Coaching as a facilitator of organizational sustainable development in the context of life cycle theories

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ABSTRACT

There has been much discussion over recent years about how organizations grow and what facilities their development. In the context of organization life cycle theories, the present paper aims to constitute the conceptual framework for the further research. The literature review on organization life cycle models and the issues of coaching as a support practice, with the specific emphasis on the indicators to measure results, are discussed. A five-stage organization life cycle models are analyzed and compared to detect contextual and structural variables for the in-depth interview. The in-depth interview is designed for the managers who organize, monitor and are engaged in coaching programmes in organizations, and aims to collect the data for the case study. The paper presents only the initial results of the interview, and therefore has certain limitations.

Keywords: Coaching, organization growth and development, organization life cycle models

1. INTRODUCTION

The sustainable growth and development of organization is a topic of constant concern for the researchers. Knowledge about the organization's ongoing stage of development provides the understanding about the proper relationships between life cycle, strategy, structure and performance [16]. Organizations need to find new ways to accelerate and sustain their growth and development. Coaching can help the organizations identify the mechanisms to achieve growth that is best suited to their unique circumstances.

The interest in coaching among organisations is growing. The increasing number of leaders and managers participating in different coaching events proves this. In the surveys of 2011 and 2013 conducted by TNS, Latvia demonstrates positive dynamics of the topic development. The number of top managers who are aware of coaching is increased by 5 % in 2013. The comparison of the results of two surveys about executives' perception of coaching shows that there is a rise in opinion that coaching can contribute to the achievement of the organization business objectives.

The present paper is the first among the articles devoted to the research of how coaching might accelerate and support the growth and development of organization. This research aims to explore the use of coaching at different stages of organization life cycle with a special emphasis on the evaluation of coaching outcomes. The present paper discusses the key finding of the literature review as well as the methodology of the research. The literature review on organization life cycle models and the issues of coaching as a support practice, with the specific emphasis on the indicators to measure results, are discussed at the beginning of the article. Then the article describes the methodology for developing the research instrument, i.e. in-depth interview to collect data for case study. Research results outline the initial findings of the in-depth interview.

2. LITERATURE REVIEW

Organization life cycle models

There is no consensus on the definition of a life cycle stage. Using the approach, proposed by Miller and Friesen [18], Hanks [11] defines a life cycle stage as "a unique configuration of variables related to organization context, strategy and structure", and transition between stages as reconfiguration. Hanks [11] argues that organizations grow "through a series of recognizable stages". A number of theories of organizational change [2, 3, 4] explain growth and development of organizations in respect of 'building blocks'. Prior stages provide a basis for following stages. Organization life cycle model is also referred to as a stage model of organizational growth [20]. Kazanjian and Drazin [15] explain the essence and the use of the stage of growth developmental models. They consider that these models can help provide a fuller understanding of the growth and development processes in organization. The perception of the value of the concept of the organizational life cycle enables to identify the changes that can occur while organization grows [16]. Scholars attempt to explain the life cycle process, as a result a sufficient number of theories and models are developed. In spite of the difference in the number of stages and the name of the stages, there are also enough commonalities among them. The models assume that organizations move through a series of developmental phases, each of them is related to particular contextual, strategic and structural characteristics.

The empirical studies to support the theory of organizational life cycle appeared at the end of the 20th

century [7, 12, 14]. Kazanjian and Drazin [14] argue that the models of organizational growth follow "a common underlying logic", i.e. to perform new tasks organizations have to go through the transformation process. Greiner [10] considers that the problems of organizational development trigger organizations to the next life cycle stage. The organizations move along their life cycle stages at different rate. Kazanjian and Drazin [14] investigate the factors that may affect the organization's growth. They empirically tested a stage-contingent model designed specifically for technology based new ventures. Their study proves the long-standing view that the rate of growth at least partially is contingent on the match between the stage of growth and organizational structure, which includes such structural features as decision-making centralization and formalization, and functional specialization. The dominant problems that organizations attempt to solve determine the organizational life cycle stage. "Dominant problems that a firm faces at any point in time indicate its stage of growth" [14]. They argue that the success of resolution of problems, which are specific to the certain stage, allows the organization to move to the problems of the next sequential stage and thus grow by tackling the problems. They see the life cycle model as a process of problem resolution. It is claimed that if the organization intends to solve dominant problems effectively the specific organizational structure, function and decision-making processes are to comply with the life cycle stage. "Then holding other growth related factors constant, relatively higher growth should occur" [15]. The proper match between problem, stage and appropriate structure and processes accelerate the growth of organization. However, in case of mismatch between all the above mentioned factors, the growth may occur but it is expected to be lower[15].

A conceptual framework of a five-stage model of organizational growth was proposed by Greiner [10]. He identified five dimensions, which are major for a model of organization development: age and size of the organization, stages of evolution and revolution, and growth rate of the industry. Greiner [10] distinguishes evolutionary and revolutionary periods in the growth and development of organizations. Evolutionary periods are referred to as 'prolong periods of growth' without 'major upheaval'. The term *revolution* describes the periods of turbulence in organization. Greiner [10] asserts that during organizational growth and development, evolutionary periods generate revolutionary periods. "Each phase is both an effect of the previous phase and a cause for the next phase" [10]. Evolutionary periods are characterized as periods of prevailing management style to attain organizational growth while revolutionary periods are characterized as periods of dominant management problem that needs to be solved to ensure continued growth.

Based on the extensive literature review and analyzing the periods of history of organizations, Miller and Friesen [18] infer five key stages of the corporate life cycle: *the Birth, the Growth, the Maturity, the Revival and the Decline.* They argue that each stage differs from one another by internally consistent characteristics, among which strategy, structure, decision making. The period of time an organization stays at each stage can vary considerably. One of the main findings is that "while the stages of the life cycle are internally coherent and very different from one another they are by no means connected to each other in any deterministic sequence" [18]. Lester et. al [16] have adapted and tested a five-stage model which is appropriate to any type of organization and supports the work of Miller and Friesen [18]. They investigate relationships between organizational life cycle, competitive strategy, and performance. They recognize the significance of the decline as a separate stage. Hanks [11] presents a synthesized model which incorporated a number of models of organizational life cycle [1, 2, 8, 10, 13, 18, 21, 23, 24]. The model is comprised of five stages. Each stage is characterized by a distinctive range of variables related to organization context, strategy and structure. "As organization grows in size and complexity, it reaches certain threshold points, where the existing configuration is no longer adequate and reconfiguration is necessary for the organization to continue to grow" [11]. The Table 1 presents the comparative analysis of the life cycle models.

Table 1

The comparison between organization five-stage life cycle models

	Authors	Strategy	Structure	Decision making	Key skills required
The 1st stage Birth	Miller and Friesen	Niche strategy	Simple	Centralized	
	Hanks	Niche strategy; narrow product line	Simple	Highly centralized	Creativity; flexibility
	Lester et.al	Prospector; First mover	Simple; informal	Centralized	
The 2nd stage Growth	Miller and Friesen	Market segmentation	Departmentalized, functionally-based	Team approach to management	
	Hanks	Broadened product line, but still limited	Departmentalized; functional structure	Less centralized, limited delegation	Delegate effectively

	Lester et.al	Differentiation	Functional; some formality	Some delegation	
The 3rd stage Maturity	Miller and Friesen	Preservation of sale value; a short-term tactical orientation	Departmentalized, functionally-based; less delegation, emphasis on formal control	Conservatism becomes the norm	
	Hanks	Control and productivity;	More formal and bureaucratic departmentalized and functional structure	Less centralized and more participative	Formal planning, organization, administration
	Lester et.al	Segment control	Formal, bureaucratic, functional	Reliance on internal information	
The 4th stage Revival	Miller and Friesen	Differentiation, diversification; acquisitions	Divisional structures; highly sophisticated control systems	Highly centralized strategy-making power	Innovative, proactive; risk embracing
	Hanks	Diversification; market segmentation, acquisitions	Divisional structure	Decentralized operating decisions	Integration
	Lester et.al	Diversification	Divisional; matrix	Sophisticated controls	Collaboration; teamwork
The 5th stage Decline	Miller and Friesen	No particular strategy;	Poor communication between hierarchical levels and across departments	Extreme conservatism	
	Hanks	The main business task: organization renewal	Functional, formal and bureaucratic	Decision making power is at the top	Strong, directive leadership
	Lester et.al	Breadth	Formal, bureaucratic	Moderate centralization	

(source: compiled by authors)

The analysis aims to detect contextual and structural variables at various stages. The 1st stage (*Birth*) is the beginning of organizational development. All three models state that this stage is characterized by centralized decision making and simple formal organizational structure. Niche strategy is a determinate growth strategy. The main role in the development of organization belongs to the founder. Therefore, Hanks [11] emphasizes that the founder needs to be creative and committed to the business idea, and develop entrepreneurial skills such as the ability to recognize market opportunity. While organization is growing, the complexity of organizational structure increases and new problems arise. The scholars claim that existing organizational structures and systems might be ineffective in addressing new challenges. During the 2nd stage (*Growth),* simple organizational structure changes to departmentalized functional structure. Functional departments are organized for the key areas of business. The decision-making is less centralized. While the successes in the Birth stage primarily depends on 'creativity, flexibility and informality', to be successful in the Growth stage, the leaders need to learn to delegate effectively. Hanks [11] argues that a serious crisis may arise at the end of the 2nd stage if the founder is unable to delegate responsibility effectively. Particular emphasis during the 3rd stage (*Maturity)* is laid upon profitability. Cost control, productivity, and maintaining market position are in the area of particular attention. The organizational structure and systems become more formal and hierarchical. Conservatism becomes the norm. A short-term tactical rather than a long-term strategic orientation prevails. During the 4th stage (*Revival)* organizations experience a period of rapid positive growth. Remarkable changes take place in organization strategy. Diversification, differentiation of product lines, and acquisitions in different industries characterize this stage. Divisional form of structure with autonomy of divisions and decentralization becomes common. Hanks [11] considers that integration is the primary challenge faced by organization during this stage. When organization experiences 'diminished acceptance', i.e. stops growing, it moves to the 5th stage *(Decline)*. Hanks [11] argues that organization can enter decline from any stage of life cycle. He believes that renewal of organizational mission and strategy is to be a primary business task for organization in the period of decline. In fulfilling this task, leaders need to apply strong and directive style to "awaken the organization to a sense of urgency" [11]. Ignoring of renewal inevitably brings organization to continued decline and finally to the death.

Coaching

As the companies move from one stage to another during their life cycle, the strategy, structure, requirements and other aspects are changing. Coaching as facilitating practice might reinforce and support organization's capability to grow and develop in alignment with the life cycle stages. Coaching is generally defined as a support practice, often within a context of change [5, 6]. In spite of obvious benefits of coaching, obtaining the result and measuring its reliably is a point of concern for scholars, organizations, coach practitioners and coaching consumers [9, 22]. However, there is enough evidence that the evaluation of coaching outcomes and investments in coaching service are hardly ever measured [17, 19].

One of the widely debated indicators to measure the results in coaching is the financial return on investment (ROI). There is no consensus among scholars about the relevance of the use of ROI for measuring results in coaching. Grant [9] argues that "the financial ROI metric has limited validity" for coaching outcomes. He explains that one of the reasons is that financial value has not the direct focus on coaching engagements. Moreover, when the coaching consumers are managers whose role is to direct others to attain organizational goals, the link between coaching and financial benefits is difficult to detect.

3. RESEARCH DESIGN

To achieve the aim of the study, the extensive literature search was undertaken. The findings of the literature review constitute the conceptual framework for the empirical part of the research. The aim of the empirical part of the research is to explore the current state of affairs in the use of coaching in organizations at the different stages of organization life cycle. The research instrument, i.e. in-depth interview to collect data for case study, is developed specifically for the managers who organize, monitor and are engaged in coaching programmes in organizations.

The in-depth interview consists of two parts: 1) the descriptions of organization life cycle stages (Table 2); 2) questions about the use of coaching in organization. For the purpose of the present research, it was decided to use Miller and Friesen model [18] as a basis and models by Lester et. al [16] and Hanks [11] as the extension of Miller and Friesen model. The aim of the questions about the use of coaching is to explore the implementation of coaching in the context of organization life cycle model. Therefore, the respondents firstly choose the description of the life cycle stage that best fits to the period when coaching was / is used in the organization, then the respondents answer 12 questions. The respondents are asked to provide information about who provide coaching, i.e. outside certified coaches, in-house certified coaches or other specialists. Then they are asked about coaching consumers, i.e. top managers, middle-level managers, high-performance employees, etc. The special emphasis is on the indicators that are used to measure the results of coaching interactions. Several indicators to measure financial and non-financial performance are listed under four perspectives: financial, customer, internal business process, and learning and growth. The indicators for the interview are extracted from the literature on coaching. The indicators include:

- return on investments (ROI);
- return on assets (ROA);
- return on expectation (ROE): subjective evaluation against individual coaching assignment objectives;
- measurement of the customer orientation of salespeople: measurement at the level of individual salesperson;
- measurement of employee satisfaction;
- measurement of employee productivity.

4. RESEARCH RESULTS

In-depth interviews to collect the data for the case study are in the process. Therefore, the paper presents only the initial results. A list of potential participants is complied through the direct contacts in the coaching community. Since, coaching is still a relatively new professional field in Latvia; the authors do not expect to find a large number of organizations that use coaching in their practice. Therefore, each case is extremely important for the research. Currently, six organizations are invited to participate in the interview; three of them have already been interviewed. The descriptions of the stages of organization life cycle without the name of the stages were presented to the managers responsible for the coaching activities in organizations.

The managers of all three organizations state that the description on the Revival stage is best fit to the period when coaching is used in the organization.

Table 2

The descriptions of organization life cycle stages

Stage 1: Birth
Our organization is small and young, and has informal structure. Decision-making is centralized, and not very complex. All key decisions are made at the top of organization. The administrative task is simple, formality and procedures are almost non-existent. The majority of our employees perform a wide range of tasks. The primary focus of our organization is to develop and promote a distinctive product and/or service. We seek to find a niche in the marked, which is not filled. The organization has one type of customer and sells one type of product.

Stage 2: Growth The organization is characterized by high growth rates in both sales and number of employees. Our organization is larger than most of our competitors, but not as large as we could be. Organizational structure is department-based and functional. Managers are appointed to head marketing, production and other departments. Effective coordination among departments is achieved by monitoring performance and facilitating practices. More levels of managers are involved in decision-making; as a result, some authority is delegated to middle-managers. The organization tries to identify specific subgroups of customers and to make small product or service modifications in order to better serve them. The product line is broadening.
Stage 3: Maturity Departmental and functionally-based structures prevail, however our organization has become more bureaucratic, there is more emphasis upon formal cost controls, budgets, and performance measures. The growth rate is less than 15%. Sales levels stabilize. We have a stable product line, which is sold, in traditional markets. The total market is no longer growing. The emphasis is on economical production and the preservation of sales volume. There is also more attention paid to solving immediate problems and less emphasis given to formulating explicit strategies. A short-term tactical rather than a long-term strategic orientation prevails
Stage 4: Revival Our organization is the largest considered so far. It experiences dramatic diversification in their products and markets. The growth rate is greater than 15%. The organization reaches growth through innovation, acquisition, and diversification and this involves a good deal of risk taking. There is a movement from one market to many. Structure in our organization is divisional or matrix with highly sophisticated control and planning system. Technical experts are recruited for R&D, engineering departments as well as to perform planning and analysis activities. Close attention is paid to projected returns and the evaluation of potential customer reactions. As a result, decisions become more responsive to market requirements.
Stage 5: Decline The structure of our organization is centralized with few control system. Profitability drops because of the external challenges and because of the lack of innovation. The product lines become still more outdated. The market scope is quite narrow. Most decisions in our organization are made by few managers who make a conservative, internally political approach. Decision-making power is at the top of the organization; even routine operating decisions are executed by higher level managers. Communications between hierarchical levels and across departments are poor.

(source: compiled by authors)

The initial results show that coaching programmes in the interviewed organizations are in practice for about five years. However, the aim of these programmes, as it was stated by the specialists who manage, organize and are engaged in coaching, differ. Coaching is used as a voluntary practice available to all employees. The organization gives opportunity to all employees to participate. Employees can apply in groups and individually. Two certified coaches: external and internal provide coaching. For five years, people have been using this opportunity, they apply to coaches and they really see that coaching helps in their development. Coaching is a great opportunity for people to support them. The organization has not measured the results so far.

Coaching is also used as a part of management. Top and middle managers get training of the basic skills in coaching to use these skills in their everyday work. The organization measures the results immediately after training, to measure the reaction on the programme, and in some period after training. In the annual conversation, there are also questions about coaching and coaching skills. The organization developed the own system of evaluation where coaching is one of the criteria.

5. CONCLUSIONS

The paper analysed the organization life cycle models. Miller and Friesen [18], Lester et. al [16] and Hanks [11] models were chosen as a basis for descriptions of organization life cycle stages used in the further research. The paper also studies how coaching initiatives are measuring in the context of organizational growth and development. The special emphasis is on the development of the methodology to collect data for case study. The paper contributes to the authors' research on the use of coaching at different stages of organization life cycle to accelerate and support growth and development. The research results are based on initial findings, and therefore have certain limitations.

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