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Designing HR's Greatest Impact at Each Stage of the Corporate Lifecycle

Slide 1

All organizations go through identifiable phases of growth, stability, decline and rebirth and it takes a different type of HR leader to succeed in these vastly different environments. HR in its role as advisor and driver can help minimize mistakes and maximize opportunities at each stage. Knowing where an organization is in its life cycle helps you understand and put into perspective the problems that organizations face and helps you set priorities and know what HR organizational structures and offerings need to be in place at each phase.

Think for a moment: compare the vastly different types of HR activities you've focused on at different growth stages of your employers. What was your employer like in your first HR job? What was most impactful at each stage? How did you coach the leaders differently depending on the organization's needs? What do you wish you knew beforehand?

In this presentation, we're going to cover three things:

1. The stages of the organizational life cycle, what each stage looks like including how can you identify it, and what the common problems and pitfalls are at each stage
2. What HR programs and offerings are typical at each stage, and what are the standard challenges HR encounters
3. What are the key critical interventions you can do at each phase from an HR standpoint

Slide 2

You're all familiar with Adizes' work on organizational life cycles. It's one of the more fun subjects you study in CEO school. With his work, you can classify companies into different phases of the organizational life cycle. Where a company sits may depend on the point of view of your assessment. Companies can be in different phases according to their investors vs. their customers vs. their prospective employees vs. HR.

Slide 3

Courtship

- The organization is an idea
- A need or opportunity has been identified but no commitment has been made
- The focus is on the future and expectations are often overly optimistic
- The champions of the new organization are trying to convince themselves, and others, that the core idea has merit
- Courage and commitment are important at this stage

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Slide 4

Infancy

- The organization is born
- The idea has become a reality and now requires time, commitment and resources
- Each day brings new challenges
- Emphasis is on making things happen, producing results and selling
- There is little planning and few systems
- Energy is high, consistency is low
- Firefighting is a way of life
- The founders are the driving force in the organization
- It takes dedication, energy and hard work to keep a new organization alive and productive

Slide 5

Go-Go

- The organization learns how to produce results
- Its success is encouraging and it will begin to expand on its vision
- With renewed vision come more opportunities
- The organization is optimistic, confident in its ability, and often takes on more than it can chew
- It develops pride in its growth, people, size and sphere of influence
- Big is considered better and expansion creates crisis
- Everything is viewed as an opportunity and every opportunity is a threat
- People and managers get spread too thin
- Standards become lax and excellence in performance may be compromise
- The organization remains dominated by its leaders

Slide 6

Adolescence

- The organization undergoes a period of rethinking, consolidation and reorganization
- The expansion of Go-Go brings vulnerability and risk
- Mistakes are made, too much is promised, too many projects are started
- The organization may be in danger
- Often characterized by some degree of conflict and confusion
- The conflict occurs between people, departments and cliques
- Teamwork suffers
- Leaders may not be in agreement on direction or risks that should be taken
- The entrepreneurs are often at odds with their more conservative colleagues
- Rapid expansion often leads to a loss of focus, confusion about what type of organization we are, what market we serve, and how we should be organized

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- It is easy to lose energy and prematurely age by moving directly past Prime and into decline, particularly if a strong sense of mission does not exist or if people have not learned how to disagree productively or make decisions together
- This is generally a tough time for the leader and the organization, but if these issues and challenges are met, the newly directly organization can emerge into its Prime

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Prime

- The organization has a clearly defined mission and strategy
- Characterized by strategically-directed management that achieves total quality in terms of service to customers, satisfaction of its employees, and the ability to achieve desired results
- The organization is continuously improving its processes and its bottom line
- The organization is generally predictable
- It sets and meets aggressive goals
- Challenges are faced and resolved efficiently and effectively
- Reward and recognition systems are aligned with company strategies
- Find and developing enough capable and competent people becomes a problem
- The culture is one of open communication, honesty and strong performance
- There is a great sense of purpose and achieve
- The inherent danger is one of fighting complacency

Slide 8
Stable (this stage is where complacency sets in)

- The Stable phase is a phase of transition from growing to aging
- The organization is still profitable and may appear to be a flashy industry leader
- It has often had a long reign at the top of the heap
- "Success is the enemy of success."
- The Stable phase is the first stage in the aging process and it is difficult to notice
- The changes are ever so slight and generally take place over a considerable period of time
- An organization ceases to stretch for excellence
- Complacency sets into the organization and its leaders slow, down, settle in and become "comfortable"
- Aspirations for growth and improvement begin to fade
- Honest, open criticism is less tolerated
- Politics become more of an issue
- There is more focus on how we do things than what we do
- More emphasis on activities than results
- The organization is changing; it no longer goes after what it wants; it takes what it can get
- Momentum declines and the organization appears "flat"
- White transition into the Stable phase is subtle, its impact is profound

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Aristocracy

- The organization may still have cash; its balance sheet and operating statement still looks good and the bankers are friends
- As the drive to produce results declines and the organization becomes more concerned with form and function, it loses energy
- The conflict which keeps a young organization sharp is replaced by an easy-going tolerance, including a tolerance for poor performance and an attitude of "don't make waves"
- Usually the organization has the tools it needs at this point in time
- It has location and systems, equipment is plentiful, and training courses can be found everywhere
- However, the most common behavior is denial—denial of problems and denial that customers aren't as satisfied despite fewer coming back each year
- The drive for profit now focuses on creating a monopoly, reducing costs or raising prices
- This stage brings the organization to the beginning of a decline

Slide 10

Early Bureaucracy

- The organization is in continuous decline
- If the organization does not recognize the symptoms of the Stable or Aristocracy phases and makes no major effort to re-energize itself, it will continue to decline
- As results decline, complete denial is no longer possible
- People begin talking openly about "the problems" and try to identify the person who precipitated the decline
- Scapegoats are found, the culprit is removed and the team rejoices
- However, the problems are systemic and the removal of a couple of people is not the answer
- The witch-hung begins again
- As people turn inward and point fingers, they turn their backs on customers
- Service levels fall; customers complain
- After this point, the organization generally self destructs unless there is an immediate effort to turn the organization around

Slide 11

Bureaucracy

- The organization is bottoming out
- If the declining organization is big and vital to the nation's economy, the government takes it over, driving it into full-fledged Bureaucracy
- When this happens, focusing on form rather than function is taken to the level of an art form
- Paper work abounds and the customers are left crying in the wilderness

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What should HR focus on at each stage?

- Priorities
- Resources
- Strategic Planning
- Coaching the leaders
- What problems to be ready for

Growth Stages: Talent acquisition, building up processes and procedures

Tipping Points: Change management for M&A, leadership and succession planning. Long-term success has a basic requirement—strategic thinking combined with a willingness to continuously stretch the organization to improve. You either work hard to drive to Prime or you allow the organization to age.

Aging Stages: Organizational development. Aging organizations can turn around. They can move back to Prime. But, to do so requires they overcome the denial that usually accompanies Aging. They must assess themselves, admit they have problems and commit themselves to change.

Ask for audience opinions and contributions.

Slide 31

The final stage is Death. This is Borders. This is Chrysler when the government had to step in. Not a lot of fun.

Slide 14

How do we avoid this? From Dr. Jerry Faust's work:

How to achieve and maintain Prime in Your Organizational Life Cycle

1. Strategic Positioning and Alignment
2. Stretch for Continuous Improvement
3. Create Agreement Among the Doers, Deciders and Experts

The life cycle phase of every organization can be determined and there is a specific prescription for each phase of the life cycle that will eventually lead to Prime. The prescription generally revolves around three key elements:

1. Strategic Positioning and Alignment
   - Organizations must be aligned with viable markets
   - They must know and understand their customers' needs and be properly positioned to serve them
   - They must be organized to deliver on their strategy and positioning

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- Information control and improvement systems must serve both the strategy and the structure
- The reward and recognition systems must put the goals and motivation of the people in sync with the organization
- All day-to-day business activities can detract from the care for positioning and alignment
- Organizations' structure and systems can drift their alignment wit the marketplace or the organizational superstructure can deteriorate

2. Stretch for Continuous Improvement
   - The drive to Prime is a journey made with regular innovation and improvement
   - To stretch for continuous improvement, the organization must be wiling to look closely at itself
   - It must face difficult issues
   - It must encourage creativity
   - It must take appropriate risks throughout the organization
   - It must continuously work to solve problems and improve its processes

3. Ability to Create Agreement Among the Doers, Deciders and Experts
   - Contemporary organizations must have the ability to get people from different departments and levels within the organization to work together to identify and solve problems, reengineer processes and make critical team-based decisions
   - The drive to Prime requires all units to pull together
   - Divisions and departments cannot become parochial; empires and personal vested interests cannot be allowed to override the good of the organization
   - Creating innovative solutions and breakthrough processes requires creative input from different perspectives
   - Deciders – leaders who have a broad perspective and the authority to make changes
   - Doers – the people who implement the process and serve the customers every day
   - Experts – people who have critical expertise or information needed to identify or solve particular problems or achieve insight into critical processes