Improvement of Efficiency of Organization’s Life Cycle Analysis

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Abstract: The process of organizational changes management is based on the theory of company’s life cycle. But existing concepts are very often low-efficient because of their limited coverage of organizational activity’s characteristics. The article establishes relationship between the level of development of resource-factor support of production process and moving along the life cycle line of the company. Detailed description will allow to improve monitoring of development of the enterprise during the time of its existence and, therefore, more successfully forecast expected problems and find out more efficient solutions to them.

Key words: Changes management • Life cycle of organization (OLC) • Factors of production • Life cycle stage • Resource-factorial support.

INTRODUCTION

The concept of OLC is used in management studies in order to explain changes taking place during life of the company. Mainly these are changes connected with growth of company’s size and increase in complexity of its management. For more than several decades theorists of management do their best to explain the process of organization’s life. Scientists have developed and presented a lot of models of it but dominating paradigm in this scientific sphere has not been found yet.

One of the reasons of such diversity can be differences in the objects of study. Initially OLC model was built for governmental organization, then the models for commercial and non-commercial enterprises were developed too. The concepts of OLC were used for measuring of changes of different organizational aspects during life cycle: technological changes, changes in organizational culture [1], organizational efficiency [2], changes in priorities of top-managers. Life cycles of newly formed organizations, industrial enterprises, publishing houses [4], universities, hospitals, NASA, film studios and service companies were analyzed [5]. It is known that the sphere of organization’s activity directly influences the model of its life cycle.

Thus, we can conclude the following: By now a lot of OLC models has been produced but still different experts do not arrive at common opinion about the number of stages and the principles which must be used for their identification. Every expert accentuate the uniqueness of his own model. However, we can take out some general features in spite of the number of stages and objects of study. First of all - the sequence of stages. Every stage is a direct effect of the previous one. Besides that all models consider different range of organizational characteristics and in order to perform OLC analysis well we have to understand how they change in time. Organization is not only able to stay at one stage of development for long time but return to previous stages and go bankrupt at initial stages very quickly moving to recession and death.

One of the most known concepts of OLC is the model built by Itshak Adizes. It includes 10 stages: nursing, infancy, let's go (we want more), youth, bloom, stability, aristocratism, discord, bureaucratization, death [6, 7]. It can be viewed as a curve line (Figure 1).

Adesis model represents life cycles of organization most fully. Apart from other models it is complete: it includes all stages, from birth to death [8]. Here the point...
of maximal development of enterprise is shown - stage of bloom [9]. Therefore, in the author's opinion, this model is most useful for the purposes of this study.

However, we believe that all models of life cycle cannot fully satisfy the manager's needs for methodological recommendations while managing changes in the company because of the following problem: All authors while describing stages of the life cycle base their approaches on unique combination of characteristics of every stage. But in the same time they very often do not represent development of the company in general, they characterize only one aspect. Narrow range of analyzed characteristics of organizational activity at every stage of company's development reduces greatly opportunities for valuable and comprehensive evaluation of current state of the company. Distortion of these data in its turn does not allow to evaluate correctly oncoming changes awaiting the company in future and to get ready for them beforehand. Such situation eliminates all efforts of managers to control changes in the company and reduces their trust in this scientific area because of low efficiency of these methods.

In order to evaluate life cycles most fully and adequately we propose to use Adizes' approach and, for evaluation of organizational activity at every stage, to use evolutional theory of production factors developed by Inshakov.

In order to evaluate correctly the level of company's development at every stage of life cycle evolutional theory of production factors developed by Inshakov must be used [10]. This theory says that the product of economic system of specific level can be presented in the form of production function:

\[ Q = F (A, T, M, Ins, O, Inf) \]

where

- Q- produced product;
- A-human
- T-technical-technological
- M-material
- Ins-institutional
- O-organizational
- Inf-information factors of its production.

Thus, analysis of company development level will be done through evaluation of resource-factorial support of production at each of 10 stages of life cycle of an organization.

Each of these 6 factors reflects some aspect of development of the company [11]:

- Human factor (A) - level of personnel development;
- Technical-technological factor (T): technical level of the company; development of technologies;
- Material factor (M): increase in economic results of the company's activity;
- Institutional factor (Ins): development of institutions, implementation of the system of professional management;
- Organizational factor (O): development of organizational structure of the company;
- Information factor (Inf): increase in information openness of the company, better use of information flows in order to accelerate development of the organization.

Let us consider development of resource-factorial support of production at every stage of life cycles. We assume that there 3 levels of development of a production factor:

- 0 (zero);
- a, t, m, ins, o, inf - low level of development of the factor, it is shown by small initial letters of the factor's name;
- A, T, M, INA, O, INF - high level of factor development, it is shown by capital initial letters of the factor's name.

Therefore, development of the company at every stage of OLC can be described by combination of 6 production factors, with different levels of development of every of them. The highest point of company's development is achieved when all factors are developed to the highest degree simultaneously.

Stage "Nursing". At this stage organization exists only in the form of idea. Birth of the company takes place when the founder takes a risk. Levels of development of human and informational factors will be different from zero because there is a founder with its own skills and knowledge and information about possible market niches for future company. Development of other factors will be equal to zero because officially company does not exist - it has no equipment, material resources, operation rules, structure. Therefore, the level of development of organization at this stage can be presented in the form: a-0-0-0-0-inf.
“Infancy”: After taking risk the nature of company changes greatly. It starts to operate. Not available production factors develop and lead to: organizational structure, rules and regulations of work, fixed assets, money flow. The company hires personnel, begins to interact with consumers but the level of development of all 6 factors in not optimal, there is potential for growth. The level of development at this stage can be presented as: a-t-m-Ins-o-Inf.

“Lets go”: Significant increase in volumes of production takes place. Close connections with consumers will allow to improve end product in appropriate way which influences financial results greatly. This allows to broaden business geography - new offices appear.

Therefore, factors T, M, O, Ins are highly developed. Levels of development of factors A, Inf are not optimal because of the necessity of institutional activity of the company and improvement of corresponding competences of the employees. Therefore, the level of development at this stage can be shown as: a-T-M-Ins-O-Inf.

“Youth”. This stage is characterized by transition from single-man management to professional management. Organization concentrates on maximal optimization of its activity at the expense of institutionalization of management, close interrelation with environment (consumers, contractors), introduction of energy-saving technologies and development of corresponding competences of the employees. Developmental factors A, T, Ins, Inf are in high level. Orientation to qualitative results leads to temporal reduction of company's volumes of production: decrease in development of factors M, O. The level of development at this stage - A-T-M-Ins-O-Inf.

“Bloom”. The optimal conditions of the company are achieved, the balance between control and flexibility is maintained; this is the highest point of life cycles of the company. Maximal development of all factors leads to expected leadership of the company in the market. Professional management maintains close connections with customers and partners to get optimal product and high profit. The level of development is described as: A-T-M-INS-O-Inf.

“Stability”. Beginning with this stage further life of the company will be deteriorating. The first factor which starts to deteriorate is Inf - deterioration of connections with customers and partners. The level of openness of the company also decreases, customers are not heard any more: this leads to refusal from innovative activity and avoidance of risk: the company do not develop new products and open new offices any more. Thanks to accumulated potential the level of development of other factors is still high. The level of development - A-T-M-INS-O-Inf.

“Aristocratism”. The company is concentrated on past achievements, not on future. Factor T decreases: interest in exploration of new territories is lost forever, development and improvement of products satisfying new needs of customers does not take place any more. Organization prefers to spend resources on luxury items but not on modernization of equipment which leads to zero increment in revenue, inefficient consumption of resources and, therefore, to decrease in the level of factor M. Other factors do not change in comparison with previous period. The level of development - A-t-m-INS-O-Inf.

“Discord”. Situation in the company is aggravating: they look for someone to blame for the current state, qualification of the employees is decreasing which results in decrease of the factor A. The offices and divisions of the company are being closed, level of organizational factor decreases. Factor Ins is on the low level. Operation rules and management institutions can not prevent inter-personal conflicts and looking for guilty person in this situation. Planning of activity stops. Other factors do not change. The level of development - a-t-m-INS-o-Inf.

Reduction of the level of all 6 factors of production to the lowest values in combination with their negative dynamics results in inability of the company to function properly.

“Bureaucratization”: Production is shut down, level of development of the factor T reduces to zero. The company completely isolates itself from external environment, factor Inf reduces to zero. Key activities stop, products of the company are not needed by customers any more; bad financial situation results in dismissal of employees. Bureaucrats dominate in the company and think only about rules and norms. The level of development - a-0-m-ins-o-0.

“Death”. Bankruptcy of the company. Levels of development of all factors fall to zero. “Death” can be presented in the following form: 0-0-0-0-0-0.

Levels of development of production factors at every stage of life cycle can be summarized in the following table (Table 1, Figure 2).
Fig. 2: Development of production factors at every stage of life cycle

Table 1: Development of production factors at every stage of life cycle

<table>
<thead>
<tr>
<th>Life cycle stage</th>
<th>The Level of development of production factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nursing</td>
<td>a-0-0-0-0-inf</td>
</tr>
<tr>
<td>Infancy</td>
<td>a-t-m-INS-O-INF</td>
</tr>
<tr>
<td>Let's go</td>
<td>a-T-M-INS-O-INF</td>
</tr>
<tr>
<td>Youth</td>
<td>a-T-M-INS-O-INF</td>
</tr>
<tr>
<td>Bloom</td>
<td>a-T-M-INS-O-INF</td>
</tr>
<tr>
<td>Stability</td>
<td>A-T-M-INS-O-inf</td>
</tr>
<tr>
<td>Aristocraticism</td>
<td>a-t-m-INS-O-inf</td>
</tr>
<tr>
<td>Discord</td>
<td>a-t-m-INS-o-inf</td>
</tr>
<tr>
<td>Bureaucratization</td>
<td>a-0-m-INS-o-inf</td>
</tr>
<tr>
<td>Death</td>
<td>0-0-0-0-0-inf</td>
</tr>
</tbody>
</table>

So, the use of this method will allow to monitor development of enterprise during its life cycle more fully because of broad coverage of operational activity's characteristics and detailed analysis of all stages of OCL. Reliability and completeness of measurements will be improved greatly: this is important in current conditions of total manipulation by economic indicators. Use of this concept will allow to forecast oncoming problems in companies, to make more reasonable managerial decisions and increase efficiency of management as a whole.

REFERENCES