Chapter Six

Organization Size, Life Cycle, and Control

Differences Between Large and Small Organizations

- **LARGE**
  - Economies of scale
  - Global reach
  - Vertical hierarchy
  - Mechanistic
  - Complex
  - Stable market
  - “Organization men”

- **SMALL**
  - Responsive
  - Flexible
  - Regional reach
  - Flat structure
  - Organic
  - Simple
  - Niche finding
  - Entrepreneurs

Source: Based on John A. Byrne, "Is Your Company Too Big?" Business Week, 27 March 1989, 84-94.
**Organizational Life Cycle**

**Organization Stages of Development**

1. **Entrepreneurial Stage**
   - Creativity
   - Provision of clear direction
   - Crisis: Need for leadership

2. **Collectivity Stage**
   - Addition of internal systems
   - Crisis: Need for delegation with control

3. **Formalization Stage**
   - Development of teamwork
   - Crisis: Need to deal with too much red tape

4. **Elaboration Stage**
   - Crisis: Need for revitalization
   - Continued maturity
   - Decline
   - Streamlining, small-company thinking

**Organization Characteristics During Four Stages of Life Cycle**

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<tbody>
<tr>
<td><strong>Characteristic</strong></td>
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<tr>
<td><strong>Structure</strong></td>
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<tr>
<td><strong>Products or services</strong></td>
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<td><strong>Reward and control systems</strong></td>
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<td><strong>Innovation</strong></td>
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<td><strong>Goal</strong></td>
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<td><strong>Top Management Style</strong></td>
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Weber’s Dimensions of Bureaucracy and Bases of Organizational Authority

• **BUREAUCRACY**
  1. Rules and procedures
  2. Specialization and division of labor
  3. Hierarchy of authority
  4. Technically qualified personnel
  5. Separate position and incumbent
  6. Written communications and records

• **LEGITIMATE BASES OF AUTHORITY**
  1. Rational-legal
  2. Traditional
  3. Charismatic

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**Percentage of Personnel Allocated to Administrative and Support Activities**

- **Line employees**
- **Top administrators**
- **Professional staff**
- **Clerical**

<table>
<thead>
<tr>
<th>Organization Size</th>
<th>Percentage of Employees</th>
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<tbody>
<tr>
<td>Small</td>
<td>75%</td>
</tr>
<tr>
<td>Large</td>
<td>25%</td>
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<tr>
<td>Line employees</td>
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<tr>
<td>Top administrators</td>
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<tr>
<td>Professional staff</td>
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<tr>
<td>Clerical</td>
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# Three Organizational Control Strategies

<table>
<thead>
<tr>
<th>TYPE</th>
<th>REQUIREMENTS</th>
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<tbody>
<tr>
<td>Bureaucratic</td>
<td>Rules, standards, hierarchy, legitimate authority</td>
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<tr>
<td>Market</td>
<td>Prices, competition, exchange relationship</td>
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<tr>
<td>Clan</td>
<td>Tradition, shared values and beliefs, trust</td>
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## Management Control Systems Used as Part of Bureaucratic Control

<table>
<thead>
<tr>
<th>Subsystem</th>
<th>Content and Frequency</th>
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<tbody>
<tr>
<td>Budget</td>
<td>Financial, resource expenditures, monthly</td>
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<tr>
<td>Statistical reports</td>
<td>Non-financial outputs, weekly or monthly, often computer-based</td>
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<tr>
<td>Reward systems</td>
<td>Annual evaluation of managers based on department goals and performance</td>
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<tr>
<td>Operating procedures</td>
<td>Rules and regulations, policies that prescribe correct behavior, continuous</td>
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Major Perspectives of the Balanced Scorecard

**Financial**
Do actions contribute to improving financial performance?
Examples of measures: profits, return on investment

**Customers**
How well do we serve our customers?
Examples of measures: customer satisfaction, customer loyalty

**Mission Strategy Goals**

**Internal Business Processes**
Does the chain of internal activities and processes add value for customers and shareholders?
Examples of measures: order-rate fulfillment, cost-per-order

**Learning and Growth**
Are we learning and changing?
Examples of measures: continuous process improvement, employee retention, new product introductions

Sources: