

# Organization Size, Life Cycle, and Decline

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# Interpol

- ▶ World's largest police organization that works with countries all over the globe to combat international terrorism, murders, and other fugitives.
- ▶ The structure of the organization did not align with the size and purpose.



# Purpose of this chapter

- ▶ Recognize the differences in size of organization
- ▶ Explore the organization's life cycle and the characteristics of each step within the cycle
- ▶ Examine the need to add or eliminate bureaucracy, or utilize a different form of control
- ▶ Analyzing the concept of downsizing and the methods used when an organization is caused to decline

# Large vs Small Organizations

## Large

- ▶ Economies of scale
- ▶ Global Reach
- ▶ Stable market
- ▶ Stability for employees
- ▶ Vertical hierarchy
- ▶ complex

## Small

- ▶ Responsive
- ▶ Regional reach
- ▶ Flat structure
- ▶ Simple
- ▶ Niche finding
- ▶ Entrepreneurs

**ENVIRONMENTAL  
CHANGE**

**STABLE**

**Low Uncertainty**

1. Mechanistic structure; formal, centralized
2. Few departments
3. No integrating roles
4. Current operations orientation; low speed response

**Low-Moderate Uncertainty**

1. Mechanistic structure; formal, centralized
2. Many departments, some boundary spanning
3. Few integrating roles
4. Some planning; moderate speed response

**UNSTABLE**

**High-Moderate Uncertainty**

1. Organic structure, teamwork; participative, decentralized
2. Few departments, much boundary spanning
3. Few integrating roles
4. Planning orientation; fast response

**High Uncertainty**

1. Organic structure, teamwork; participative, decentralized
2. Many departments differentiated, extensive boundary spanning
3. Many integrating roles
4. Extensive planning, forecasting; high speed response

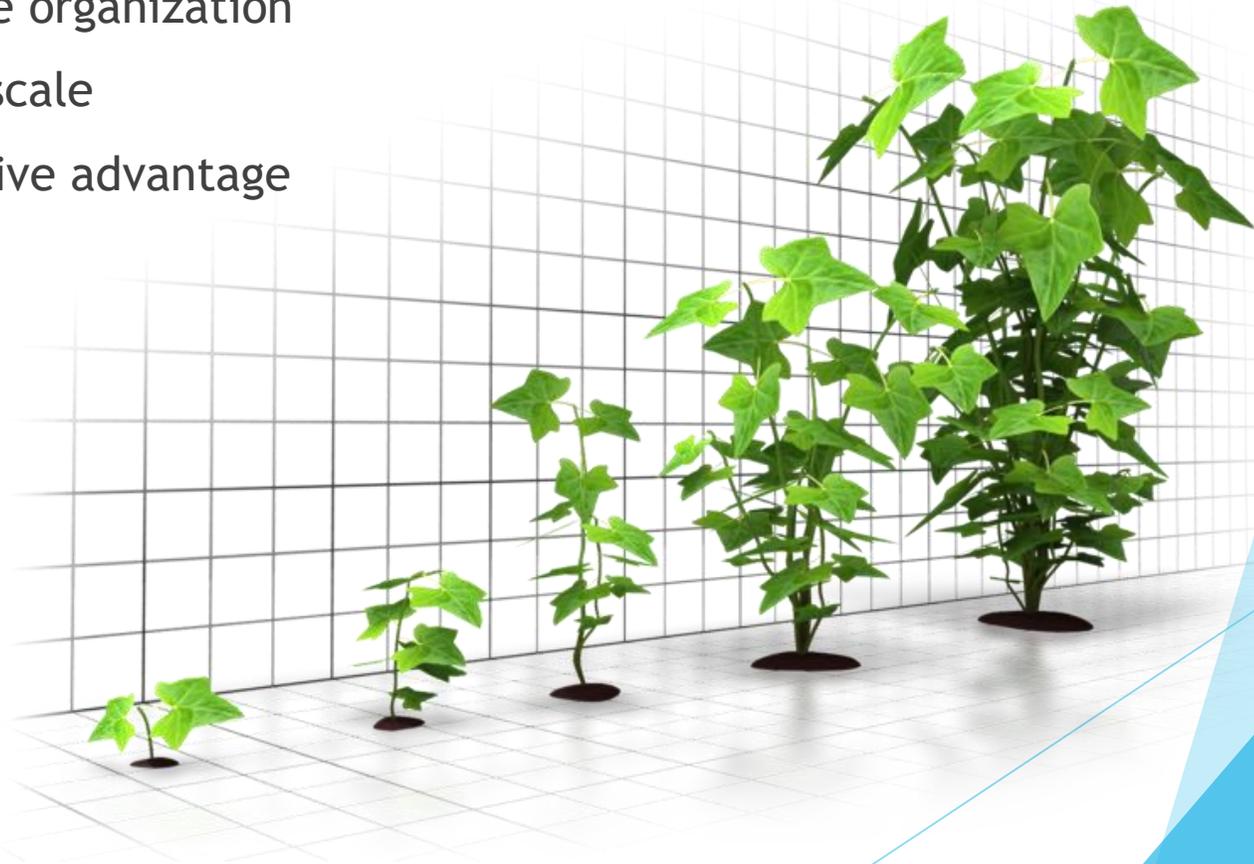
**SIMPLE**

**ENVIRONMENTAL COMPLEXITY**

**COMPLEX**

# Purposes of Growth

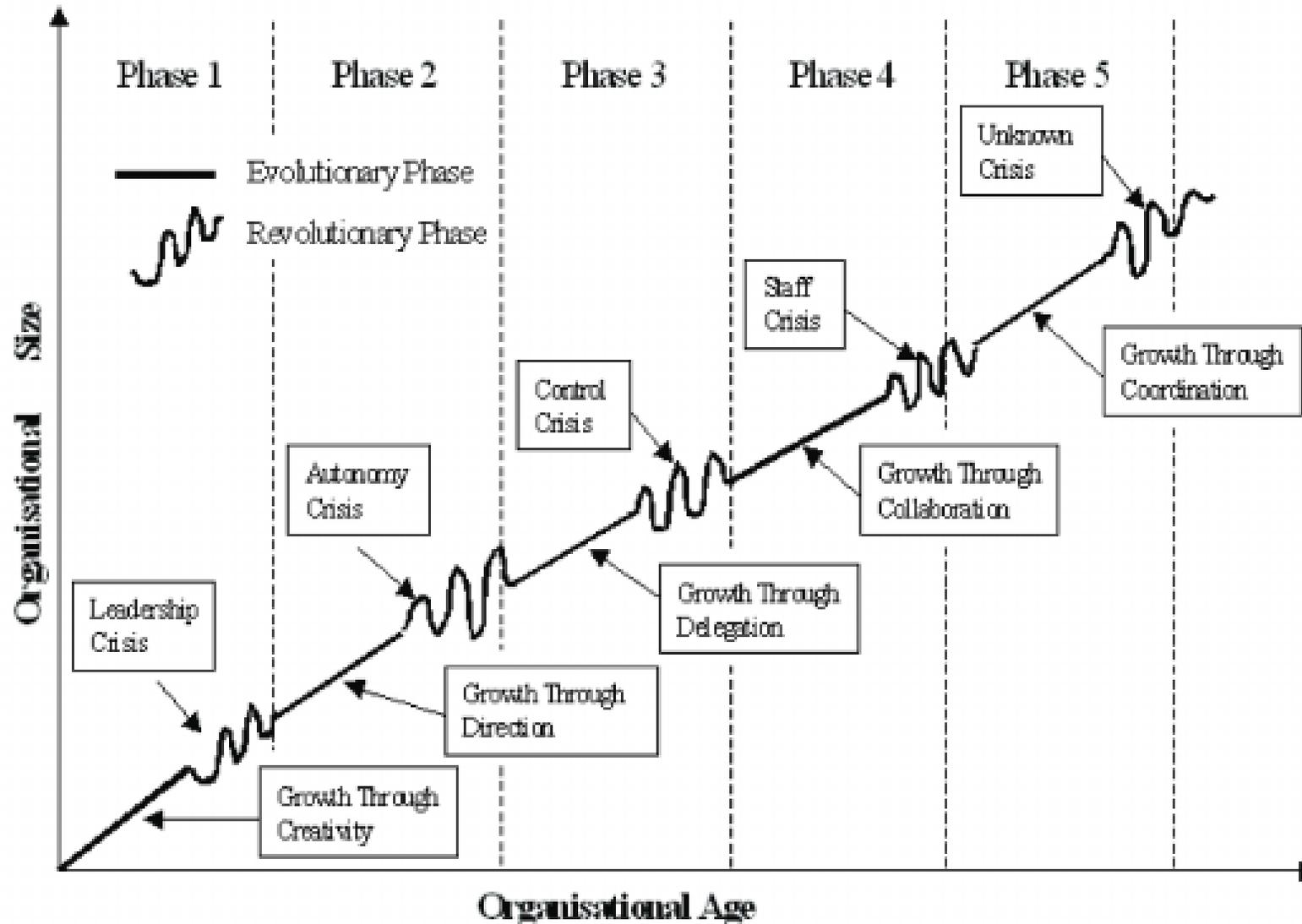
- ▶ Overall growth
- ▶ The goal of the organization
- ▶ Economies of scale
- ▶ Gain competitive advantage
- ▶ Profit



# Hybrid solution

- ▶ A solution developed by Jack Welch
- ▶ A hybrid organization that takes on the large company's resources, and the reach with small company's simplicity and flexibility.
  - ▶ Example: integrating small companies under the umbrella of the large organization

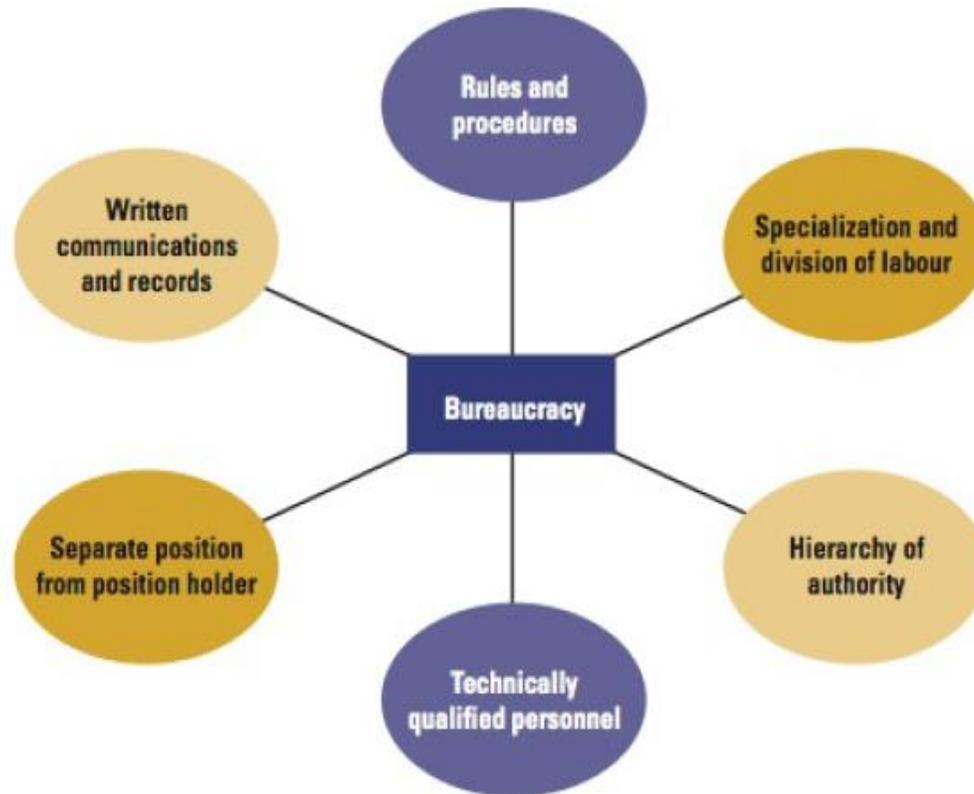
# Organizational Life Cycle



	Entrepreneurial	Collectivity	Formalization	Elaboration
<b>Characteristics</b>	Nonbureaucratic	Prebureaucratic	Bureaucratic	Very Bureaucratic
<b>Structure</b>	Informal, one-person show	Mostly informal, some procedures	Formal procedures, division of labour, new specialties added	Teamwork within bureaucracy, small-company thinking
<b>Products or services</b>	Single product or service	Major product or service, with variations	Line of products or services	Multiple product or service lines
<b>Reward and control systems</b>	Personal, paternalistic	Personal, contribution to success	Impersonal, formalized systems	Extensive, tailored to product and department
<b>Innovation</b>	By owner-manager	By employees and managers	By separate innovation group	By institutionalized R&D department
<b>Goal</b>	Survival	Growth	Internal stability, market expansion	Reputation, complete organization
<b>Top management style</b>	Individualistic, entrepreneurial	Charismatic, direction-giving	Delegation with control	Team Approach, attack bureaucracy

# Bureaucracy

- ▶ Bureaucracy: a system of organizing, structuring, tuned towards **efficiency**.



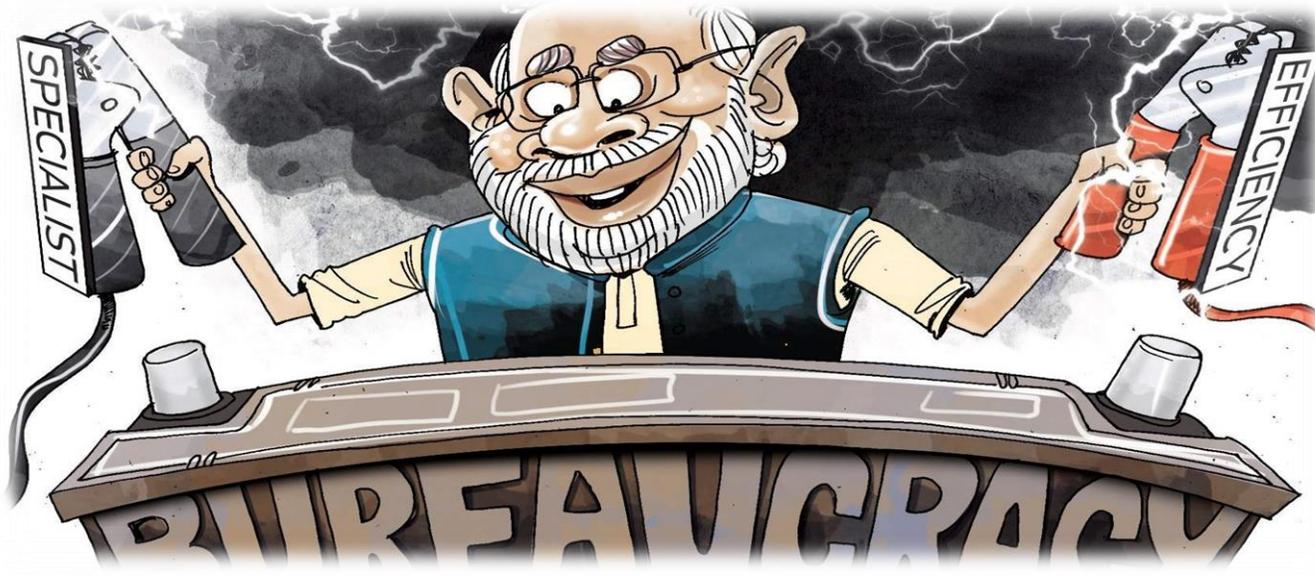
**EXHIBIT 8.5**  
Weber's Dimensions  
of Bureaucracy

# Bureaucracy

- ▶ Couple of other dimensions to look at when analyzing bureaucracy of an organization:
  - ▶ **Formalization** - tied to rules, procedures, documents, etc.
  - ▶ **Centralization** - tied to level of hierarchy: authority or autonomy
  - ▶ **Personnel ratios** - administrative ratio in particular, tied to general level of bureaucracy

# Bureaucracy

- ▶ Effective analytical tool to keep you focus on structure
  - ▶ Identify these characteristics in your organization, and ask “does it makes sense?”, given their type of environment, goal, strategy, their size, and which stage of the lifecycle they are at
  - ▶ In general, **more** bureaucracy better fit with **mechanistic** goals, and **less** bureaucracy get along with **learning** goals.



# To reduce Bureaucracy Incident Command System

- ▶ The idea is that an organization can glide between a structure that is effective when stable, to one that is more towards dealing with unexpected and unpredictable
  - ▶ Eg. Police or Fire department
- ▶ When stable, the structure stays hierarchical, with procedures and commands to maintain control and to solve familiar problems
- ▶ When uncertain, the structure goes flat, and people across hierarchy or department join together to anticipate, to prevent, or to overcome such challenge, with clear goals, missions, and guidelines

# Incident Command System

## How to ensure it works?

- ▶ First of all: it doesn't make sense in a environment that is identified as stable and will stay stable, no matter how fancy it sounds like.
- ▶ There should always be *someone* in charge, in the sense that he or she is ultimately responsible for all the actions that are taken.
  - ▶ Furthermore, everyone involved should know who is in charge of what aspect of the situation
  - ▶ Decision autonomy is given to the individuals who best understand the situation
  - ▶ Lower level employees should then execute actions in a manner that aligns with missions and goals of the organization
- ▶ Its flexibility comes from this decentralized approach to decision making, yet an overall integration among each piece of decision making autonomies.
- ▶ It is costly to develop, requires considerable amount of commitment and trust, so think twice before you make this recommendation!

# To Reduce Bureaucracy

## Other Approaches

- ▶ Cut layer of hierarchy
- ▶ Reduce excessive rules and regulations
- ▶ Decentralization and autonomy to division
- ▶ Downsizing, in an effort to cut out excessive job titles and positions

**Ultimate Goal** of reducing bureaucracy: to make sure the structure of the organization aligns with

- ▶ Type of **environment** that is more **uncertain**
- ▶ Type of **goals** that are more **learning oriented**
- ▶ Type of **strategies** that are more **adaptive**.

# Control

- ▶ **Bureaucratic Control** - everything about bureaucracy
- ▶ **Market Control** - prices, competition, exchange relationship/bargaining power
- ▶ **Clan Control** - tradition, common beliefs, and trust
  
- ▶ Described as types of strategy in the book
  - ▶ But in actuality it is a structural characteristic that you adopt when designing the organization, instead of strategies in parallel with what we have talked about in previous lectures
  - ▶ Hence you should make sure that when choosing them, know that these are features that are tied to certain aspect of the structure, for example bureaucracy dimensions, and you should choose the one that accompanies with the structure

# Decline

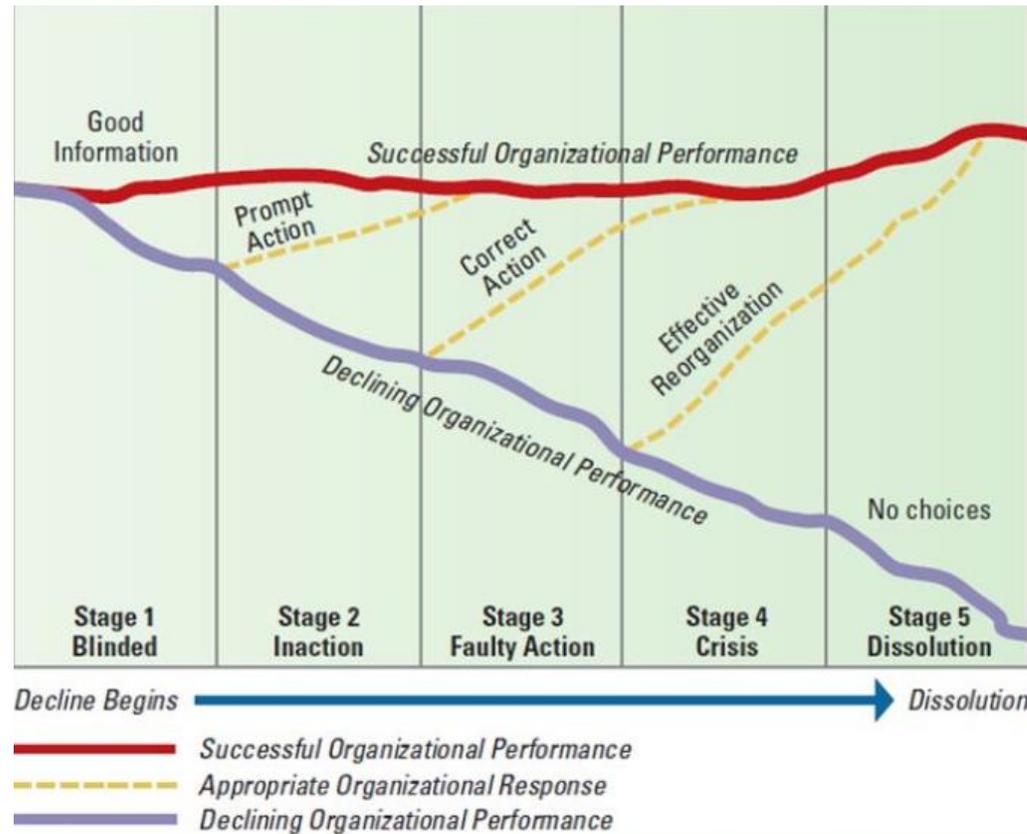
- ▶ Decline: Substantial decrease of an organization resources
- ▶ Causes of decline: Certain form of misalignment
  - ▶ Misalignment in structure: overly bureaucratized
  - ▶ Misalignment in strategy: unable to response to environment
  - ▶ Misalignment with environment: when environment changed but the organization didn't change its goal, strategy, and structure, to adapt it



# Decline

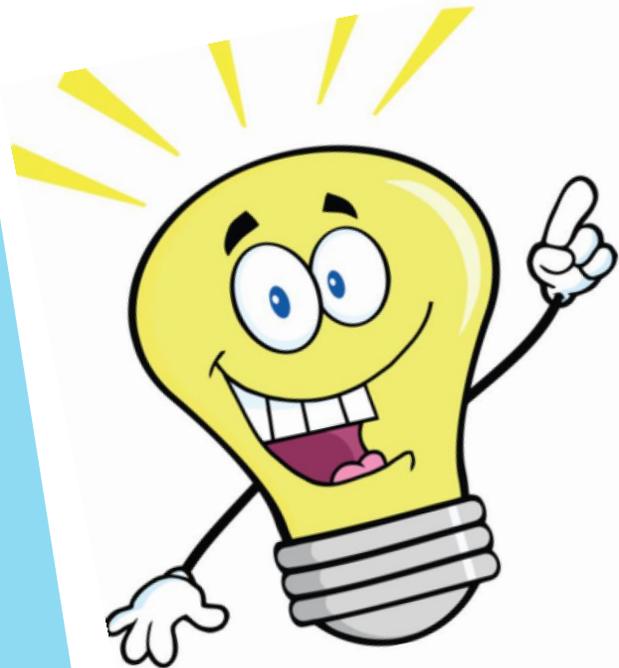
## How to counter it

- ▶ When decline happens, know where the misalignment occurs, and take action to fix that
- ▶ Actions in the form of small tweaks in existing EGSS framework
  - ▶ Establish or remove policies
  - ▶ Tweaks in division or job positions
  - ▶ Re-design of the organization



# Take-aways from this Session

- ▶ When analyzing your organization, you may want to do, in step:
  - ▶ Identify the **size** of the organization, and see if they are growing, or declining
  - ▶ If growing, map you organization to one of the **stages** in organization life cycle
    - ▶ What are some of the **characteristics** of that stage?
    - ▶ What are some of the **challenges** they might face?
    - ▶ What **recommendations** would you make to overcome such challenges?
  - ▶ Map your organization's current structure in terms of **bureaucracy dimensions**.
    - ▶ Is it at an appropriate level given the type of environment, goal, and strategy?
    - ▶ If no, what needs to be in place to **increase** bureaucracy, or how to **reduce** bureaucracy within the organization, to bring back that alignment?
    - ▶ What type of **control** makes sense, given that level of bureaucracy?
    - ▶ What **recommendations** would you make to accomplish that?



# Take-aways from this Session

- ▶ Continuing the steps:
  - ▶ If the organization is going through decline, identify the **cause** of such decline
    - ▶ Which part of EGSS is in misalignment?
    - ▶ Which **stage** of decline is the organization currently at? What **action** should be taken?
    - ▶ What **recommendation** would you make to the organization?

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# Thank you!

Questions?