



An OAD LLC Article

Required Cultures for Success & Failure - An Outline of Organization Development

Growing a business requires distinctly different and contradictory mindsets or cultures. Just as a company needs creativity to remain competitive, it also has to be aware of the necessity for discipline and order to inhibit practices that are fanciful and wasteful. In fact, the very temperaments or personalities required in a creative start-up are often contrary to those needed if the business is to grow and evolve into an organization.

The difference between a business and an organization? Basically, the number of people. Success demands more employees doing more tasks in an increasingly complex environment.

Traditionally, in a small business the owner/founder developed the product/service, did the selling, did the billing, kept lists, paid the bills, and deposited the checks in the bank. If things went well his wife took over the paperwork at the dining room table most evenings. In some instances the fellow's wife would have been better at sales and he at paperwork, but tradition and ego are often barriers to logic and success.

However, many burgeoning organizations fail not because they misread the marketplace or couldn't improve a product, but because they didn't know how to plan and manage growth.

Continued success means less time for one self to do everything. It means hiring more people and increased specialization of activities, which is both good and bad news. The good news is that there are now some financial cushions and security, people can focus on what they do best, and, while payroll goes up, production and delivery of products/services becomes more efficient.

When a successful business has enough people employed that the right hand often doesn't know what the left hand is doing, it is in the birth stages of becoming an organization. Organization - a whole made up of different components working toward a common goal.

The bad news is the crowd. They're everywhere in a larger business. As a misanthrope once said, "This would be a great job if it weren't for the customers, and if some of the employees decided to stay at home." Like relatives employees create problems. Some are resistant to change while others seem to thrive in (and create) chaos. Some peoples' definition of communication and problem-solving is, "It won't work". Others communicate to the point that you wish you were stone deaf. Politics, agendas, power relationships, foibles, secrets, incompetence, meetings, meetings to schedule meetings - the human condition.

Obviously, success is dependent on the marketplace, capital, equipment, and technology. However, many burgeoning organizations fail not because they misread the marketplace or couldn't improve a product, but because they didn't know how to plan and manage growth. In our experience it is not uncommon to see an entrepreneur who started a business and made it successful ending up destroying it. Conversely, by the way, we have seen many people who excel at taking a ruined business and reviving it to profitability and new growth.

Through the years organization scholars have professed various theories and treatments for developing a profitable organization - matrix, ad hoc teams, hierarchical, flat, centralized, decentralized, profit centered, geographical, product line, etc. All of the theories are good - some in practice, many only in theory. All are aimed at two common sense goals - awareness of and responsiveness to the customer and efficient (i.e. profitable) manufacture and delivery of goods or services. The trick, however, has always been to implement the right organization design to achieve these goals. And to do this you need to understand human nature.

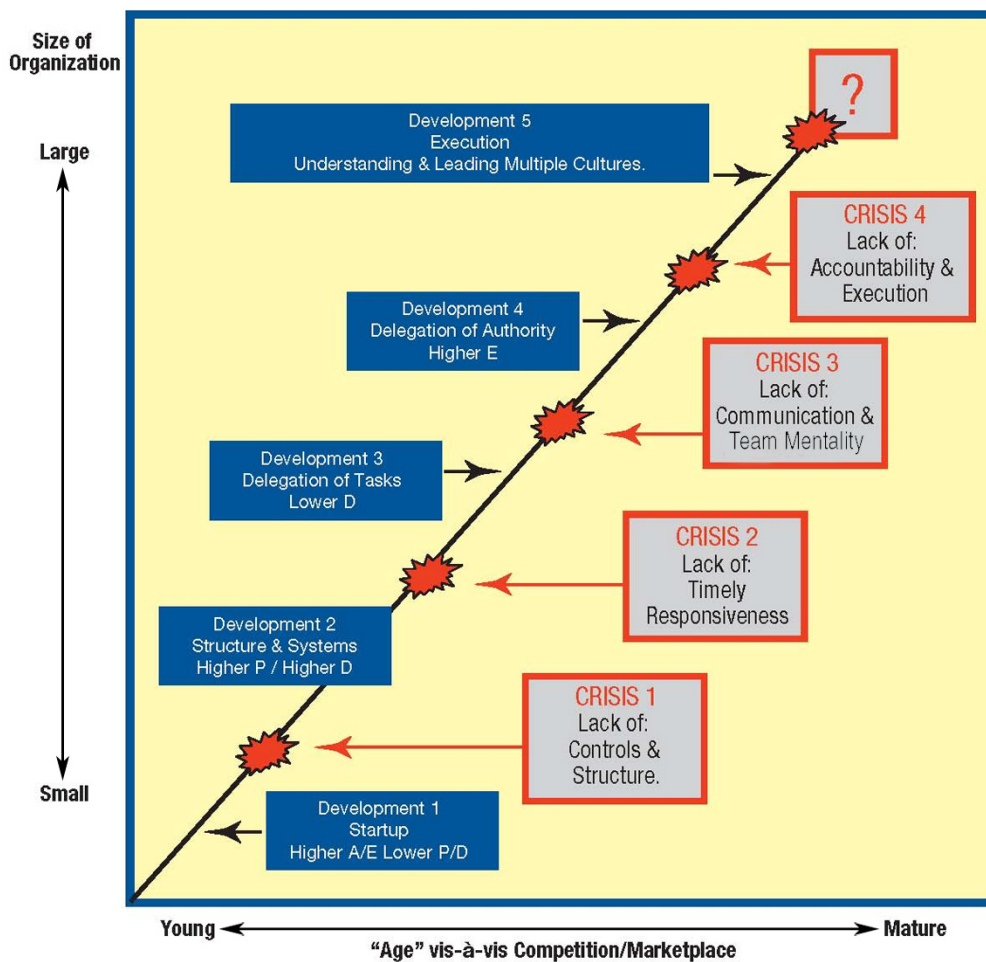


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Below I illustrate the most common stages of organizational growth and describe, in OAD terminology, the types of “creatures” found and needed in each stage. You will recognize a paradox - the very qualities that make the organization successful at a particular point in time are the ones that later can cause its crises.

Stages of Organization Development



Development 1
Startup
Higher A/E Lower P/D

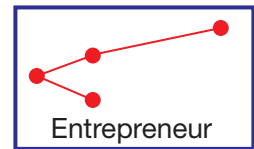
In the beginning there is the Startup. One or several people get together with a great idea - something that can be profitably sold. Some people start a business in the hopes of making a lot of money, but many do it because they want to work for themselves, want to build something, do something different, do something better. At the Development 1 Stage the focus is entirely on making and selling a product or service.



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Entrepreneurs can be divided into two categories - the Artisan and the Organization Builder. The Artisans are usually Higher D/Lower A personalities who are skilled in a trade or craft. They want to own their own business, but want to keep it small; perhaps a dozen employees or less. Artisans don't want to build a complex organization as they are uncomfortable delegating tasks and, more so, delegating authority; they are "hands-on" people. I have seen Artisans attempt to build an organization but, invariably, they pull back because of the emotional wear and tear of not seeing or managing tasks directly. Their motto - "If you want something done right, do it yourself".



Organization Builders, on the other hand, want to build something big and have the confidence and risk comfort for something with hundreds or thousands of employees scattered around the country or world. They are comfortable with abstractions and complexities, setbacks are temporary obstacles, and want not only to be responsive to markets but create them as well. In OAD jargon they are Higher A/Lower D personalities that I label the Entrepreneur.

Entrepreneurs are assertive, self-confident, venturesome, and conceptual or "big-thinking". They think, act, and react in terms of opportunities. An obstacle is a challenge or brushed away. Detail is delegated or handled in an impromptu fashion. Additionally, these individuals are Lower P personalities - a very strong sense of urgency, get it done now and move on quickly, handle activities simultaneously, and little patience for delay, red tape, or people who don't move fast enough. Finally, while many entrepreneurs are introverts and technically oriented (Lower E), in the startup phase they "push their E's" to exhibit an outgoing, persuasive, and selling communication style. (Higher E's, of course, come by this naturally.) Everyone is wearing multiple hats, communication is frequent and informal, reaction times are quick.



If all goes well the company grows - more sales, more production, more service, more paper, more people. Initially the entrepreneur cannot understand why others don't work like him (Higher A ego). Why don't others want to work ungodly hours for the sheer thrill of it all, the challenges, the bets, the turmoil? The knowledgeable entrepreneur recognizes that her strengths are now impeding growth to the next step of growth. The Lower P urgency and Lower D spontaneity has led to a chaotic environment. There are few systems and controls. What is needed is Higher P/Higher D systems and structures.

Development 2
Systems & Structure
Higher P/ Higher D

Procedures, policies, reporting relationships, and other mechanisms have to be brought in to make order and clarity of an environment and culture that was previously (and appropriately) based on spontaneity, individual responsiveness, and where there could be no clear-cut rules. Now there are too many people to sustain an

informal culture and practices. Mentally people are bumping into each other - whose doing what, where, when? Too much is falling between the cracks.

Enter the Higher P/Higher D - patient, proceduralized, creating systems. Also, detail oriented, structured and creating clarity. Ironically, at this stage of development many entrepreneurs cannot make the adjustment. They cannot live with the structure, the order, the rules. Many leave, many are asked to leave, and some destroy their company.




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In the Second Stage of Development everyone has a job title, job description, sales call reports, budgets, performance appraisals and all the other necessary ingredients to keep the organization focused and aware of how it is doing. Not only is this necessary to organization growth, it's necessary to the majority of people who now work in it – customer service, administration, accounting. These are Higher P/D people staffing Higher P/D jobs. The organization becomes more efficient, but more rigid.



Customers generate more paper, internal staff generates more paper, workloads become larger. Key members find they don't have the time to react to issues in a timely manner and feel victimized by rules and lengthy procedures. The response is to further specialize jobs to free up more time. At this juncture many organizations often call the increased delegation of tasks "empowerment", but it is simply shifting more Higher D tasks to other people. Lower D's enthusiastically shift work to Higher D's, and Higher D's are compartmentalizing and sharing with other Higher D's. Necessary and knowledgeable specialists abound – and knowledge is power.

CRISIS 2

**Lack of:
Timely
Responsiveness.**

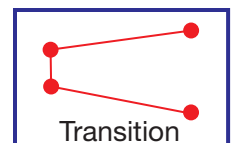
Business success combined with the now prevalent culture of more specialists demands even more specialists. Most managers and their subordinates are doing narrow and specific tasks, and in slow periods doing little. Multiple hats on one person have become single hats on each person. but the larger payroll is affecting profitability and response to customers, vendors, and executives go through so many people that complaints and frustrations rise and opportunities are missed. Higher D's however, not only hesitate to share their knowledge because it's power, but their expertise provides a personal sense of value, achievement, and security.

In this culture I have advised some clients reterenchment, lowering of sights, and becoming a niche player in the market. This is because they are basically happy with direct oversight and the prospect of giving this up is too uncomfortable. Further growth necessitates further distance from the "shop floor" and if the decision-makers intellectually understand it, but can't come to grips with it it's time to stop or sell out.

**Development 3
Delegation of Tasks
Lower D**

If it can be accomplished more time is freed up for decision-makers who, ostensibly, can be more responsive to, and plan for, the existing and future markets. There becomes a more efficient and planned use of human resources. Often headquarters, regional offices, and even site locations are making policy decisions about

customer needs, motivations, and desires. Meetings are formal and held perhaps twice a year. From a corporate center these executives balance the needs of the organization (they are stakeholders) between the customer and the decision-maker. Many of the Higher A's relish their power; many of the Higher D's garner and defend their expertise. The organization has now grown to a size that it provides security – pay, benefits, retirement. It is only human nature that many of these stakeholders keep a sharp eye out for personal and collective well-being. I am not implying that the organization is now more focused toward itself than the customer, but its size and maturity has created sub-cultures where self-preservation issues are considered.





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CRISIS 3



**Lack of:
Communication
& Defined Goals.**

Often by the time a problem gets to the decision-maker it has been filtered, sanitized, spun, and become abstract. Often by the time a decision has been made and re-communicated back down, it is too late. The Sales Rep, or Production Manager, or Customer Service Manager feels frustrated. He feels like the dog chasing the mechanical rabbit out in front, with the rule book on his heels.

The middle layers of management are in conflict - damned if they do and damned if they don't. While tasks have been delegated down to them from above and they, in turn, have parceled them out to their subordinates, there has not been any delegation of actual authority. Delegation of tasks and authority are distinctly different. Entrepreneurial leaders are more than happy to delegate tasks because they quickly become bored with them. By giving them to someone else they, in their own minds, believe they are also delegating authority or power hence all the literature on empowerment. "Here, I'm giving all this to you. You are now empowered and motivated. Just be certain you do everything just the way I would do it. Have a nice day."

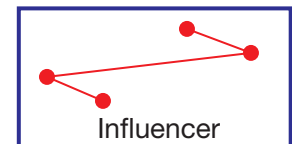
But if tasks are not done exactly the way the entrepreneur would do them the managers are criticized. It's not that the tasks weren't done correctly; they weren't done the way the entrepreneur did them in the past. In this culture the bywords are, "Keep your head down. Push off decisions that might get you in trouble and, above all else, cover yourself" - A/D conflict.

Development 4 Delegation of Authority Higher E

The organization realizes that it has to have closer communication and faster reaction times to the customers and the marketplace. The best way to do this is to give more decision-making authority down to the field level - true empowerment, or, in organization development terminology, decentralization.

This is very difficult for two reasons. First, many people find it difficult to relinquish power. Higher A's like power and hesitate to share it. Higher D's may be uncomfortable with the accountabilities that come with power, but can manage these accountabilities through control - relying on precedent and the rule book. Second, over time the management at the field level has increasingly been staffed by Lower A/Higher D's - people who are comfortable and effective at implementing decisions made from above as opposed to formulating, executing, and taking responsibility for decisions that are outside of the Rule Book. In other words, the people who were the organization's greatest strengths are now the bottlenecks. Consequently, at the higher levels there is active resistance, and at lower levels passive resistance.

A culture change of increased dialogue and collaboration (as opposed to one-way directives) is introduced. "Teambuilding" is introduced with the intent of bringing together the key players in permanent or ad hoc committees to discuss problems and opportunities. The biggest internal challenge to this process is the issue of trust - politics, hidden agendas, recriminations. Contexts for discussion have to be present. What are the short- and long-term strategies and goals? Only after these are defined can tactics be developed.





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CRISIS 4

**Lack of:
Accountability
& Execution.**

...and that's where the crisis briefly flares. Pushing authority down results in some people seemingly chasing rainbows (Higher A's) and others sitting tight until they have written approvals in their files (Higher P/D's). Senior management feels like it's herding kittens and some will use this as a rationale to go back to the more centralized, structured paradigm. Yardsticks, time frames, accountability measures, and feedback loops have to be developed. People will be able to contribute with solid ideas and be able to plan, execute, and review; then re-plan, execute, and review - or not.

Development 5 Execution Understanding & Leading Multiple Cultures

What is now required is that the organization has to be viewed from three dimensions. In the past organization structures have been viewed only from two – height and width. Tall multi-layered organizations go through periods of “flattening” in lean times and revert to hierarchies in good. Large organizations have organization charts with many lateral wings to illustrate geography, divisions, product lines, etc. The wings are clipped as certain sectors of the organization become unprofitable; and become reborn in a strong economy.

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Top management has to develop teams within teams who can assess, recommend, and, if necessary, execute quickly. If “special operations” has to assess and execute for others too often, a development or change of personnel is necessary.

What is different is the pace of competition. In the past, gathering of information took weeks or months. Analysis of the information took weeks or months. Orders from the “Supreme Command” took weeks or months to get back to the field. Today written and verbal communication is instantaneous. Labor can quickly move across borders. Capital in a myriad of forms can move worldwide at the push of a button.

The challenge in the new marketplace is speed and quality of execution. Annual and bi-annual reviews by senior executives are no longer sufficient. They have to be back on the hill overlooking the battles rather than at a distant location waiting for a messenger on horseback. Technology allows this. Instant visual, verbal, and written information is now available. Executives shouldn't use this information to micromanage or lurch from one short-term decision to the next, but to assess and project the terrain of the “battlefield”, the suitability or expertise of the field managers, and have “special operations” people lined up to assist or take advantage of situations. Corporate and field management has to be smarter, faster, and more decisive than in the past - as does the support staff on whom they rely. Top management has to develop teams within teams who can assess, recommend, and, if necessary, execute quickly. If “special operations” has to assess and execute for others too often, a development or change of personnel is necessary. This applies to the top as well. Indecisive, feather-bedding, or chainsaw CEO's should be spotted and removed.

An understanding and appreciation of different perspectives and styles has to be learned and managed. The analytical, skeptical Lower E contributions have to be combined with the Higher E extroverted, optimistic, “sellers”. The Higher A's have to recognize, utilize, and appreciate the natural caution of the Higher D. The Lower P has to understand the necessity of Higher P systemization.

When I wrote this article several years ago it said, “The fifth and next evolutionary crisis? Who knows? Most likely it will be teams running out of control and dictating policy, practices, and culture. At that time the Stages of Organization Development graph showed Crisis 5 as a question mark.



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CRISIS 5


**Lack of:
Knowledge**

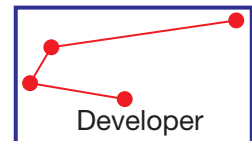
Today (February 2009), it seems that this has happened, at least in the financial industry. Banks, investment firms, insurance companies, and brokerages have evolved into a single enterprise. None of them wanted to be left behind in the spiraling returns of mortgage backed equities and insured bonds that were packaged, repackaged, sold, resold, and put on the futures markets until the sellers didn't know what they were selling and buyers didn't know what they were buying. All they did know was that home prices would never drop. In other words, human behavior was never factored into their algorithmic models.

Has the ballyhooed culture of knowledge and creativity run amok and created a bushel of faulty merchandise? Using blindingly fast calculations and communications the backroom Higher D computer whiz kids were putting together intangible "products" that Higher A/E entrepreneurs and sales reps could flip and pocket astounding profits. *Everyone* was making lots of money and the demand required churning out more and more of these products. In time even the geeks couldn't figure out these gargantuan multi-tired jigsaw puzzles.

These specialized swat teams took over the financial industry and few cared as long as the profits rolled in. Risk analyses and due diligences were rationalized away and, in some cases, faked. People confused instantaneous communication and rate-of-return algorithmic assurances with underlying quality. Worldwide, multi-trillion government bailouts are trying to salvage economies that are linked by these instantaneous communications and investment decisions. Clearly commercial and governmental oversight regulations need to be revised.

Development 6
Knowledge in Risk
Assessment
Higher A/ Lower E & D

These financial organizations don't want to fail, so how should they respond to this crisis? Yes, getting as much free money from governments as possible is a sensible move, but what cultural and sub-cultural changes are needed to provide the stability needed for the next stage of growth? In OAD jargon, there may be the rise of Higher D/Lower E leaders - analytical, venture-some but calculating, "show me the steak not the sizzle". The strength and cultures they create will prize products and services that can stand up to scrutiny from skeptical consumer markets that have lost trust in the once most trusted and fundamental financial and industrial organizations.



CRISIS 6



The new leaders' Achilles' heel? They don't understand buyers' mentalities in a recovering economy. We shall see.