Volume 1 Issue 2
May 21, 2003

Phases of Organizational Development

ALL ORGANIZATIONS GO THROUGH A SET OF DISTINCT AND PREDICTABLE PHASES AS THEY MATURE. Consequently, they will also experience a very specific set of problems at each stage. Let me review some of the phases and some of the issues that must be overcome.

All organizations begin at the ***Entrepreneurial*** ***phase***. This is the period when everyone shares a common dream and works together without the limitations of policy manuals and organization charts. It is a fun and lively place to work, but profits are minimal since the focus is on growth and market penetration. Employees are inspired and happy. They communicate with each other on a regular basis and are able to make decisions unencumbered by autocratic systems. This is an exciting time in a company's growth, and it requires a set of unique individuals working independently with high trust, towards common goals. However, to survive, it will be necessary for them to implement standardized processes and procedures. They must also learn to work smarter, not harder.

In the ***Bureaucratic phase,*** managers establish the necessary policy manuals, organization charts and reporting structures. But, unfortunately they often build these bureaucratic structures so large that they end up constipating the creativity and enthusiasm of the people. An effective organization chart should follow the 8 x 5 rule. This means that if someone is going to have the title of manager, they must have at least eight people reporting to them. Also, there should be no more than five levels of management in the organization.

To achieve this, many companies have to break themselves up into smaller, more closer-to-the-customers entities. They align these functions to their specific product or service offerings. This will take them into the ***Silo phase***.

During the Silo Phase managers behave like of herd of fighting bulls

A silo is an organizational structure in which units are created to focus on specific products or services. During the Silo phase, we see companies organized into Lines of Business (LOBs), Strategic Business Units (SBUs), Functions or Divisions. This corporate structure motivates managers to behave like a herd of fighting bulls. Departments and business units fighting against each other for limited, budgeted resources and the attention of senior management.

These units do not interact with each other. Instead, they compete. Lower level staff observe this and believe that it is the basic culture of the company. The end result is that staff do not communicate with each other across its divisions and customers are confused and frustrated. Customers get calls from sales people from the various units seeking their business. Since the purchasing process is a time-consuming and expensive process, customers look for more efficient supplier alternatives. In the event they do call the company, their call often goes to a telemarketing group working at minimum wage and they get treated rudely by staff at some outsourced call centre.

Eventually, these customers leave in search of a company which really appreciates their business. We are in the age of customer service. Our clients are demanding quality, service, customization, convenience, speed and personal contact. So now a company's structure and make-up has to evolve into one that is more connected with its customer's needs. In this next stage, management re-aligns the silos to be customer driven. Instead of being focused on their products and services, the silos are aligned according to their customers needs such as industry, geography, size, etc.

During this stage, companies put one R&D function, one Human Resource function, one Financial function, etc. in charge of them all. This now

About the Author

Joseph Sherren, CSP
President
Ethos Enterprises Inc.

An Internationally acclaimed speaker and trainer, Joe has been delighting audiences with his thought-provoking, interactive and inspirational presentations for over 20 years.

Joe teaches powerful techniques designed to identify your thinking styles, communication preferences and improve management effectiveness. His sessions will change behaviour and improve your personal and professional life.

*Well known for his popular communications program **"The Birds"**, Joe has trained thousands of executives, leaders and professionals in leadership, coaching, teambuilding, customer loyalty, ethics and strategic planning.*

He is co-author of Vitamin C for a Healthy Workplace.

Phases of Organizational Development

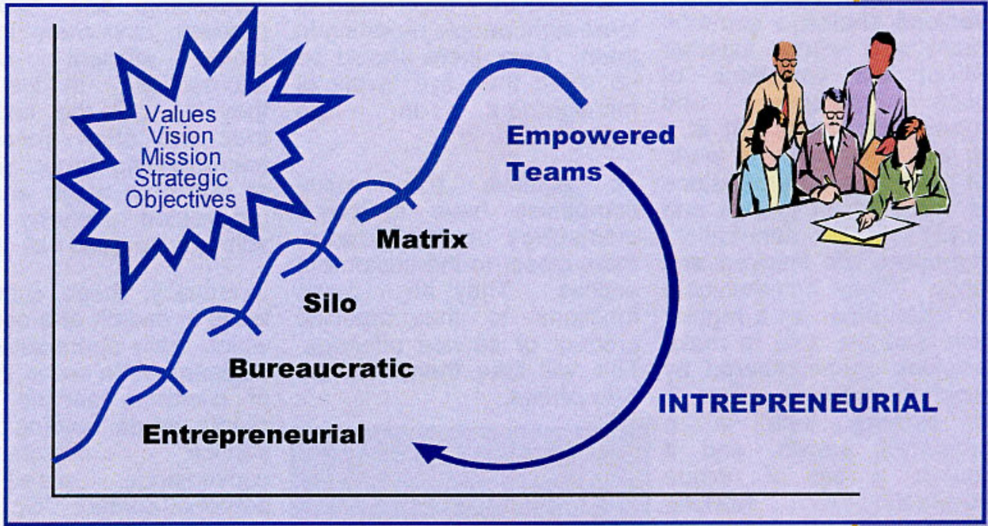
takes them into the **Matrix** ***phase.*** Although this will fix many of the previous problems, it will also result in everyone attending numerous meetings. Too many people must have input on every little decision, so productivity drops. As well, no one knows who they really work for because of all the dotted-line reporting structures.

For companies to succeed in this environment, they must be and act like a customer-focused supplier. This means empowering the front-line staff who can make a difference when they come in contact with a customer. These employees must be educated appropriately in the values, vision, mission and critical objectives of the company.

When establishing **VALUES**, the organization must consider the two or three fundamental beliefs that, when translated into behaviours, are critical to success. These are often a reflection of the internal culture and the past reputation and behaviour of the organization. Once established, the values should be clearly understood by all employees, and staff should know that any violation will result in dismissal

An organization's **VISION** represents the dream they would like to achieve. If stated properly, when achieved, there will no longer be a need for this organization to continue under the current structure. The Vision, articulated with approximately five words, is the beacon of light keeping the entire organization focused on the course to being a world class supplier of their products or services.

The **MISSION** of an organization should answer the basic question: "What is the reason for our existence right now?". It should be only one sentence and articulate clearly the following: What is it we do? — How do we do it? — For whom do we do it? — What is our span of influence? — and why do we do it? In summary, what is the specific reason for our existence right now? Unfortunately, for many organizations, the mission is usually just a statement describing a desired working culture, and does not inspire focused behaviour.



STRATEGIC OBJECTIVES should be focused on the three key areas which will ensure long- term success for the organization. These are: (1) Business requirements - measured in terms of profit, market share, ROI, ROA, EBIDA, ROTA, etc. (2) Customer Satisfaction - measured by loyalty, repeat business, satisfaction surveys, complaint letters, etc.. (3) Employee Satisfaction - also measured in terms of loyalty, attrition, punctuality, morale, absenteeism, assessment surveys, and executive interviews. Goal setting 101 tells us that objectives should be SMART (Specific-Measurable-Achievable-Realistic-Timed). It is surprising, but many organizations' goals fail this simple test.

These three basic areas of goals should always be kept in balance. If one succeeds at the expense of the others, it will ultimately end up being the Achilles Heel of any organization.

Once the complete Strategic Plan has been established, the company then must implement a Talent Management process which ensures that all hiring, training, performance measurements and recognition programs are in alignment with it. Doing this will enable them to enter the ***Empowered Team*** phase. When this happens, organizations will experience higher levels of productivity, effective managers who are not overworked or heading for burn-out, and lower attrition because employees are happier.

ETHOS™
OPENING THE DOORS OF OPPORTUNITY

For keynote or training information please contact us:
4984 Cherry Street, Stouffville, ON Canada L4A 7X4
Tel: 416-399-9223 Fax: 905-473-9725
Email: admin@ethos.on.ca Web: www.ethos.ca