase of Differentiation
- (3) The Phase of Integration"

These are very similar to the stages outlined by Blake et al. in essence, though Lievegoed approaches them through systems theory. He constructs what he calls "a developmental model" in which "the following laws" can be discerned.

- development is principally discontinuous
- development occurs in time in a series of stages
- within each stage a system appears which has a structure characteristic of that stage
- within this system variables and sub-systems appear of which one is dominant
- in a following stage the structure differs from the previous one in that it has a higher degree of complexity and differentiation
- the new stage has a new dominant sub-system: this does not lead to a process of addition but to a shifting of all the relationships within the system
- development is not reversible.

Lievegoed makes a distinction between growth and development. Growth he defines as "an increase in size, without a change of structure". Development involves a change in structure, usually accompanied by periods of crisis or turbulence.

This distinction between growth and development is implicit in Greiner's model⁵ as well. Greiner uses the term "evolution" to describe "the quieter periods" in the growth of an organisation, but says that "smooth evolution" is not inevitable, nor can it be assumed that "organisation growth is linear". There are periods of turbulence when "traditional management practices, which were appropriate for a smaller size and earlier time" have to be changed. He uses the term *revolution* to describe "those periods of substantial turmoil in organisation life". The organisation advances through evolutionary and revolutionary phases.

Greiner lists five key dimensions for his model or organisation development, viz:

1. Age of the organisation
2. Size of the organisation
3. Stages of evolution
4. Stages of revolution
5. Growth rate of the industry

On the basis of these dimensions he constructs a model of organisation development involving five phases of evolution and revolution, viz:

	<i>Evolution</i>	<i>Revolution</i>
Phase 1.	Creativity	crisis of leadership
Phase 2.	Direction	crisis of autonomy
Phase 3.	Delegation	crisis of control
Phase 4.	Co-ordination	crisis of red tape
Phase 5.	Collaboration	crisis of ?

THE DEVELOPMENTAL APPROACH

In this paper I intend to deal with an approach to studying organisations which has a particular valence for me, "the developmental approach". It is an approach which meets Koontz's criteria and which I have found opens the way to increased understanding of organisations of all sizes and in all stages of development. It establishes a useful framework within which to co-ordinate knowledge, provides direction and has explanatory and predictive value. It more than warrants the status of a theory, "developmental theory", but until this has been adequately proven, I will refer to it as "the developmental approach" defined as *"the study of the evolution of organisations, with particular reference to the phases through which they pass and the forces at work governing their growth and development."*

The main contributors to this developmental approach appear to have come to this approach independently.

In 1966, Blake, Avis & Mouton³ published their book "Corporate Darwinism" in which they identified phases in the evolution of the modern corporation and described their approach as "a strategy of thinking which has proved uncommonly useful for understanding the forces which bring about change in an orderly and predictable way," but refer to this as "a not yet fully proven theory". They identify six stages in the evolution of the modern corporation.

- (1) — the food gathering family
- (2) — the food producing village
- (3) — commercialisation of economic life
- (4) — the entrepreneurial corporation
- (5) — the mechanistic corporation
- (6) — the dynamic corporation

They devote their book to a detailed description of the last three stages, which they claim makes it possible "to pinpoint any corporation's stage of evolution".

While they state that their approach is "not intended as a literal translation of a biological theory to the evolution of human institutions", it is obviously inspired by this concept.

In Holland, at much the same time B.C.J. Lievegoed, a medical man with a sociological bent, and Professor of Social Pedagogy at the Rotterdam School of Economics, was finding a developmental approach to the study of organisational growth of considerable value and had established a consulting organisation, the N.P.I., to implement this approach in helping industrial concerns with their organisational problems.

Lievegoed drew on his medical and psychological experience and seems to have come to a developmental approach independent of Blake and his colleagues. His book on "The Developing Organisation" was published in Dutch in 1969 and in English in 1973.⁴

Lievegoed identifies three phases in the development of modern organisation which he calls

- "(1) The Pioneer Phase
- (2) The Phase of Differentiation
- (3) The Phase of Integration"

These are very similar to the stages outlined by Blake et al. in essence, though Lievegoed approaches them through systems theory. He constructs what he calls "a developmental model" in which "the following laws" can be discerned.

- development is principally discontinuous
- development occurs in time in a series of stages
- within each stage a system appears which has a structure characteristic of that stage
- within this system variables and sub-systems appear of which one is dominant
- in a following stage the structure differs from the previous one in that it has a higher degree of complexity and differentiation
- the new stage has a new dominant sub-system: this does not lead to a process of addition but to a shifting of all the relationships within the system
- development is not reversible.

Lievegoed makes a distinction between growth and development. Growth he defines as "an increase in size, without a change of structure". Development involves a change in structure, usually accompanied by periods of crisis or turbulence.

This distinction between growth and development is implicit in Greiner's model⁵ as well. Greiner uses the term "evolution" to describe "the quieter periods" in the growth of an organisation, but says that "smooth evolution" is not inevitable, nor can it be assumed that "organisation growth is linear". There are periods of turbulence when "traditional management practices, which were appropriate for a smaller size and earlier time" have to be changed. He uses the term *revolution* to describe "those periods of substantial turmoil in organisation life". The organisation advances through evolutionary and revolutionary phases.

Greiner lists five key dimensions for his model or organisation development, viz:

1. Age of the organisation
2. Size of the organisation
3. Stages of evolution
4. Stages of revolution
5. Growth rate of the industry

On the basis of these dimensions he constructs a model of organisation development involving five phases of evolution and revolution, viz:

	<i>Evolution</i>	<i>Revolution</i>
Phase 1.	Creativity	crisis of leadership
Phase 2.	Direction	crisis of autonomy
Phase 3.	Delegation	crisis of control
Phase 4.	Co-ordination	crisis of red tape
Phase 5.	Collaboration	crisis of ?

Greiner's approach published in 1972 appears to have been arrived at independently as well.* It is probably an indication of the validity of the developmental approach that these contributors should have arrived at substantially the same conclusions by different routes, for though there are differences in their presentations, the similarities are the striking feature.

A fourth and important contributor to this field is Rensis Likert,⁶ who has arrived at a developmental approach independently, but with rather similar results.

Likert identifies four management systems, as follows:

System One	–	Exploitive Authoritative
System Two	–	Benevolent Authoritative
System Three	–	Consultative
System Four	–	Group Participative

Likert has constructed a measuring instrument, in the form of a questionnaire, which makes it possible to establish the phase of development reached by an organisation. Once this has been established one is able to see what steps lie ahead of an organisation in the evolution of its management.

It is not possible in this paper to deal with each of these four contributions fully, nor is this my aim. The serious student is well advised to study the four sources in detail. I am concerned with bringing these contributions together and finding a synthesis which

may strengthen the basis for the developmental theory of the growth of organisations, which is implicit in the work of all of them.

Though they differ in the number of sub-divisions or phases which they identify, it is not difficult to see a basis for consonance. Likert divides Pase One, into two stages — Exploitive and Benevolent — both auto- cratic. Greiner does much the same with his divisions of Creativity and Direction, which may well take place under the rule of the pioneer or the founding autocrat. Similarly the pahse of Differentiation can readily cover Greiner's Phases of "Delegation", and "Co-or- dination".

I favour the use of the terms autocratic management, bureaucratic management and democratic manage- ment for the three phases, for the essential difference between them lies in the use of power and authority, and one can identify qualitative differences in this respect between these three phases.

On this basis I have drawn up the table shown in Fig. I and will use this as the framework for the approach used in this paper.

Each contributor has built up a description of the main aspects of management and organisation in these phases. I shall attempt to give the essence of each phase, but will not be able to do justice to the specific details to be found in the writings of the four con- tributors.

Figure 1

Author	Phase I	Phase II	Phase III
Lievegoed	Pioneer Phase	Phase of Differentiation	Phase of Integration
Blake, Avis & Mouton	Entrepreneurial Stage	Mechanistic Stage	Dynamic Stage
Greiner	(1) Creativity (2) Direction	(3) Delegation (4) Co-ordination	(5) Collaboration
Likert	(1) Authoritative Exploitive (2) Authoritative Benevolent	Consultative	Group Participative
Power & Authority Structure	Autocratic Management	Bureaucratic Management	Democratic Management
<i>Phase I Autocratic Management</i>			
Lievegoed	–	the Pioneer Phase	
Blake et al	–	the Entrepreneurial Stage	
Greiner	–	Phase I — Growth through Creativity Phase II — Growth through Direction	
Likert	–	System I — Exploitive Authoritative System II — Benevolent Authoritative	

* (Though Greiner pays tribute to Chandler. See Appendix One)

The essential characteristic of Phase One in the development of the modern corporation is the role played by the pioneer, the founder, the man who creates the organisation and establishes it.

In this stage, says Blake, "the top man is the main source of strength".

Lievegoed writes, "the dominant sub-system ruling all the other factors is the pioneering entrepreneur himself".

Greiner emphasizes creativity. "In the birth place of an organisation the emphasis is on creating both a product and a market."

The pioneer organisation itself goes through phases in development. At the beginning survival is the main problem for the failure rate is high. Once survival is ensured, rapid growth is likely because of the intrinsic advantages of the autocratic pioneer organisation, viz: quick decision making, clear leadership, personal control, flexibility, good customer service, low overheads, and staff involvement.

This growth may go on for many years, thirty, forty, fifty, but there are forces at work inevitably causing the growth rate to slow down. The rot may begin many years before it becomes apparent and obvious. It may be brought about by increasing competition, changing technology and social conditions, obsolescence of design and machinery, but the major cause lies in the pioneer and his management style. It is natural, perhaps inevitable, that he should keep the decision making power and authority in his own hands. The business grows round him in a "maypole" structure and to begin with he may have to fill the major management functions himself, personally controlling production, sales, finance and staff. He knows everybody and every facet of his business. He exercises what Blake calls "eye ball control"; he keeps an eye on everything. He runs a very tight ship and takes a pride in doing so.

There comes a stage, however, when the intrinsic defects in this autocratic management begin to show through. As the pioneer, grows older and the organisation grows bigger, the burden is too heavy for him to shoulder alone. But there is no one he can delegate to, because he has built up no management structure, and no one has been encouraged to take decisions.

He may introduce managers from outside, but it is rare that the pioneer will delegate authority effectively, until it is taken out of his hands (e.g. Henry Ford — 83 years, Helena Rubenstein — 93 years).

There comes a stage where the organisation goes into a very rapid stage of decline, entering what Lievegoed calls "the crisis of the first phase" and Greiner "the crisis of autonomy".

This process is shown very clearly in the rise and fall of Henry Ford I, summarised below, a story with many parallels.

The rise and fall of Henry Ford (The history of a pioneer)

- 1863 — Born at Dearborn, Michigan
- 1903 — Ford Company established with capital of \$28 000 and 11 partners. 1 708 cars produced that year.
- 1913 — 200 000 cars (All partners had been bought out.)
- 1914 — Ford doubles wages from \$2,50 to \$5,00. He is hailed as a most progressive employer, even by the Russian Bolsheviks.
- 1915 — 1½ million cars.
- 1923 — 2 million cars.
- 1924-5 — 2/3 of car market in U.S.A. is Ford's. Model T — still the only model.
- 1927 — Need to retool for new Model A Ford to meet General Motors competition. 60 000 workers laid off.
- 1928 — New York Times calls Ford "an industrial fascist" "the Mussolini of Detroit".
- 1936 — The Ford Company has a force of over 3 000 Company police, headed by policeman Bennet, (who became Henry's right-hand man). Ford Foundation established. (Ford family controls 40% votes.)
- 1941 — Ford forced to allow entry of Unions into his plants.
- 1943 — Death of his son — Edsel.
- 1946 — Ford Company losing 10 million per month. (\$) Ford Company starts legal proceedings to displace old Henry now 83 years old. (The pioneers do not give up easily.)
- 1948 — Henry Ford, II, brings in Breech from General Motors to help build up an organisation structure.

Reference Summary based on information in "Working for Ford" Huw Benyon.⁷

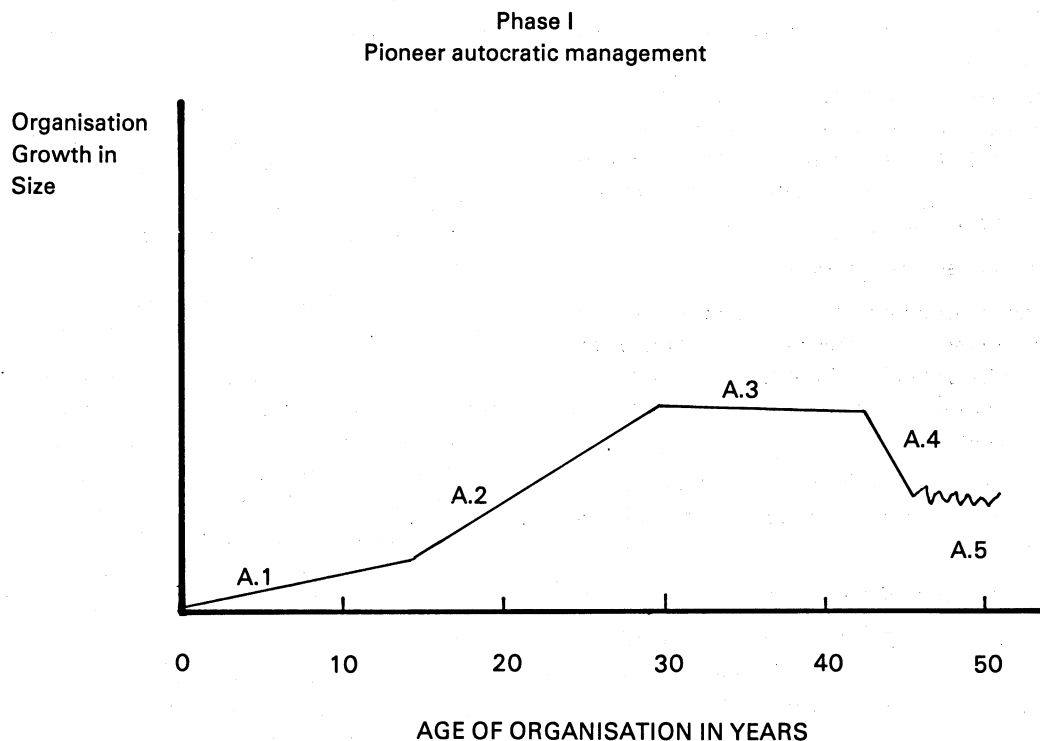
MODEL OF THE PIONEER PHASE

It is possible to construct a model showing these ups and downs in Phase I. I have attempted this in Fig. 2. Obviously there will be individual differences in organisations and the time element may vary considerably. There is, however, probably some relationship to the working life of an individual of approximately 40–50 years. The crucial factor is the quality of management.

THE IMPORTANCE OF THE PIONEER PHASE

Ardrey⁸ and others have described how animal groups develop an order of dominance or "pecking" order under the leadership of a single leader. This order is accepted by the group and remains stable as long as the leader can retain control and fend off challenges to his leadership.

Figure 2



- Legend**
- A.1. Survival Phase
 - A.2. Rapid Growth
 - A.3. Levelling out
 - A.4. Rapid decline
 - A.5. Crisis

It is not surprising therefore, that autocracy, in one form or another, has been the main organisational form in human groups as well, and was the natural form of organisation adopted by the modern corporation. Other forms of organisation, such as bureaucracy and democracy, are not easily evolved or readily accepted, and are continually threatened by a reversion to autocracy, particularly in times of crisis.

Autocratic forms of management live on in most organisations, long after new forms of organisation have been developed, as does the impact of the founder of the organisation. The pioneer's values, attitudes, and mode of operating leave an impact which accounts largely for the corporate personality or character which each organisation develops, as seen in organisations such as The Ford Motor Company, I.B.M., Du Ponts, etc.

Much of the folklore and the practice of management originate from this Pioneer Phase, e.g. the hard-nosed approach, profit maximisation, tight control, accountability, reluctance to delegate, secretiveness, individualism, management by authority, and the deification of the strong manager. The pioneer develops a charisma seldom found amongst later managers. This is well deserved as the pioneer creates something where nothing existed before.

It is well to remember, also, that though in its classic form pioneer autocratic management is associated with the Victorian and Edwardian eras, most small businesses still tend to be run in this way, and that new pioneers are constantly emerging, and posing a threat to the larger and older establishments, because of their mobility, flexibility and decision making advantages.

Politically, nations also may still be in a pioneer phase, with autocracy as their natural form of government. Nowhere is this more evident than in Africa where one-party autocratic rule is the common form of organisation in almost all the newly created national states. They have still to work their way through the more advanced stages in organisation development.

One of the major problems in world politics is the dissonance which exists between nations in different phases of development.

THE CRISIS OF THE FIRST PHASE

With keen perception, Lievegoed writes:

"Growth continues within a certain structure until a limit is reached; beyond this limit the existing structure or model can no longer impose order on the mass, the consequence is either disintegration or a step up to a higher level of order."

Growth in size, complexity, and age bring the Pioneer Phase in an organisation to an end. Something has to be done to prevent disintegration. New management is required which will develop new structures and approaches to make good what was missing or inadequately developed in the Pioneer Phase; viz: management and organisation structure, systems and procedures, distribution of authority, better planning and different forms of control.

Lievegoed describes this process well:

"The rational ordering of tasks, things and processes becomes the organisational principle of the phase of differentiation. The integration of human activities is based on a formal hierarchy of authority and subordination."

This, in fact, is an excellent description of bureaucracy, which is the dominant management paradigm in the Second Phase.

Phase II. *Bureaucratic* Management

Lievegoed	— The Phase of Differentiation
Blake et al	— Mechanistic Management
Greiner	— Phase 3 — Delegation Phase 4 — Co-ordination
Likert	— System 3 — Consultative Management.

Towards the end of the 19th and during the beginning of the 20th century new management concepts were emerging as a result of the inadequacies of pioneer-autocratic management, but also because of the needs arising from the rapid growth in industry, the development of *large scale enterprises*, mass production techniques, and social changes. The massive industrial demands of the First World War hastened the acceptance of new managerial approaches, and by the end of it a very much more systematic approach, often described as "scientific management" had evolved as the accepted management form of the future.

The essence of the managerial change lay in the development of systematic approaches to every aspect of management, the evolution of management structures, and the delegation of authority, albeit cautiously and tentatively, down the line.

There is no doubt that credit must be given to Frederick Taylor for a major contribution to this managerial change. Lievegoed quotes as the "main organisational principles" of the Phase of Differentiation, Taylor's concepts of mechanization, standardisation, specialization and co-ordination. It is true that in the early stages of the new phase, industrialists drew avidly on the efficiency aspects of Taylor's contribution, while ignoring "the great mental revolution", in management which he called for.

Gilbreth's innovations in work study, Gantt's bonus systems, Munsterberg's emphasis on scientific selection, Emerson's principles of efficiency, all con-

tributed to developments at this stage. The enthusiasm for job analysis, job description and measurements of productivity, mushroomed. Blake describes this period well.

"The most distinctive feature of any mechanistic organisation is the way it is structured. Here everything is spelled out. Every job has its description Indeed, in full bloom, the mechanistic organisation is, quite literally, a well organised machine."

(One can see already in this description the outline of the future weakness in the mechanistic approach.)

After the First World War, the managerial theories of the Frenchman, Fayol, began to receive increasing recognition. By systematically analysing the major functions of management, he drew up fourteen principles which provided a theory of management which could be applied to any organisation. It survives today in many forms, and is particularly espoused by the Louis A. Allen School's emphasis on planning, organising, leading and controlling.

The contributions of Taylor and Fayol, did not have much impact on the human aspects of industry, and it was only when Elton Mayo's analysis of the Hawthorne experiments became more widely known in the Thirties, that the importance of social relationships in the work situation received attention, giving rise to the Human Relations approach to productivity, i.e. that productivity is highest where care is taken of human relationships.

This movement flowered after the Second World War when the demand for labour brought marked improvements in working conditions and fringe benefits, or what Herzberg called the "hygiene factors".

This phase in management extending from the First World War to the present has been termed by Bennis⁹ and others "Bureaucracy", an accurate description, but one which has derogatory connotations. The essence of bureaucratic management may be summed up as

- (1) Division of work in an orderly and stable fashion.
- (2) Systematization of rules and procedures.
- (3) Establishment of an hierarchy in which lower ranks are governed by higher.
- (4) Distribution of authority through a number of levels in a systematic manner.
- (5) Promotion on the basis of qualifications and experience.
- (6) Rules and procedures override the requirements of the situation.

"The fully bureaucratic mechanism" writes Max Weber¹⁰ "compares with other organisations exactly as does the machine with non-mechanical modes of production."

It is, of course, this mechanistic quality which is both its strength and weakness, and which is increasingly forcing the need for a more flexible system.

It is necessary, however, to recognise the great achievements of organisations in this mechanistic-bureaucratic phase, which may be summarised as follows.

Bureaucracy

- (1) — has provided the organisational structure for the management of large scale enterprises.
- (2) — made possible the delegation and co-ordination of power and authority
- (3) — established management on a systematic, as opposed to a haphazard basis
- (4) — produced major advances in efficiency
- (5) — improved the working conditions of labour and the human relations involved
- (6) — made tremendous advances in technology through research and development
- (7) — produced as systematic theory of management where little or nothing existed before.

Its defects, however, are becoming increasingly apparent, viz:

- (1) — the system overrides the requirements of the situation
- (2) — initiative may be smothered
- (3) — the impersonal nature of the system undermines motivation

- (4) — decision making is slow
- (5) — the system is rigid and changes slowly
- (6) — it is not well suited to a turbulent and rapidly changing environment
- (7) — the emphasis is on precedent rather than the future. Old solutions are applied to new problems
- (8) — power, status and privileges are entrenched.

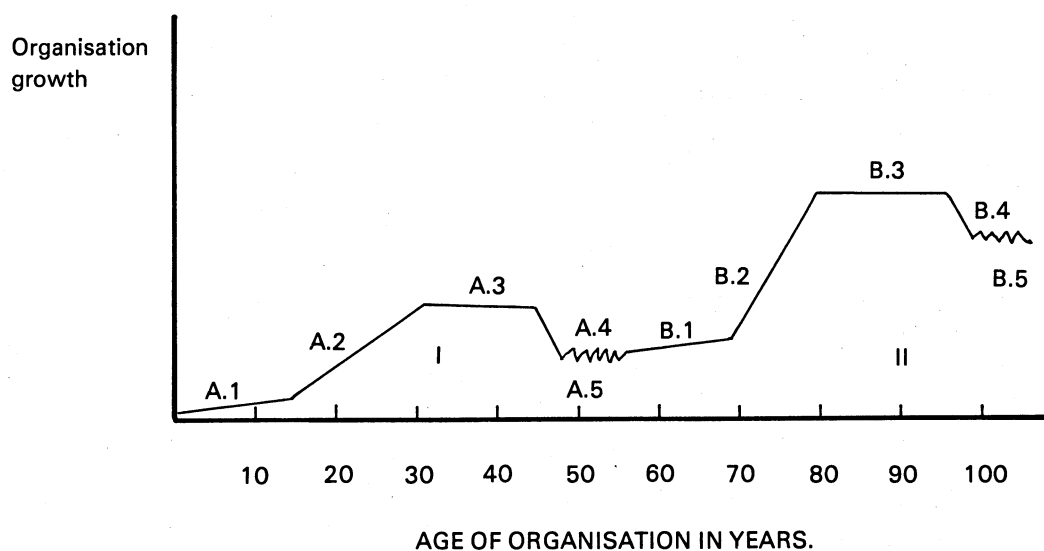
The demise of bureaucracy was predicted by Bennis¹¹ in 1965 when he wrote that "in the next 25 to 50 years we should witness and participate in the end of bureaucracy and the rise of new social systems better suited to twentieth century demands of industrialization".

Greiner says that the bureaucratic organisation "has become too large and complex to be managed through formal programmes and rigid systems. The Phase 4 revolution is under way".

Lievegoed writes "In order to escape the dilemma of the over-ripe second phase in which most companies find themselves today, the time seems to have arrived for a complete revision of the model".

There are good grounds for extending the model set out in Figure 2 as follows:

Figure 3



Legend

Phase I *Autocracy*

- A.1 Survival Phase
- A.2 Rapid Growth
- A.3 Levelling off
- A.4 Decline
- A.5 Crisis

Phase II *Bureaucracy*

- B.1 Survival Phase
- B.2 Rapid Growth
- B.3 Levelling off
- B.4 Decline
- B.5 Crisis

Note

The diagram does not do justice to the immense growth of organisations in Phase 2, nor to the fact that change is becoming more rapid. The present mechanistic bureaucracy has been short-lived compared to pioneer autocracy.

CRISIS OF THE SECOND PHASE

In the late Fifties the more perceptive of the management theorists began to question the adequacy of many of the presumptions and concepts on which mechanistic-bureaucracy operated.

As early as 1955, Peter Drucker¹² wrote:

"At some unmarked point during the last twenty years we imperceptibly moved out of the modern age and into a new, as yet nameless, era. The old view of the world, the old tasks and the old centre, calling themselves modern and up to date only a few years ago, just make no sense any more. We have no theories, no concepts, no slogans — no real knowledge — about the new reality."

It is possible that the explosion of the atomic bomb may have sparked off Drucker's perceptive statement about the new reality. It was a change of a qualitative nature with vast implications. Since then we have seen the growth of atomic power, space travel, man landing on the Moon, supersonic flight, the rise of the computer, the spread of television, the laser beam, and numerous other developments in technology of a radical kind.

At the same time social changes have shaken the foundations of government and the existing establishments throughout the world. The ascendancy of White civilizations is in doubt, and the power of the "third world" — the backward nations of the earth, is making itself increasingly felt. Nowhere has this change been more apparent than in Africa.

These changes have been accompanied by the emergence of new concepts in the field of management science which query the validity of the management precepts of the Second Phase and lend support to the view that a new phase is struggling to emerge from the heavy hierarchical structure of mechanistic bureaucracy.

If the developmental approach is of any use, it should have predictive value in helping us to understand what is happening and what is ahead. Let us see what the main contributors have to say in this respect.

THE NATURE OF THIRD PHASE PROBLEMS AND SOLUTIONS

It is possible to outline some of the general characteristics of problems in Third Phase of Management, based on trends indications which are already discernible.

1. Magnitude

Population growth will dwarf any conceptions we have had in the past of size of organisations.

2. Quality

Populations will not only be larger, but of a different quality in terms of education, ability and aspirations.

3. Complexity

Quantitative and qualitative changes will result in new levels of complexity, requiring new approaches and new thinking.

4. Urgency

Because of the size and speed of operations pressures will build up rapidly, so that problems will have to be solved speedily.

5. Acceptability

Solutions will have to be acceptable to more educated and more sophisticated populations.

6. Humanity

Solutions will have to be humane, providing for the needs of all levels of the population and not only those of the privileged sections.

7. Elegance

"Elegant" solutions, that is, solutions with the highest all round excellence will be favoured, and these will often be of a temporary nature in view of the rapidity of change.

8. Collaboration

Atomic power accentuates the need for collaboration internationally, and within nations no adequate solutions can be found without collaboration between different interest groups. Solutions must be of a win-win, rather than a win-lose nature.

9. Service

Public service organisations in which service rather than profit is the criterion will play an increasingly dominant role, giving the State and public institutions a greater measure of control in this "post-industrial" society.

10. Technology

Though technological innovations will be produced at an ever increasing rate, their use will have to be coordinated with social need and controls.

It is clear that bureaucratic management, as we know it, will not be adequate for the period ahead. Changes are necessary to bring about greatly increased mobility, flexibility, autonomy, more rapid decision making, participation and team work, based on new ways of thinking. This may be summed up as a shift from bureaucratic management towards more demo-

cratic management, in which power is more widely spread.

Phase III. *Democratic* Management (post-industrial Society)

Lievegoed	– The Phase of Integration
Blake et al	– Dynamic Management
Greiner	– Phase 5 — Collaboration
Likert	– System 4 — Group Participation

Lievegoed summarises the phase ahead as a situation in which the organisation must allow “individuals as well as groups to act intelligently in accordance with the objectives of the totality”. Intelligent action obviously has many ramifications.

Blake cries — “Teamwork, repeat teamwork. This is the key. Herein lies the essential feature which moves a corporation into the dynamic Stage and raises it head and shoulders above those corporations which are entrepreneurial or mechanistic.”

Greiner places the emphasis on “greater spontaneity in management action through teams and the skilful confrontation of interpersonal differences.”

Likert places the emphasis on

1. “the use by the manager of the principle of supportive relationships”
2. “use of group decision making and group methods of supervision”
3. “high performance goals for the organisation”.

It is necessary to study the detailed statements of each of these four authors in the sources referred to, to do justice to their contributions.

We are concerned here, however, with the common elements of indications which emerge from a developmental approach.

The four contributors are, in fact, in close agreement on the significant indications for Third Phase Management. The following table is an attempt to bring together their ideas on major aspects of management in this new phase.

ORGANISATION STRUCTURE

Lievegoed	– Clover Leaf organisation — with the executive team at the centre of a communication system.
Blake et al	– Flexible team structures
Greiner	– Matrix of teams
Likert	– Interlocking groups.

Management Emphasis

Lievegoed	– Innovation and development
Blake et al	– Goal Orientation
Greiner	– Problem solving and innovation
Likert	– High performance goals.

Management Style

Lievegoed	– Team work with individual responsibilities
Blake et al	– Team work and confrontation of difficulties
Greiner	– Participative
Likert	– Supportive — group participative

Controls

Lievegoed	– Evaluation of achievements
Blake et al	– Achieving individual and team objectives
Greiner	– Mutual goal setting
Likert	– Achievement of standards

MAJOR CHARACTERISTICS OF THIRD PHASE MANAGEMENT

The characteristics in these four areas are so close, that it is difficult to distinguish between contributors. I would summarise the major features of Third Phase Management as follows:

- (1) Setting of both short and long term goals and objectives is the basis of the management system
- (2) Participation in this process by different levels of management is vital.
- (3) Though individual contribution is encouraged, it is as a member of a team. Team work is considered of major importance.
- (4) Interpersonal relationships should be supportive rather than competitive, and should aim towards making each person feel that his contribution is worth while.
- (5) Authority is based on competence and collaboration rather than power or threat.
- (6) The distance between top and bottom levels of management is lessened by a wider distribution of decision making powers.
- (7) This is made possible by clearer definition of policies, within which the individual has freedom of operation.
- (8) The human relations approach develops into a human resources approach in which the aim is to give each individual the opportunity of express his potential by greater participation in the decision making processes.
- (9) Staff motivation is promoted by allowing individuals greater control over their work — operation within the limits of policies and objectives. Achieving objectives supersedes obeying instructions.
- (10) Confidence and trust are built by open communications and frank discussion of difficulties.
- (11) Training and development of staff are considered of prime importance and are continuously encouraged.

- (12) Rewards are related to achievement of objectives, are more group oriented, and less of a piecework incentive nature. Distinctions between hourly and monthly paid staff are diminished. There is a general move towards salaried staff conditions for all.
- (13) The organisation is viewed as a totality, in which fair treatment must be ensured to all sub-groups, shareholders, employees, customers and suppliers.
- (14) The emphasis is shifting from management development to organisation development, that is, the development of the organisation as a whole.
- (15) Maximum production flow is aimed at by removing stoppages caused by departmental and individual conflict and parochial interests.
- (16) The organisation is seen as part of a community and its obligations to the community are accepted.
- (17) Adaptability and flexibility of operation are of paramount importance, and these are achieved by ad hoc assessments of the situation as opposed to the dictates of a system.

This list of characteristic features of Third Phase of Democratic Management is not complete, but is sufficient to indicate the change from Second Phase-bureaucratic operation. It is based on the contributions of a wide range of behavioural scientists and will need to be revised and up-dated continuously.

A DEVELOPMENTAL THEORY

In conclusion, it is necessary to sum up some of the general principles that can be drawn from the developmental approach and which contribute towards the establishment of a developmental theory of organisational growth.

I suggest the following:

- (1) Organisations may be seen in terms of McGregor's description as "open, organic, socio technical systems".
- (2) They evolve through recognisable phases which are an expression of internal growth factors and environmental pressures.
- (3) The age, size and history of an organisation are important determinants of organisation structure and management systems.
- (4) The development from one phase to another involves qualitative changes accompanied by periods of crisis or turbulence.
- (5) In this process it is necessary to distinguish between *growth*, that is, increase in size, and *development*, that is, change in structure.
- (6) Development is not necessarily continuous or linear.
- (7) "Each phase is both an effect on the previous phase and a cause for the next" (Greiner).
- (8) Remnants of earlier phases linger on in the next and cause tensions.

(9) Solutions which are adequate in one phase may not be adequate in the next.

- (10) In order to take corrective action it is important to determine the stage in development reached by the organisation to assess what lies ahead.

These statements should be read in conjunction with Lievegoed's "developmental model" presented earlier.

Perhaps the greatest value of the developmental theory is that it does not exclude other approaches, but provides a frame of reference within which they can be located and assessed. It is a macro rather than micro approach.

PRACTICAL IMPLICATIONS

Every organisation is at some stage in its own developmental history and needs to analyse and assess this in order to see the way ahead. At the same time each organisation is caught up in larger socio-technological developments on a national and international scale, over which the individual organisation has no control. It is part of a moving universe, and if it remains stationary or goes against the main stream it does so at considerable risk. The understanding of trends and directions is of utmost importance.

We live in a world in which nations are at different stages of development. Some are in an early pioneer-autocratic phase while others are pushing ahead into third phase democratic types of thinking and management. This, rather than racial differences, is the source of much national and international dissonance. This point needs stressing; many assumed racial characteristics are in fact developmental.

These considerations are of particular relevance to South Africa. We appear to be bogged down in second-phase bureaucracy as the organisational and management system for the white sector of the population, but this is superimposed on a systematic autocracy form of management in relation to the black population. There are third phase developments in the technical field, particularly in the development of atomic power, and some of the larger industrial concerns are feeling their way towards more flexible democratic forms of management. We are, perhaps, extended over the three phases of organisational development, with nothing more than a finger-tip hold on the third phase.

There is no doubt that we are moving into what Greiner would call "a period of substantial turmoil in organisational life".

The tasks are clear, if not easy. We have to open up immediately second phase developmental possibilities to the black sector which include their rising in the management hierarchy and acquiring the necessary education, skills and experience to operate effectively.

This will only be possible through the development of third phase democratic thinking and management where the emphasis is placed on finding the most effective solution to problems rather than maintaining

the old bureaucratic system. Whether we have the wisdom or skill to handle this situation and make the necessary changes fast enough is open to question, but the alternative is sufficiently disturbing for both the white and the black sectors to encourage us to make every effort to make the necessary adaptation.

REFERENCES

- ¹ Kelly, G.A. *The Psychology of Personal Constructs. Vol. I. A Theory of Personality.* New York. (W. Norton. 1955.)
- ² Koontz, H. *Journal of the Academy of Management.* Vol. 4, No. 3. 1961.
- ³ Blake, Avis & Mouton. *Corporate Darwinism.* Gulf Publishing Coy., Houston, Texas.
- ⁴ Lievegoed, B.C.J. *The Developing Organisation.* London, Tavistock.
- ⁵ Greiner, L.E. *Evolution & Revolution as Organisations Grow.* *Harvard Business Review*, July – August. 1972.
- ⁶ Likert, R. *The Human Organisation.* McGraw-Hill. New York.
- ⁷ Benyon, H. *Working for Ford.* Allen Lane: Penguin Education.
- ⁸ Ardrey, R. *African Genesis.* Collins Fontana Books.
- ⁹ Bennis, W. *Beyond Bureaucracy.* McGraw-Hill.
- ¹⁰ Weber, M. *Max Weber — R. Bendix.* Doubleday & Coy., New York.
- ¹¹ Bennis, W. *Op. cit.*
- ¹² Drucker, P. *The Practice of Management.* Pan Books, London.

APPENDIX I

Alfred D. Chandler, Jr., made a substantial contribution to the developmental approach in his book

“Strategy and Structure” Chapters in the History of the American Industrial Enterprise. (M.I.T. Press)

The following extracts are relevant.

“In very general terms, then, many of America’s largest industrial enterprises initially accumulated their resources in the years between the 1880’s and World War I. During the first two decades of the twentieth century, these same firms built their initial administrative structures. For some, continued expansion, largely through diversification, began in the 1920’s, but for most it came after the depression of the 1930’s. Thus, although the pioneers in the fashioning of a new structural form to manage these expanded resources began their work in the 1920’s, most enterprises carried out their major structural reorganisations in the 1940’s and 1950’s.”

(p. 386)

“In this second period, this pressing task was two-fold. First, unit costs had to be reduced by rationalizing the several functional activities and, second, these functional activities had to be closely integrated to market fluctuations. The first task led to the definition of lines of authority and communi-

cation within a single functional department; the second brought a structure for the enterprise as a whole. With the first came the systematizing and improving of the processes and techniques of marketing, manufacturing, and the procurement of raw materials. The final form of the second reflected closely the marketing requirements of the firm’s products.”

(p. 388)

“At the end of the first chapter in its history, an enterprise had accumulated enough resources to meet the demands of the national market and often those of foreign ones accessible by steamship and railroad. For the large companies in the older American industries — the metals and foods and some consumer goods like rubber boots and shoes — this period came to an end around the turn of the century. For those in the electrical industry, it lasted somewhat longer; while many large automobile, power machinery, gasoline, tire, and chemical companies were still rounding out this first chapter in the 1920’s. At the end of the second chapter, administrators had defined, sometimes with great care and at others in more of an ad hoc informal manner, structures to assure more efficient use of the accumulated resources. In the older industries, these structural changes usually came before World War I, for the newer ones in the 1920’s and 1930’s.”

(p. 390)

“The chapters in the collective history of the American industrial enterprise can be clearly defined. Resources accumulated, resources rationalised, resources expanded, and then once again, resources rationalised. For each individual company, these chapters vary in length, significance and impact. Some firms never attempted to accumulate the resources essential to meet the demands of a national market. Some of those companies that did expand took longer to rationalize the use of their resources than did others. Some set up new structures very systematically, others more informally. Some began to move into new lines and new markets even before they completed building their initial administrative organisation. Again some were much slower than others to join the search for new markets; and again, among those that did, some turned more quickly than others to reshaping the structure necessary for the most profitable employment of the expanded resources. A company like General Motors, by inventing a new type of structure when it first organised its accumulated resources, was able to expand through diversification without requiring further significant structural changes; while Jersey Standard’s informal ad hoc mobilisation of its resources after 1911 meant that a rapid expansion of facilities and personnel forced a much more difficult and much lengthier reorganisation in later years.”

(p. 395)