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CRITIQUE OF ORGANIZATIONAL LIFE CYCLE (OLC) MODELS – THROWING THE BABY OUT WITH THE BATHWATER? PART II

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Introduction

It is hard to determine the exact number of proposed growth and development models based on the organizational life cycle (OLC) concept. Phelps et al. [2007, p. 5] mention 33, whereas Levie and Lichtenstein [2010, p. 324] – 104 such models. OLC models were popular in management literature until late nighties of the XX century, later the number of publications on that subject dropped considerably. The reason of this drop was a heavy criticism they were subject of. Critics challenge the assumptions underpinning the organismic metaphor: growth is linear, sequential, deterministic and invariant. They also point out that OLC models are not based on the empirical research and are not consistent with each other. However, it seems that the criticism of OLC models has been exaggerated. Excessive critique „seems to have led not to better research but to no research at all in this stream more recently. This is unfortunate because it represents the type of knowledge (...) managers typically need" [Davidsson et al., 2005, p. 2]. Davidsson and others do not present any detailed arguments supporting their opinion though. The aim of the paper was to analyze chosen OLC models in the context of the critical arguments they are subject of. Author reviewed seventeen OLC models choosen on the basis of the reputation of the journals they were published in, or – since a few models published in places other than scientific journals had a great response from scholars and managers – their popularity (measured by the number of citations according to the scholar.google.com search engine)[1].

Analysis concerning nine early OLC models (published by mid-eighties of the XX century) were published as the first part of the paper by Czarnecki [2014, pp. 39–45]. According to the study, some of the early OLC models indeed had some of the weaknesses that the critics raise. Author agrees with *some* critical arguments with regard to *some* of the early OLC models. OLC models evolved though. In this article, the Author will analyse later OLC models (introduced in late 80s and further on). As in the first part of the article, the Author will take a stance on critical arguments raised against them. The summary of this evaluation is presented in Table 1. The direction and areas of possible future research will be pointed out.

Late OLC models

Model by R. Kazanjian [1988] can be considered as one of the „later" OLC models. In the first part of the publication, Kazanjian describes two case studies, as part of which he interviewed over sixty managers and employees of two firms. He points out that in both firms „growth histories ... strongly suggest a stage development pattern" [Kazanjian 1988, p. 261], including certain dominant problems. In the second part of the publication, R. Kazanjian presents the results of studies of 105 firms „considered high technology, such as computers and related electronic products" [Kazanjian, 1988, p. 267]. The results of these studies confirm to a certain degree the contention that „sets of dominant problems" change in a predictable way for particular development stages. Kazanjian concludes that his studies provide „partial support" for the organizational growth model based on four stages: conception/development, commercialization, growth and stability. He emphasizes, however, that the boundaries between individual stages are obscure, descriptions of particular stages and their related problems overlap, and that there are firms which follow paths of development other than the „typical" ones. The model describes the internal growth of new companies in modern technology sectors, whose functioning is based on one product and/or technology and the conditions in the markets where the companies operate do not limit the demand.

Two years later the same Author published the results of the same research, together with R. Drazin, in the context of firms' characteristics as functions of dominant problems related to particular development stages. The scholars argue that one of the most important factors affecting the speed of company growth is that organizational structure (namely, the degree of centralization, formalization and specialization in the areas of marketing and sales, production and R&D) fits particular stages' requirements. Failure to fit the stage is not bound to result in the firm's bankruptcy, crisis, serious problems and the like: „If the organization does not make the transition (...), then holding other growth related factors constant, relatively lower growth should result" [Kazaniijan, Drazin, 1990, pp. 141, also 138, 139, 140, 142, 143, 148]. This is a vital observation, as many researchers have suggested that such lack of fit leads to much worse consequences than just lower growth [cf. e.g. Steinmetz 1969, pp. 29–36; Greiner 1972, pp. 36–46, 1998, pp. 55–67; Adizes 1979, pp. 3–25, 1989, 1996]. They observe that changes both in firms' environment and firms' internal development are sometimes unpredictable; therefore, the stages of development do not always reflect the order suggested in OLC models. As for the randomness of stage order, it mostly results from disturbances in the environment. Kazaniijan and Drazin think that „the dominant sets of problems" „define the stage of growth the venture is in", and the management should mainly concentrate on them. Like Cameron and Whetten [1983], they point out that „no problem ever completely goes away" [Kazaniijan, Drazin, 1990, p. 139].

The issue of problems characteristic for individual organizational life cycle stages was raised by R. Dodge and J. Robbins [1992], and then by the same Authors in cooperation with S. Fullerton [Dodge et al., 1994]. They assume a priori the existence of corporate development phases, adding that there is „substantial agreement about a consistent pattern of development and the differing characteristics associated with the various stages" [Dodge et al., 1994, p. 123]. On the other hand, they emphasize that „it is difficult to apply a universal model to all types of organizations. Typically recurrent cycles and patterns in organizations are products of specific environments" [Dodge et al., 1994, p. 123]. Still, observing numerous similarities between models, for the needs of their research of over three hundred and sixty companies [Dodge, Robbins, 1992, p. 29; Dodge et al., 1994, p. 126], they assume the existence of „four general phases (...) common to all: a startup or entrepreneurial stage, a growth or expansion stage, a domain protection and/or expansion stage, and a stability stage" [Dodge, Robbins, 1992, p. 28]. Departing from concentration on the internal organizational problems, typical for most models, they instead relate the growth problems to the environment. They conclude that the conditions in the organization's environment, especially the intensity of competition in a given industry, are more important in the perception of „problems" by managers than the phase of life cycle in which the organization currently is [Dodge et al., 1994, pp. 132, 133].

S. Hanks, C. Watson, E. Jansen and G. Chandler [1994] indicate that many terms (e.g. „a life-cycle stage") have not been given explicit definitions in the subject literature. Deriving the definition of a life cycle stage from the descriptions of stages in particular models, they define the term as „a unique configuration of variables related to organization context and structure". They also emphasize the inconsistency of using other basic concepts: „some Authors talked explicitly of life-cycle stages (...) while others used terms such as growth stages (...) or developmental stages. We found no effort to distinguish between these terms in the literature. Indeed, several Authors used these terms interchangeably, as do we in this paper" [Hanks et

Table 1. Evaluation of characteristics imputed to selected late OLC models

Model published in	Linearity	Sequentiality	Determinism	Invariance	No study basis	Comparison to organisms	Inconsistency with other models	Comments
Kazanijan, Drazin [1989]	no	no	no	no	no	no	no	A typical path of development is disrupted by hardly predictable or completely unpredictable changes, mainly in the venture's environment.
Dodge, Robbins [1992]	no	no	no	no	no	no	no	„It is difficult to apply a universal model to all types of organizations. Typically recurrent cycles and patterns are products of specific environments"
Hanks et al. [1994]	no	no	no	no	no	no	no	Most of the developing organizations move from cluster to cluster in their developmental path in a predictable order, yet „the cross-sectional nature of this study limits our ability to reach definitive conclusions as to the sequencing of stages"
Hansen, Bird [1997]	no	no	no	no	no	no	partly*	* Concentrates on early stages of development
Gudmundsson [1998]	no	no	no	no	no	no	no	Airlines' life cycle stages are similar to the universal ones, with certain modifications resulting from the sector's specificity
Beverland, Lockshin [2001]	no	no	no	no	no	no	no	The studied wineries followed several different but repeatable paths of development
Masurel, Van Monfort [2006]	no	no	no	no	no	no	no	„The effects of growth can be predicted to a certain extent"
Lester et al. [2003]	no	no	no	no	no	no	no	The sequence of life cycle stages is generally predictable, but „through proactive strategic choice organizations can revert back to earlier stages, remain in one particular stage of development for a very long time, or fail to progress past an early stage"

Source: author's own study

al., 1994, p. 7]. They indicate that despite many similarities and quite a consistent and logical pattern of development resulting from most of the proposed models, they do differ as regards the number of stages; besides, it is not clear whether „all organizations evolve through the same series of stages" or whether there are „contingencies that affect the number of stages". Many models are conceptual in character and sound plausible but often are „largely the product of ... personal insight" rather than research following empirical rigour, so „they may not accurately reflect reality" or „they may serve well for descriptive purposes but have limited explanatory or predictive power". They also indicate that complex patterns (such as the growth and development of an enterprise – Author's note) are „not readily apparent to heuristic observation" [Hanks et al., 1994, p. 13]. Their research is based on the results of questionnaires received from 133 „high-technology firms", with relatively broad criteria for inclusion of firms to that group [explained in more detail on page 14 of Hanks et al., 1994]. They classify firms as belonging to six „clusters", whereas, it is worth noting that not all of them include growing companies. Most of the developing organizations move from cluster to cluster in their development in a predictable sequence, yet „the cross-sectional nature of this study limits our ability to reach definitive conclusions as to the sequencing of stages" [Hanks et al., 1994, p. 18]. The boundaries between clusters are sometimes obscure and overlapping. Companies may return to the previous phases or evolve in a direction other than resulting from the typical order. The scholars conclude that the phenomena of corporate growth and development are more complex than the former literature suggests.

Another worthwhile article is one by E. Hansen and B. Bird [1997, pp. 111–122], which reports the results of a study of 18 high technology enterprises. The sample is rather small but the methodology of selection from a database including 164 ventures was quite rigorous (this does not refer to the definition of „high-tech" – Author's note) [Hansen, Bird, 1998, pp. 116, 118]. The researchers conclude that although companies undergo life cycle stages, exceptions from the typical path are really numerous. Usually the firms-exceptions are not administered by managers but by engineers, scientists or representatives of other professions. Whether companies develop in accordance with a rather predictable model of growth or in a more random way is to a great extent a question of choice for their owners or managers. That choice may be more or less conscious, and the company's development more or less (in the case of firms following the patterns established by OLC models, rather less) based on learning from their own mistakes. The scholars think that the development of a venture in accordance with the pattern of life cycle stages is much more effective and leads to higher growth ratios [Hansen, Bird, 1998, p. 121].

It is noteworthy that a few of the aforementioned models were related to „high-tech" enterprises. They were the object of special interest of the researchers studying organizational life cycle [Phelps et al., 2007, p. 3]. For a contrast, below I will refer to two publications presenting the results of studies of companies from more traditional sectors: the wine industry and airlines.

S. Gudmundsson [1998] investigated 26 airlines (out of 40 which were asked to fill in questionnaires and grant interviews). He proves that their developmental paths corresponded to the life cycle models proposed by Miller and Friesen [1983, pp. 339–356] as well as Quinn and Cameron [1983, pp. 33–51]. The results of his research indicate that „for the first three phases one can detect similarities" [Gudmundsson, 1998, p. 226]. Some phenomena are regarded by him as characteristic of new airlines, so they were not taken into consideration in the previously mentioned models, whereas one of the stages he describes particularly well corresponds to the model developed by Miller and Friesen. To sum up, „there are similarities between characteristics of (...) airlines' evolutionary stages and life-cycle phases" of firms from other sectors [Gudmundsson, 1998, p. 227], with certain modifications resulting from the sector's specificity.

On the basis of the sample of twenty wine-making firms, Beverland and Lockshin [2001] conclude that they underwent not one but several, different but repeatable, paths of development [Beverland, Lockshin, 2001, pp. 358, 359]. The various paths were not the work of chance; they mostly resulted from the strategic choices made by their executives. Each of the four life cycle stages they distinguished was characterized by the „dominant problem". However, the „dominant problems" they studied to a greater or lesser extent reflected the „dominant problems", „main problems" or „challenges", etc. described by other scholars. It is noteworthy that, unlike in, e.g. Kazanijan's model, where marketing and sales are some of the key challenges, the company faces regardless of the stage of development [Kazanijan, 1988, p. 273], in the case of wineries it only becomes the dominant problem when the firm achieves a high sales volume [Beverland, Lockshin, 2001, p. 359].

The turn of the century was a landmark, after which the number of publications concerning organizational life cycle considerably decreased. The one worth mentioning from among the few is, in Author's opinion, a model by E. Masurel and K. Van Montfort [2006]. Their study of professional services firms (consulting and legal firms – Author's note) „clearly revealed that firms change over the course of their life cycles" and that „the effects of growth can be predicted to a certain extent" [Masurel, Montfort, 2006, p. 161]. They indicate the occurrence of four stages of development.

The research by D. Lester and others [Lester et al., 2003, p. 347], in turn, covering a sample of 242 companies from various sectors, „supported the existence of organizational life cycles as conceptualized by Miller and Friesen [1984, pp. 1161–1183] and others, and an association between life cycle and competitive strategy. Specifically, each stage was associated with certain strategies and a specific level of satisfaction with performance" [Lester et al. 2003, p. 349]. Drawing on a number of life cycle models (in particular, many similarities to the model by Churchill and Lewis [1983, pp. 30–50] can be observed) the scholars proposed their own model based on five stages. They point out that the differences between the number of life cycle stages in OLC models principally result from the fact that models with a smaller number of stages combine the detailed stages into more general ones. While the sequence of life cycle stages is generally predictable, „through proactive strategic choice [Child 1972, pp. 1–22] organizations can revert back to earlier stages, remain in one particular stage of development for a very long time [Miller, Friesen, 1984, pp. 1161–1183], or fail to progress past an early stage" [Lester et al., 2003, p. 340]. The article also tackles the issue often overlooked in literature, that „the extent to which industry influences the strategy-life cycle relationship is not known" [Lester et al., 2003, p. 350].

It is worth mentioning that in the first decade of our century, the results of a few interesting studies were published in which life cycle stages were used as explanatory variables or constituted one of them [Flynn, Forman, 2001; Lee et al., 2004; Auzair, Langfield-Smith, 2005; Hwang, Park, 2006]. The Authors of these publications treat the existence of organizational life cycles as one of the fundamental assumptions [Lester et al., 2003].

Conclusions

To the best of Author's knowledge, there is no publication to systematically oppose the critics of OLC models and comment on particular arguments of theirs. In the article analysis of seventeen selected OLC models were presented in the context of objections to them: nine in the first part of the publication [Czarnecki, 2014, pp. 39–45] and eight herein.

Many of the early OLC models had serious weaknesses [Czarnecki, 2014, p. 40]. OLC models evolved though towards more „mature", less explicit and more varied ones. Critical opinions deserve agreement in the points they are right about: with respect to *some* assumptions in *some* models, especially the „earlier" ones. However, as for many models, in particular the „later" ones, the critique is excessive, often thoughtless and even ungrounded (compare Table 1). The excessive criticism has made some scholars lose faith in any possible sequence of phases of organizational growth [Garnsey, 2006, p. 3], and has led „not to better research but to no research at all" [Davidsson et al., 2005, p. 2]. In Author's opinion, a substantial part of the criticism against OLC models should be considered as harmful, causing chaos in our knowledge concerning organizational growth and development. He concludes that rejecting OLC models in general because of the critical arguments that critics raised against them means „throwing the baby out with the bathwater".

Suggestions for further study

Authors of many publications themselves point out the weak sides of their investigations, theories, models, considerations and observations. One of the limitations and weaknesses of studies overlooked in the literature is the fact that scholars investigating organizational life cycles have not carried out (or not published) in-depth studies of the enterprises which do not suit the proposed patterns. This weakness can be found both in the works by the Authors who promote OLC models (with the exception of E. Hansen and B. Bird, 1998, pp. 111–122) and by those who criticize them. Such studies could provide the answer to the questions: *why* do the routes of growth and development of many companies not follow those described in life cycle models? Maybe such models only work *in specific circumstances*, e.g. related to the executives, their skills, competence and motivation, or maybe the key technologies used, or just the broadly understood environment? Maybe the researchers should admit the fact that an universal model of organizational growth and development is bound to be very general, whereas more specific models can only exist at the industry level? Perhaps most of the studies on growth and development are „contaminated" due to the inclusion of companies which „have succeeded", have existed for many years and are still growing; are there many enterprises whose liquidation or bankruptcy resulted chiefly and directly from the occurrence of „growth crises"? The answers to these and similar questions would be very significant for the development of further research in the field of the growth and development of businesses.

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Endnote

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Krytyka modeli opartych o cykl życia organizacji – dziecko wylane z kąpielą? Część II

Streszczenie

Modele wzrostu i rozwoju organizacji oparte o koncepcję cyklu życia (Organizational Life Cycle – OLC) były popularne w literaturze dotyczącej zarządzania w latach 70.-90. ubiegłego stulecia. Zostały one jednak poddane istotnej krytyce. Zarzuca się im m.in., iż porównują rozwój organizacji do rozwoju organizmów oraz że procesy przemian mają w nich charakter liniowy, sekwencyjny, deterministyczny i bezwariantowy. Krytycy podnoszą też, iż wiele modeli OLC nie zostało poddanych walidacji w badaniach empirycznych, oraz że są one niespójne ze sobą. Krytyka ta nie przyczyniła się jednak do zaproponowania lepszych modeli i teorii, doprowadziła jedynie do zaprzestania badań w tym obszarze. Była więc krytyką destruktywną. Wydaje się także, iż była mocno przesadzona.
Celem opracowania jest analiza wybranych modeli OLC, ustosunkowanie się do krytycznych uwag formułowanych pod ich adresem oraz wskazanie na potencjalne obszary przyszłych badań. Autor przestudiował siedemnaście wybranych modeli OLC. W niniejszym artykule przedstawił swoje wnioski dotyczące zasadności krytyki w odniesieniu do późniejszych modeli OLC (w poprzednim artykule w „Przeglądzie Organizacji" 2014, nr 12 autor ustosunkował się do modeli wcześniejszych). O ile autor zgadza się z wieloma krytycznymi argumentami w odniesieniu do niektórych, głównie wczesnych modeli, o tyle uważa, iż całkowite ich negowanie nosi znamiona przysłowiowego „wylewania dziecka z kąpielą".

Słowa kluczowe

wzrost, rozwój, cykl życia, OLC