

Are Classic Organisational Theories Still Valid? – How and When to Use a Classic Theory in the World of Rapid Change

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Abstract: Classic organisational theories provide a comprehensive analysis of a critical organisational problem and its solutions. With organisational growth models came the idea that in the process of internal organisational adaptation and problem-solving, the organisation generates new problems. Different solutions will therefore be effective to varying stages of growth, and what may have been the key to success in one situation may become a significant obstacle to progress at a later stage.

However, the answers to these specific organisational problems and classical organisational theories remain valid. This is even more important in today's fast-changing environment because of the shortened time a company spends in a growth phase. Thus, identifying a critical problem within the organisation and finding the right classical organisational theory response can significantly support the company's internal adaptation and further growth.

In this theoretical study, the summary of Greiner's model can be read, and then the critical evaluation of the classic organisational theories from the growth approach. In the end, we summarise the results in a figure, which can help not only the theoretical understanding but also support managers in organisations to find the best supporting tools for further organisational development.

Keywords: organisation theory, growth, structure, crisis, Greiner model

1. INTRODUCTION

At the time of the emergence of management science, in the early 20th century, traditional companies were characterised by constant internalisation. Environmental change was slow, so adaptation at the organisational level was not expected - except for a radical innovation (e.g. mechanisation or continuous production), which in turn resulted in a significant change in the whole structure of the industry (Agarwal, 2007; Anderson and Tushman, 1990; Hargadon, 2001).

Today, however, the dynamic pace of change is present in all segments of the market environment. Markets and customer segments are changing, but the life cycle of technologies and products has also shortened (Christensen, 2015; Porter and Heppelmann, 2017). To make profits, a company must manage rapid product life cycles, even within a few years; respond to changes in the supply chain; form strategic alliances; and possibly acquire elements of the supply chain (McGrath, 2013; Simons and Dávila, 2002).

2. ORGANISATIONAL THEORIES AND GROWTH

For a long time, organisational theories have suggested the underlying assumption that there is one single universal answer or one set of good practices in the life of organisations. From an economic history perspective, classical organisational theories also show what the most

typical problems in the functioning of organisations were at the time. Still, the many criticisms associated with them can lead one to think that these theories have since been overtaken by management science. However, practice shows that Taylor's or Weber's models still have valuable and usable lessons, not to mention the growing industry of organisational development, or the philosophical perspectives of contingency theories, for example, which still help us better understand how organisations work.

Growth has not been explicit in classical organisation theory for a long time. This has changed with growth models. The main novelty in these theories is the idea that the solution to organisational phenomena and problems generates new problems (Greiner, 1998) - but the significance of the problem itself and the response in organisational theory has stayed the same. The following line of thought is based on the premise that different organisational theories can be interpreted at different stages of the corporate life cycle and provide relevant answers to the operational problems that arise there. This is all the more important as companies today have a much shorter time to adapt to a growth stage and successfully overcome the obstacles to internal organisational transformation. Thus, finding and applying the proper organisational theory response can be of much greater importance (and competitive advantage) than in the past.

The following line of thought aims to combine classical organisational theory with a growth model by assigning the most appropriate classical organisational theory to the different stages of growth. The growth model is presented first, followed by the organisation theories identified in the different stages.

3. GREINER'S GROWTH MODEL

Greiner (1998) distinguishes five growth stages in his theory. The stages are characterised by a balanced development, consolidating building blocks, an ever-expanding set of proven solutions, established procedures and growth based on lessons learned. However, Greiner observes that once an organisation has progressed long enough in this consolidation phase, it is precisely as a consequence of success that problems begin to accumulate, which the structure in that phase can no longer handle because of the growth in size. The systemic characteristics that served the company's further development at the beginning of the phase became its obstacles at the end and triggered a crisis period. The company can successfully overcome this crisis by changing its internal structure to one better suited to its increased size and varied responsibilities.

The first phase is the creativity phase. During this period, founders focus on the original good idea, the product, the immediate core business and the market. The primary motivation is dedication. Communication is informal, tasks are shared, and feedback comes directly from the market. However, as the company grows, the two or three founders may be unable to cope with the rapidly increasing volume of operational tasks. It is necessary to recruit new staff, which in turn may not have a founding relationship with the core product or core business; who may not have a clear understanding of the (often unspoken) corporate mission; for whom the organisation is a workplace, not a life calling. This requires outlining a managerial position that can manage processes at the operational level, establish routines, assign tasks and hold people to account. However, the subordinates and the founders are only sometimes happy with this leader, as it reduces the autonomy of some (or all) of them. This is the leadership crisis.

Once the organisation has successfully managed the introduction of a managerial position, and it works well, it reaches the stage of direction: the functional division of labour and the functional experts that go with it. Performance measurement and various standards are developed; routine processes are described; increasingly efficient procedures are sought and recorded.

At the same time, the experts in each area (e.g. sales, production, marketing) increasingly feel that they understand their site much better than central management and that feedback from the market is not reflected in top-level decisions. They are uncomfortable with the highly centralised structure of central management and have a vested interest (constrained by market feedback) in taking as many decisions as possible in their own area. At the same time, central management is fighting for uniformity and against loss of control. This brings the organisation to a crisis of autonomy.

To solve this crisis, the organisation needs to give up centralised manual control and give more responsibility and autonomy to middle management levels. If this transformation can be successfully achieved, the company will start to grow rapidly. This growth will be driven primarily by a surge in the motivation of middle managers, who will be empowered to react quickly to the market, develop products autonomously or align the overall marketing strategy to specific market niches. This is the delegation stage. Top management retreats from operational tasks, communication from headquarters is rare, and the focus is more on representing strategic directions. Significant decisions are based on reports, and the various departments are increasingly autonomous.

At the same time, this in itself is a sign of the crisis to come. Autonomy is leading to fragmentation; departmental leaders are starting to go their own (and increasingly divergent) ways and individual interests can lead to serious resource struggles. Parallel functional units emerge, which no longer serve the whole company, but only a particular division, even to the detriment of other divisions. Sensing this, central management tries to bring the divisions under tighter control, but this no longer works as it used to – a control crisis occurs.

Successfully coping with this crisis requires reorganising the company: in the coordination phase, some functions are brought to the centre while others remain decentralised. Autonomous operations are still supported, but headquarters once again manage the mechanisms for strategic planning. The company's operational units are reorganised along strategic lines. New organisational units are emerging to strengthen horizontal cooperation and to support the development of company-wide coherence, a common culture and a shared sense of identity.

But it also means that the amount of controlled processes increases and that the new units make middle management feel more in control. Teams closer to the market feel too distrustful of the

centre and too bureaucratized in the systems through which they can give feedback to the market. Innovation is lost among too many rules, and long service lines make middle managers struggle for improvement, unmotivated and ineffective. The system becomes inflexible, and companies need to respond faster to market signals – a crisis of bureaucracy (red tape).

To solve this, the company needs to move to a much more flexible, less formalised structure that can achieve flexible, spontaneous operation despite its huge size. In the collaboration phase, the organisation is increasingly moving towards group functioning; the basic unit is the group rather than the individual, drawing on the strengths of the heterogeneity of the workforce. Regulation is reviewed and minimised; hierarchy from outside is replaced by self-discipline. A matrix structure is often used to tailor responses to problems. A series of training sessions support managers in learning the right corporate culture and collaborative leadership. Grassroots initiatives and innovation are supported across the company.

The importance of Greiner's theory was the idea that there is no one-size-fits-all solution in the life of an organisation - and that the solution that benefits the organisation in a given situation can later become the biggest obstacle to progress. It is, therefore, necessary for management to look for new solutions from time to time that is better suited to the current situation to improve the company.

In the following, we will review the solutions offered by classical organisational theories to various organisational problems and then attempt to relate them to Greiner's model, thus showing how each early theory answers organisational imbalances that arise during growth.

4. CLASSIC THEORIES

4.1. Taylor and the perfection of production

Taylor aimed to remedy the production problems that arose during mass production by finding solutions to the issues of better work organisation. His name is associated, among other things, with the introduction of 'scientific experiments' into work; the search for the best processes or the reorganisation of productive work along the best techniques; or the separation of physical and mental work (Kieser, 1995; Taneja et al., 2011).

In the economic context in which Taylor developed his work, these principles were paramount. An essential feature of the society was the mass of immigrants to the United States from Europe, the

majority of whom were unskilled (or non-specialised) and unfamiliar with the language. At the same time, industrial developments allowed the construction of increasingly complex machines. In this economic environment with an oversupply of labour (but with a specialised structure), it was logical to seek to make the best use of what was most readily available: human resources.

Thus, Taylor and his followers sought to break down the production process as much as possible into routinely performed steps to make the sequence of activities trainable and measurable. The critical principle was efficiency: to achieve this, Taylor sought to find the best possible process, the best possible (and best trained) workers, and the most balanced workload.

Taylor and his ideas have been and continue to be the subject of much criticism (Taneja et al., 2011) - but the principles he put forward are still valid in some areas. Indeed, as organisations grow, there comes the point when a sequence of actions (be it service or production) needs to be performed so often that the need arises to formulate how best to do it. The need to describe procedures, review activities and eliminate inefficiencies therefore arises. A further advantage is that the job becomes learnable, i.e. there is scope for staff expansion, thus relieving the burden on a more senior manager with more experience and a broader vision.

As work processes become more specialised and the managerial and subordinate layers are separated, Taylor's principles and thinking can therefore be used today – and at the level of production where a small organisation is starting to grow, where a routine task suddenly takes days or weeks to complete, taking time away from strategic issues. This is most pronounced at the beginning of the second stage of the Greiner model (Greiner, 1998).

4.2. Weber and the spread of bureaucracy

A vital feature of the bureaucratic theory associated with Weber's name is the principle of rationalisation and bureaucrats as the most professional response to institutional functioning. While organisational growth as a phenomenon is not explicitly discussed by Weber, many features of his theory can be seen as a response to the challenges of growth (Kieser, 1995; MacKinnon, 1988)

The most important is the process of rationalisation itself. Weber examines rationalisation as a historical process from several perspectives. On the one hand, at the level of worldviews, i.e. the fundamental values that emerge in the world, this

(although a fascinating and thought-provoking area) is currently outside the line of thought.

On the other hand, Weber's typology of domination, according to which the validity of domination can derive from three sources: charisma, tradition and rationality, which Weber calls legal domination, is presented in connection with rationalisation. According to Weber, what makes a charismatic leader a leader is their personal characteristics - these leaders are followed because of their vision, example, energy, motivational capacity, and ability to transmit this vision or belief to others. Leaders of this type believe in their success, are decisive and care little about doubt or negative feedback (Kieser, 1995) – a description very similar to the competencies required to start a new business (i.e. they can be classified as the first stage of the Greiner model).

Weber sees the tribal system as an example of traditional forms of leadership in the same way as the feudal landlord system or the traditional functioning of churches (Kieser, 1995). An essential characteristic of these systems is that they are driven by a 'belief in the sanctity of tradition', i.e. the accepted principle that the rule, the model, and the way of operating (and not the person) is immutable.

It is worth noting, however, that in these systems, the leader is 'anointed' (crowned / ordained / consecrated / etc.) – i.e. a leader always remains a leader. This characteristic is common to the charismatic style of leadership (where the leader works with his whole personality). Still, a significant difference is that while the charismatic leader is followed (in Weber's words) "to the extent of his charisma", in the traditional system, even the leader's incapacity cannot eliminate his position. The stable point is not the person but the tradition, and the leader also functions as a symbol of the convention, i.e. his very existence is proof of the validity of the tradition – at all times.

Let's consider the state (tribe, church, large estates, etc.) as an organisation. This is also a weakness of the system: if the leader is incapable, there are some rather drastic solutions to replace him (such as murder, exile or war), but these (obviously) could not become a systemic solution to this problem even in the past.

Moreover, not only the selection of the leader but also the cooperation between the leader and subordinates and the system's operation are traditionally shrouded in tradition. This is an important feature, which can be seen as an essential self-defence mechanism of the

organisation against over-dependence on individuals - but it also means that even a talented and capable leader can have severe limits to action in these systems.

Overall (given our historical knowledge), we cannot say that the traditional system has not been organisationally effective in the long run. The key to effectiveness lay in the interaction between the person of the leader and the system of operating traditions – inept or weak leaders could be 'retained' by the system of operating rules built around them (if they were effective); on the other hand, a capable leader could try to improve on the traditions. However, it is essential to see that the main characteristic of traditional systems was that a) they took a long-term view, and b) the aim was the survival of the system, not the individuals involved in running it.

Weber sees legitimacy as the third source of domination. Here, aspects of rationality are reflected in the choice of the leader (the leader is elected, not anointed, i.e. recallable) and in the written rules. Weber also advocated the spread of written forms at the level of institutions – he considered the writing of contracts, laws, protocols, and procedures as key. Equally important to him was the decoupling of the role of the manager from the person (in the bureaucratic bureaucracy, everyone has a role to play, and the personal competence of the manager is in principle irrelevant) and the equal treatment of all clients (Kieser, 1995).

These features show that the underlying organising principle is the desire for reliability and predictability to make the system independent of human experience (since if the procedure is written down, the craftsman who knows the design is useless). However, this has been made necessary by the increasing complexity of production processes and the increasing complexity of the expectations placed on the state – so that by now, both organisations and administrations have grown beyond the point where work processes can be operated from memory and where the degree of complexity of systems is still transparent to the staff. It is therefore a very logical step to try to make processes learnable and replicable, and (in huge organisations) to clarify the decision-making powers and rules of the different work groups - in other words, to replace organisational memory (tradition) with written documents.

However, this system is not as different from traditional forms of governance as it might seem at first sight. Suppose we imagine a kingdom where the traditions are written down and can be

interpreted in the same way by everyone and where the decision-making powers and competencies of the respective positions are precisely defined. In that case, we almost have Weber's system – we only need to have agreed (and written down) rules on how the leader is chosen and how he can be recalled or replaced.

That is why I think that, although the importance of the improvement that written (i.e. clear and referable) rules have made over the traditional ones cannot be overstated, the real achievement of the Weberian system was that it also clearly regulated by who and how the rules could be changed. This is a level for which there was no existing procedure, especially no established methodology, in the traditional system. In this way, the Weberian principles not only made the organisation independent of personal experience or leadership, and addressed not only the risk of exposure to organisational memory but also how it could evolve within a regulated framework. Thus, while the principles of Weberian rationalisation seem logical to apply to the Greiner stage of management of a growing organisation, the motive of regulation makes it more appropriate to the beginning of stage 4 (the coordination stage).

4.3. The human relations doctrine and organisational development

The Hawthorne Experiments process, led by Elton Mayo to investigate the factors contributing to productivity, is widely known. The main lessons of the experiments were the recognition of the importance of peer pressure or in-group norms and the noticeable impact of informal organisational groupings on performance. Since then, many critics have questioned the scientific soundness of the experiments (Franke and Kaul, 1978; Kieser, 1995). Nevertheless, this theory still provides essential insights: it draws attention to the people side of management, emphasises the importance of interpersonal competencies of lower-level management (i.e. those directly in contact with productive subordinates), and lays the foundations for various theories of organisational development. For this reason, this theory can be useful in the corporate growth stage when people who have no (or not necessarily intrinsic) motivation for the company's mission or core product first appear in the company – i.e. the direction stage.

However, organisational development schools have rejected the idea that there is a personality profile that makes someone fit or unfit to lead. It is also possible to empirically measure what makes employees happy or motivated. Instead, we should

strive to enable subordinates and managers to identify their problems and create working conditions that are most effective for specific managers and subordinates in the interests of specific corporate goals – allowing the employees to develop themselves.

Within the theories of organisational development, three groups can be distinguished: those focusing on the individual (e.g. Lewin's theory of participation), those focusing on groups within the organisation (e.g. Schein's techniques) and those focusing on the organisational structure (Barlai and Csapó, 1997)

If we return to the growing organisation, the issue of motivation, attachment and identity of employees within the organisation is an issue that needs to be addressed continuously from stage 2 onwards. However, as the organisation becomes more complex, it becomes more and more vital to deal with individuals and groups. And theories that also consider organisational structure are significant in that they are the first set of theories (chronologically) to explicitly address the process of organisation formation as well as the issue of organisational formers, thus suggesting the premise that organisational structure changes over time.

4.4. Contingency theories

The theories in this category define the organisation different from the previous ones. In Barnard's theory, the organisation is a set of actions and, as such, is separate and separable from both its external environment and the people who work within it. According to Barnard, the organisation's purpose is its own survival, to which end it makes organisational decisions and to which end it develops expected forms of behaviour for its participants. To do this, it provides its participants with various incentives, which it aims to balance with the burdens on its participants (Gabor and Mahoney, 2010; Kieser, 1995)

Another famous theory in the category is Herbert Simon's bounded rationality theory, which focuses primarily on individual decisions within the organisation. Simon argues that perfect rationality or perfect decision does not exist in practice – organisational leaders strive for a good decision rather than an optimal one. Among the reasons, he points to imperfect information, overly complex decision spaces and uncertainties about the future (Kieser, 1995).

These theories are, at first sight, difficult to classify from the perspective of a growing organisation since they can apply to any situation and any

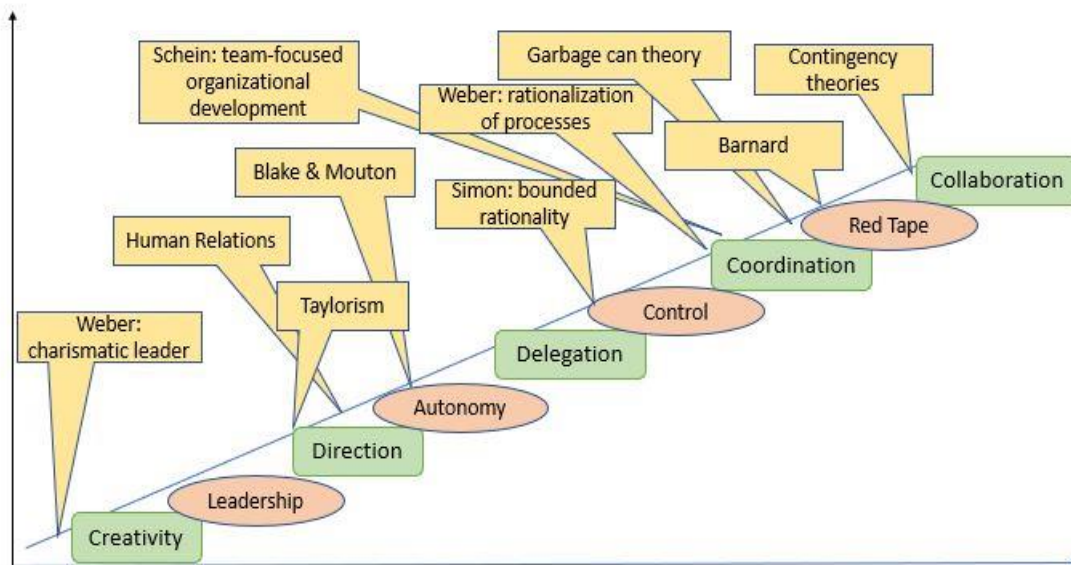
organisation. However, there is a stage in the growth of an organisation when the conditions outlined above become particularly relevant. The organisation's management perceives the problem outlined by Simon towards the end of stage 3 – the size of the organisation when, at the latest, it is faced with the situation being too complex to bring together all the decision factors and make ideal decisions. So managers try to find at least one "good enough" solution.

And the organisational characteristics described by Barnard become dominant in the coordination phase - at which point the degree of complexity and size of the organisation grows beyond the range of human reason so that the people in the company can rightly feel that they – and the way the organisation works – are pretty much precisely as

Barnard describes (not coincidentally, since he was also basing his theory on large companies when he developed it) (Kieser, 1995).

Among the integrated approaches, it is also worth highlighting the garbage can model (Cohen et al., 1972): this is another system of thought that can be valid at any stage of organisations, but it is also, in my view, most relevant at the coordination stage. By then, the organisation has enough history to allow all sorts of ideas, stories, problems and solutions to 'float' in the free space; there are enough levels of decision-making to allow tasks and issues to bounce around uncoordinatedly among themselves; and the organisation is sufficiently opaque that, for example, functions that are routinely thrown around/run away are not noticed for a long time.

Figure 1: Phases of Greiner’s growth model and the organisational theories



Source: Own editing

5. SUMMARY

Greiner's theory of growth emphasises that there are no universal responses in the life of an organisation. There are periods of calm and crises, and what benefits the organisation at one stage may be the central element of a crisis later on. Therefore, from time to time, business leaders need to find different solutions to adapt the internal functioning of the organisation to its increased size and changing challenges.

However, once the growth phase has been identified, it is also worth considering descriptions from classical organisational theories. The theories may still be valid today for the specific operational problem that the organisation is facing - and the proposed solutions may still be as effective in the

particular organisation at that stage as they were when the theory was first developed.

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