The Phases of Organisation Development



THE NATURE OF INITIATIVES AND ORGANISATIONS

Underlying the following discussion of initiatives are three basic assumptions, all quite obvious yet important. The first is that all initiatives and organisations are human creations, no matter how old and well established. They are created by people with an idea in response to a perceived need and they are continuously being modified by people's ideas and actions. A school, a cafe, a company, may well carry something of the personality of the founders, but it is changed by the ideas and aspirations of those who now share responsibility. So we live and move in a world created by nature and in a large and increasingly complex institutional world created by people.

The second assumption is that this institutional world of, shops, restaurants, NGO's, schools and even government agencies is one in which each initiative, like a human being, goes through characteristic phases of development. Organisations are not mechanical systems but, are a living system with phases of crisis, adaptation, growth and development. This means that organic metaphors such as seed, stalk, bud and flower, or childhood, adulthood and old age, are more relevant to the life cycle of organisations than mechanical metaphors such as input, output, clockwork or a smooth running engine. It also implies the third assumption, namely that one of the central tasks of initiative takers is keeping the organisation alive and developing as a healthy living organism.

In working in NGO's, I am frequently surprised by how little awareness initiative takers have about their whole organisation and about its stage of development and how relieved they are when they recognize that their organisation, while unique, shares characteristic phases of crisis and development with other organisations.

The following description is devoted to giving a general picture of the phases of an initiative development over time, as an aid for individuals to more consciously shape and develop their organisations. The picture presented in no way seeks to deny the uniqueness of individual initiatives, but rather to describe the characteristic challenges and opportunities which exist in the life cycle of most organisations.

THE PIONEER PHASE - IMPROVISING IN RESPONSE TO NEEDS

Looked at from the view point of the life phases of an organisation, one can say it starts with a gestation period when one or more individuals are walking around with an idea - an idea which is slowly ripening. This gestation period may be shorter or longer - often

it is deeply connected with that individual's life and destiny.

Henry Ford knew he wanted to be an engineer at 12. He also knew he wanted to find his own automobile company when he was in his late twenties. But it took him until 40 to finally create the Ford Motor Company.

Following the gestation period is a moment of birth - when the school first opens its doors, the company delivers its first product, or NGO receives its first grant. This is a very important moment in the biography of all initiatives and it should be celebrated like a birthday. Usually this is done, often unconsciously, through a party, a festive meal, or even just saving the first dollar or pound earned by the new co-op. However, if this can be done consciously, as a foundation or a birth ceremony, inviting friends, customers, and helpers, it will help to get the new baby off to a good start.

If the initiative flourishes, it enters a period which is analogous to childhood; vibrant, exciting, full of surprises and of growth. Co-workers are involved in many activities, routine is limited and the direction of the initiative is clear. It is a time full of ups and downs - a mood similar to the early twenties in an individual's life.

A couple who started a futon manufacturing and retail business only a few years ago gave a picture which describes many early initiatives which have gotten off to a successful start: endless activity in deciding on staff, setting wage levels, ordering supplies, supervising production, keeping the books, getting bank loans, planning future activities and occasionally stopping to catch a breath. They also mentioned two qualities essential to any starting enterprise: concern for the quality of their Futon (cotton) bedding, and doing their utmost to assure customer satisfaction. The same qualities apply to a new school, a literacy project, or any endeavour. Its reputation rests on the satisfaction of its clients, customers or parents. If it provides a quality service or product, it will generally thrive.

Having a concern about quality and client satisfaction means that a new initiative, a pioneer organisation, has to act like a large sense organ, continuously monitoring the satisfaction of those it serves, while at the same time sensing how the initiative is functioning internally. If a literacy project spends more time developing programmes than helping people read and write, or if a school is unable to maintain discipline, interest and support from pupils and parents will begin to decline.

Sometimes people have the question whether it is better to start an initiative alone or together with others. In reality this is never an abstract question; a couple will decide to open a furniture store, one individual to start a college, or two partners to begin a consulting service NGO.

In the past a single individual - a pioneer - tended to start a new venture and others then joined him or her, attracted by the personality and vision of the individual. They then need to be certain that they have a common vision and are equally committed with their time and energy.

Absent and halfhearted initiative takers are not readily accepted by those who are in it

full time. Also the group should not be too large and should be capable of working together. If these conditions are met, then a group of individuals - because of their combined talents and wider set of destiny connections - definitely has a greater potential than a single pioneer.

As the pioneer organisation grows, it has a number of characteristic qualities which one can observe in organisations as diverse as schools, co-operatives, and community clinics:

- It is generally of small to medium size, although I have worked with a community college with a teaching staff of 600, still in its pioneer phase.
- thas a shallow, flexible structure with a limited hierarchy. Key decision makers are often involved in the full scope of organisational activities.
- t is person-oriented, rather than function oriented. If you ask a pioneer about his or her organisation, you will usually be told that Tom does publicity, Mary, craft therapy, Steve, counselling and so on.
- Leadership is personal and direct with people generally knowing who makes what decisions. However, throughout the initiative's growth there is the need to clarify the role of the central carrying group vis-a-vis detailed work groups and supporters. This is especially important and problematical in initiatives largely dependent on volunteer help.
- Decision making is intuitive. Things are decided more by hunch or by feel than through a long process of rational analysis. This style of arriving at decisions usually means that the pioneer organisation is able to respond rapidly to changes in the environment.
- The pioneer organisation has a family atmosphere about it. Everyone contributes as they are able and most of the staff have a strong sense of loyalty to the founding group, and to the initiative.
- Motivation and commitment in a pioneer organisation are high.
- The goals of the organisation are implicit carried in the minds and personalities of the carrying group.

This phase of an organisation's life is exciting, somewhat insecure, and very creative. It is really about developing something out of an idea, a hope and seeing it grow into an institution with services or products, a physical space, and staff. Another way of describing this is to say that one is bringing a child into the world - a child with its unique personality - full of vitality and potential.

As the initiative grows, a number of problems begin to appear. This may be two, five,

ten, or even twenty-five years after its beginning. One of the issues is size, not everyone knows everyone anymore. New people join the organisation in substantial numbers and do not share the joys and struggles of the early days, having no relation to the institution's past or the people who made it what it is. Another issue is that new structures of decision making are needed to cope with increased size and complexity. Leadership often becomes unclear and motivation decreases. A sense of uncertainty, of crisis exists. In many smaller NGO initiatives this crisis of the pioneer phase includes some of the following phenomena:

Loss of confidence in leadership. Increasing criticism, usually by newer people, about the "autocratic" and "non-democratic manner" in which decisions are made. Newer people have little relationship to the starting situation and the sacrifices that the original group made in getting things going. In some case, these issues are also generational with a new generation of people wanting to both have more influence and wanting to work in new ways. An unclarity about goals and directions which at an earlier time were embodied in the carrying group.

Then there was a personal relationship, and if there was a question, everybody knew who to go to. I remember attending a faculty meeting in an educational institution and watching all heads turn toward one person when a question of significance arose. In the absence of close personal relationships, the need for clearly understood goals and policies arises. What was implicit and personal needs to become explicit and objective.

The need for a definition of responsibilities and decision making authority. When things are smaller and informal one decision making centre is adequate; but if you have a kindergarten, a lower school and a high school, or upper school, who has what responsibilities? In a college, what is the relationship between the teaching faculty and the administration, or between the departments or divisions?

In a furniture cooperative, how will purchasing, accounting, merchandising and hiring be divided in an orderly fashion? Such questions become burdensome and indeed become the source of conflicts.

In both large and small organisations the crisis of the pioneer phase is perplexing and painful. The need for change is recognized but its direction and how to achieve it often remains obscure. It is in such circumstances that a developmental picture can help, not as a prescription but as a rough road map so that at least the nature of the next landscape is discernible.

THE DIFFERENTIATION PHASE: THE CHALLENGE OF DIVERSITY WITH CONSCIOUSNESS

The challenge of the phase of differentiation is how one can move from the personal, intuitive, improvising mode of a smaller pioneer organisation to a more objective, clear and functional way of meeting a growing organisation's objectives.

In my experience, there is a trade-off between consciousness and form in meeting this challenge. The more conscious people are of goals and policies - the direction and guiding principles of an organisation - the less there is the need for rigid forms and control mechanisms. However in the absence of shared goals and policies, hierarchical principles, procedural handbooks, and rigid reporting relationships seem to become imperatives.

Cultural institutions such as schools, development organisations, primary health care centres and the like often resist the pressures for greater functional clarity by attempting to muddle through. This tendency is quite pronounced in faculty-run schools, partly because most teachers have limited administrative and organisational experience. The trend in most businesses is the other way - replacing people by systems and so rationalizing operations that individuals feel like a cog in the proverbial machine. The tendency to muddle through, to cling to a vague hope of the old unity, generates chaos and the struggle for power between individuals. The opposite emphasis reduces individuals to numbers and robs them of their creativity.

The central question for all organisations in this phase of development is to bring about functional differentiation without sacrificing human creativity and commitment. Achieving this balance, and entering a healthy differentiation process, involves paying attention to the following organisational needs:

1. Renewing the identity and purpose of the initiative by developing a vision of the future and clear mission statement. This means a renewed dialogue with the spirit, developing a vision - a struggle for the original and now newly willed central aims of the organisation.

The process of developing a vision of the future is akin to an individual asking him or herself what is really central to their life. It should involve many people in different parts of the organisation so that a commonly shared sense of direction emerges.

A colleague I know took over a year to develop an image of the future while including faculty, administrators and support staff in the process.

While lengthy, it was time well spent as it generated a new hope and commitment. In many organisations suggesting such a process raises fears. Will teachers and administrators, or leaders, not want totally different things? I have never experienced this to be the case. Generally, people see the same organisational reality and share a common picture of the values they want to pursue in the future. In this process of renewing the culture, the identity, of the institution, it is essential to also call to mind the initiative's biography, the rich texture of its history, personalities, failures and successes.

In conjunction with renewing the organisation's sense of purpose, there is a need to create a new understanding of the different functions of leadership. What are the differences between goals and policies and where and how does evaluation and review take place? Such differences are seldom understood and yet such a differentiation in awareness, in consciousness, needs to be present to provide a healthy basis for differentiation in form and function. While there are different ways of describing the main leadership functions in organisations, they often include the following aspects:

Goal Setting
Policy Formulation
Establishing Plan and Procedure
Integrating Functions
Organising and Executing Work Activities
Innovating and Renewing
Evaluating and Reviewing

Goal-setting consists of setting long and medium term goals for the initiative. It is a central responsibility of those guiding the organisation, although ideally as many people as possible should be involved.

Policies are different than goals. They provide a framework, a set of guidelines, according to which individuals can make decisions and act. Examples are policies on hiring or promotion, purchasing, remuneration, and the like.

If a hiring committee at an Educare Centre has an agreed upon policy that an Educare trained teacher with at least a half year experience are essential qualifications, then they have something to go on.

Establishing plans and procedures for particular work activities can be done if goals and policies are shared. The scholarship committee of a school can develop its plans and procedures knowing what policy there is on financial aid and what restrictions exist in terms of the projected budget (a statement of financial goals). A small manufacturing company can plan production of annual goals if a marketing plan exists. In short, the delegation of responsibility becomes possible to sub-units, committees, or even to individuals, within a broad goal and policy framework. Developing such a framework, is of course, helped when the organisation has already reviewed its sense of purpose.

The first three functions of leadership have been mentioned. They tend to be the responsibilities of all or most of the leadership in smaller service or professional organisations. The fifth function, that of organising and executing work activities, belongs to the whole organisation, but the focus is on the individual rather than the leader. In a school it is the teachers or in a cafe the cook and the waitresses who need to organise and carry out the myriad of daily activities.

Likewise, innovation and renewal are everyone's responsibility, although for the organisation as a whole it tends to lie with those individuals or groups having a central leadership role.

Evaluation and review is usually understood as financial review and quality control in product organizations and seldom is paid much attention to in other types of institutions. Yet it is absolutely central to an initiative's learning and development. In schools or service agencies, in shops, farms or medical facilities, it should be like an extended New Year reflection. How has this past year gone? What successes or failures have we had? Why did things go wrong in this class or with this particular product? What can we improve upon next year? What new activities can we engage in? Questions of this type are vital, and the more members of an organization are engaged in them the more a responsible work community is created.

The fourth function mentioned, that of integration, is like five, six and seven; everyone's concern, yet it tends to fall heavily on those having a leadership function. They must relate more general specific tasks to goals and principles.

Bringing about an awareness of the leadership functions in an organization is by itself not enough - they must be exercised.

Where and by whom are long and medium term goals set? How are they communicated and responded to by other parts of the organization? I have worked with some clients where goals were set but it was largely a paper exercise for outside consumption, and people within the initiative knew little about it.

Policy formulation is equally important. Where and by whom are policies to be defined? Plans and procedures are established and carried out in many parts of an organization, as are the other functions, yet what is important is that people are aware of what functions of leadership are being exercised by whom and how the results are communicated to the rest of the institution. Generally as many people as possible should be involved in developing policy. In this way a sense of ownership is created.

If we step back from this functional description and ask what really lies behind the differentiation process in organizations, then we can say that the soul of the organization is being developed. This inevitably involves multiplicity and differentiation just as in the individual the soul development of the twenties and thirties manifests through becoming aware of the complexity of thoughts, emotions and intentions. This process of differentiation is difficult for many initiatives because it involves some task specialization. But if overall goals and policies are shared by people in the initiative, then a conscious division of tasks can take place so that the whole benefits.

3. A third organizational need in the differentiation stage is that of functional specialization and structural clarity. In self-administered schools there is a need to differentiate the upper or high school from the lower grades and from the preschool. Administration, records, accounting, fundraising, and publicity activities need to be consciously picked up. Committees need to be established

as everything can no longer be decided and implemented by one decision making group.

The phase of differentiation can also be called an administrative phase, in which what was done semi-consciously to make things run in the early years now needs conscious attention.

An important principle during this phase of development is that of giving clear mandates and responsibilities to sub-groups or committees of an initiative. This means that each committee needs to have clear terms of reference regarding their tenure and areas of responsibility.

4. A fourth important aspect of the differentiation process in any organization is the need for a change in leadership and decision making styles. In most new initiatives leadership is personal and decisions are made by hunch, by intuition. As the organization grows and becomes differentiated there is the need to have leadership become more functional - related to areas of expertise and responsibility - and for the decision making to become more rational and analytical. Both of these style characteristics will develop over time, but the transition is often difficult as individuals used to the more free-willing and informal style of the pioneer phase resent the more rational and sometimes more "bureaucratic" approach appropriate to the differentiation phase.

As with the thirty year old, a differentiated organization runs the risk of too much rationality. The need for social contact, for a nurturing of human relationships is very important. Can the staff of a well established school continue with the vitality of shared research work and create regular opportunities for meeting, for sharing meals, for knowing each other? Can a group of architects or workers in a shop create possibilities for the "soul" of the initiative to live? Differentiation needs to be balanced by conscious attention to building the human team to have fun, as well as work.

Many organizations reach this phase in their life cycle, often unconsciously and with great struggle. Yet it is clear that this phase too has its limitations, its period of crisis, as anyone who has worked in a large corporation or a big state institution knows.

This crisis is most visible in those institutions where differentiation has been carried through by mechanistic structures, systems and procedures without considering their impact on human capacities or motivation. In these types of institutions a marked loss of vitality, decreased motivation, high levels of absenteeism, and continued communication difficulties are evident.

While symptoms of this crisis are clearest in large bureaucracies and many companies in traditional manufacturing sectors, they also appear in smaller NGO's which have been in the differentiation phase for some time. The weight of the past, endless committee meetings, a lack of purpose, gossip, conflict and limited innovation are symptoms which become evident in well established development agencies, schools,

and smaller cooperative production companies. Being well-established and in most cases quite secure, it is as if they too were experiencing a kind of mid-life crises, searching for new meanings and a new way of working.

The interest in cooperative and associative models, in NGO's suggests that there is a conscious and widespread search underway in all societies for possible answers to the crisis of differentiation.

THE INTEGRATION PHASE

In their best-selling book, In Search of Excellence, Peters and Waterman point to a number of basic qualities which have made some mature large companies successful. These include:

- 1. Clear-cut goals and a culture of commitment and excellence
- 2. Treating people as people and valuing their contribution
- 3. A decentralized and flat structure
- 4. An awareness of the central work processes in organizations and greater support for these processes rather than to administrative procedures and control.

Our work in many different organizations suggest that a mature institution facing a crisis of the "administrative" or differentiation phase needs to consciously enter a new cycle in its development, opting for a new set of values, a different orientation towards work activity and simpler, decentralized structures. We believe this is as true for manufacturing companies as it is for service institutions, schools and NGO's which have reached maturity.

Practically, this means that a mature institution needs to formulate a new set of simple, yet meaningful goals related to the essential products or services provided to clients. These goals need to be an integral part of the organization's past - its biography - to be authentic and to have the capacity of motivating both clients and co-workers or employees. What are a school's central educational goals and its educational philosophy, and how do they relate to the needs of both parents and students? What is a group of literacy teachers really seeking to offer a client? Is a co-op actually offering a set of quality products?

It does not do to say quality or service to customers is number one if they have never been so and there is no intention of making it a reality. Implied in this effort to reformulate goals or purposes is the recognition that people need to be able to find meaning in their work and in their lives.

An organizational culture that responds to this need in an honest way gains the commitment of its people and a direction and purpose for itself.

In the differentiation phase the basic aims of a school, a community clinic or a company tended to get lost over time as technical, administrative and financial concerns became paramount. The focus of attention had quite properly shifted inward to make sure things were functioning rationally. But the price of this inward focus is a loss of connection to clients and a dimming of the vision which made the initiative what it is.

As in the beginning of the differentiation phase, an entry into full and conscious maturity, into the integration phase of the organization's life cycle, requires renewed attention to the initiatives central tasks and goals. This can be done through a detailed study of the organization's biography, a conscious celebration of its uniqueness and a restatement of its central goals.

Implied in this reformulation of goals is waking up to the "sleeping partners" of the initiative, the customers and clients. The principle of association, of dialogue needs to be adopted so that the initiative really knows the needs and preferences of those it seeks to serve. A school needs an active parent council and student council so that teachers, parents, students and the community can have a frank discussion of needs and possibilities.

A clinic or therapeutic centre requires a patient group, and a farm or food store a consumer circle. Only by taking such steps can the mature initiative avoid the one-sidedness of deciding by itself what an outside group needs, and keep its goals, products and services in touch with changing people and changing culture.

A second important aspect of the integration phase is the further development of the values and criteria which go into the organization's decision making process. In the pioneer phase, customer satisfaction and survival was paramount, while the base of the initiative was being built. In the next phase of development, administrative and technical criteria played an ever greater role, so that the implementation of new information systems or production systems to increase efficiency were often more important than their impact on people.

In the integration phase, technical, financial and social or human criteria need to be conscious balanced. If one looks at an initiative as containing these three sub-systems, then a decision in one area has implications for the others:

Social

Economic Technical

A new technical system will effect social relationships and financial outcomes. A new product line requires investment, training, shifts in work patterns and new equipment. Consequently, any important decision needs to consider the consequences in these three areas and to include those measures or activities which will assure an integrated approach. Most importantly, the human impact of change needs to be considered and human needs taken more consciously into account in the integration phase.

A third area is related to this latter point - namely a conscious understanding of the human as the essential ingredient in any successful initiative. Most organizations going through the differentiation phase divide the work process in such a way that some people are involved in planning and delegating work (leaders), others are involved in doing it (field workers), and still others in controlling it and checking it (administration).

This is, of course, most visible in large product organizations making cars, refrigerators or tubular steel. However, it is also a tendency development agencies, doctor's offices, hospitals and other initiatives where senior leaders plan work, less senior people do it, and others check and control.

This simple division of labour is important, yet it has the consequence of using the capacities of people in a one-sided way. Who has not laughed or cried at the architect who has designed an office that is uninhabitable or a house that cannot be built because the designer did not understand the building materials?

Equally, we have all experienced a person doing a specific job and following instructions but not being able to carry it out properly because he did not really understand how it related to a customer's need. In the first case, the architect is using the ability to think in order to design; in the second a person is using their will to do. Human beings, however, have three capacities: to think and plan, to will and do, and to feel and be responsible. The modern division of labour and the related high levels of specialization foster a one-sided development of individuals. This tendency is particularly pronounced in the differentiation phase of an initiative.

In the integration phase the three capacities again need to be more consciously taken into account in building semi-autonomous work or project teams, which over time acquire the quality of planning, executing and controlling their own work within general guidelines. The creation of such groups or teams within general guidelines require delegation, open sharing of goals and other information, and often time and training. But without steps in this direction, people will use their ingenuity to circumvent time or quality systems, their feelings to "challenge" the organization and their will to enter politics or play sport.

A culture of excellence, of commitment, means not only creating an organization with worthwhile goals, but also one in which people have an opportunity of using their innate faculties for the benefit of the whole. A recognition of the full potential of human creativity also involves a commitment to professional development activities, flexibility in work hours and scheduling, and the fostering of individual initiative.

Self-administered initiatives in the cultural or service spheres may feel that this does not apply to them. But here too differentiation inevitably leads to the hiring of administrators, bookkeepers, secretaries, maintenance people, cooks and others. Teachers also should have an insight into the bookkeeping and the supply ordering system. The same people doing the same jobs for many years fosters one-sidedness. The question then emerges, how can people be helped to both broaden their insights and balance the use of their capacities.

When an organization has moved toward integration, its ability to respond to its environment is enhanced, its internal functioning is more streamlined, and people can have a renewed sense of ownership and pride in their work. One could say it has achieved full maturity and a collective wisdom which also allows it to help other initiatives and to serve the wider needs of its community.

In summary, the qualities of the integration phase include:

- 1. Renewing central aims and the organization's values and culture to provide meaning.
- 2. Working proactively to attain this shared vision instead of reacting to every request or problem that arises.
- 3. Creating the organization for an association a conscious dialogue with customers, clients, suppliers and the community in which the initiative is active.
- 4. A leadership and decision making style which takes human needs into account explicitly balancing financial, technical and social criteria.
- 5. An enhanced understanding of human beings and the creation of work processes and structures which take this new understanding of human capacities into account.
- 6. Creating a process organization in which structures reflect the requirements of central work processes rather than administrative control mechanisms. Paying attention to and enhancing the rhythmic quality of the initiative's life.
- 7. Building teams and smaller, decentralized and flatter organizational forms.
- 8. Process, horizontal thinking, rather than vertical and hierarchical thinking.

These qualities do not add up to an organizational blueprint. Rather, they suggest a type of awareness, a way of looking at and understanding organizations and people from a less analytical, but deeper, more whole and conscious perspective.

This perspective and the resulting direction are being explored by many initiatives today, for we all face the question of what new organizational forms are appropriate for the growing individualized consciousness we have in our societies.

A CONSCIOUS ENDING

If the pioneer stage can be likened to childhood, the differentiation phase to early and middle adulthood, and the integration phase to full maturity and old age, what can be said about the death of an initiative? A convenient response is to say that they die when they fail and are no longer needed. However, I feel that many institutions have

not only become old, but also sclerotic, disposing of vast resources but no longer really serving human needs. It has been suggesed that the life cycle of the institutions should approximate that of individuals if they are to serve the needs of the times. What a revolutionary idea! What would happen to cultural, social and economic creativity if institutions over seventy or eighty years old turned over their resources to new groups wishing to respond to similar nees in new ways?

What a peaceful ongoing creative revolution society would experience. To do this would require institutions to contemplate a conscious death process in order to allow a new resurrection. It is an intriguing thought, if not a present reality.

THE IMAGE OF DEVELOPMENT

What has been presented is a sketch of developmental patterns in organizations. Frequently I am asked, can't a stage be missed? The answer is no if organizations have a true life cycle moving from simple to more complex, from one central organizing principle to another. This means that true development is a discontinuous, irreversible process in time, moving from a stage of growth through differentiation to a higher stage of integration and passing through states of crisis which offer the impetus for development. This pattern is, I believe, true for all living forms, for the human being , and for organizations.

However, it is possible for initiatives to move more or less rapidly through these phases. A school which start with six grades and a kindergarten will face questions of differentiation sooner than one which starts with one grade, adding a new grade each year.

A company which has three employees the first year and seventeen the second will also face developmental issues more rapidly than one which grows more slowly.

Furthermore, it is quite common for large organizations to have different segments be it at different stages of development. A new product division may be in the pioneer stage, the mother company may be going through the crisis of differentiation, while one older division may already have started working with the principles of integration. The described image of an initiative's development over time is incomplete. Like all ideal-type descriptions it cannot do justice to the rich texture of organizational life, nor to the uniqueness of each initiative. Its purpose is rather to describe a landscape of possibilities, indicating paths to be pursued and pitfalls to be avoided so that we may become more conscious and responsible co-creators on earth.