Sound theoretical knowledge as a remedy for practical organizational problems

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Establishing an organization, setting it on the track of development is becoming a more and more complicated task and in most cases, requires expert knowledge. Scientific organizational theory offers a great variety of applicable methods and tools for small and young enterprises as support for their design and development. The performed case study is based on the consultancy work at the local Business Incubator in Subotica.

This article presents the author's approach, examination and description of some of the most common problems of small enterprises. A number of organizational theoretical terms were considered and have been connected with the specific case. The basic aim of the project was to solve a set of actual organizational problems for one of the business incubator tenants. The analyzed group of problems were related to the structural design of an organization (e.g. existing simple structure vs. functional), division of labor, job design, decentralization, delegation, formalization and standardization and the span of control.

The applied methods were based on classical organization theory, contingency theory, Adizes life cycle of organizations and other different partial approaches. Far from the full set of factors that an up-to-date contingency survey uses, this article considers only a few aspects with special focus on small enterprises and their typical symptoms. While the task was successfully completed, this combined approach seems to lend proof to the problem solving possibilities of such methodical approach of applying organizational theoretical knowledge in practice.

Keywords: organizational theory, organizational diagnosis, contingency theory, life cycle of organizations

1. Introduction

Organizational problem solving possibilities are widely discussed in the literature on management and organization. Usually problems are mentioned as subjects of change activities (such as major or main organization tasks and accessory tasks). Of course, these problems or tasks for organizations are not the same. Generally there are tasks that are analyzable at high or low level. The classification of these tasks is case sensitive and very often depends on the theoretical background of the engaged experts. Low analyzability tasks are usually difficult to solve and require the problem solvers to use judgment, instinct, intuition and experience rather than programmed solutions. At any rate, it is advisable to use or consider more theoretical approaches and techniques in the meantime to solve the practical problems. The lack of a clear and holistic viewpoint can cause blindness toward the problems of an organization (*Kieser* 1995). Thus it is advisable to use wider argumentation for the basic terms of organization. While classical management theorists such as Taylor and Fayol were looking for the single best way in management and organization design, in the late 50s and early 60s a shift of paradigm arose, claiming that the organizational structure of a company or administration has to fit the situation in which it finds itself. In today's variable situations the different structures turn out to be the most effective ones. In other words the optimal organizational structure is contingent, depending on certain contextual factors. Therefore, the Contingency Approach is included in the practical case study. Different researchers used to focus on different contextual factors and measure their influence in empirical studies.

Considering the basic organizational properties and contingencies in addition to other attributes, according to the organizational science glossary, one can offer as a useable approach to problem analyzing. Organization theory is a diverse field and involves 'pluralism' (*Reed–Hughes* 1992) or 'paradigm war' (*McKelvey* 1997) depending on the perspective. As a theoretical background of this article some other empirically-oriented contingency theory was added, such as Burton and Obel's approach (*Burton–Obel* 1998a, 2005a). They justify the adoption of this theoretical foundation on the basis that it has been developed sufficiently to provide a comprehensive set of internally consistent propositions or rules. "The contingency or the situational approach recognizes that organizational systems are inter-related with their environment and that different environments require different organizational relationships for the effective working of the organization"[1].

While the contingency approach was used to analyze contingency design fit solutions and organizational properties, the included Adizes Life Cycle Assessment approach was applied to make the case more comprehensive (*Adizes* 1998, 2004, 2007).

Whether in an external or an internal consulting role, the participation of the client in all phases of the improvement process is a key factor to success. In respect of this role, the methodology was based on interviews and applied questionnaires according to the program OrgCon[2] (*Burton–Obel* 1998a Step by Step Approach (*Burton* et al 2006) and Adizes online Life Cycle Assessment[3] (*Adizes* 2010a, 2010b).

2. Materials and methods

Complex organizational problems are made simpler when they are separated into smaller and more understandable elements. That is why this shortened case study is based on the consideration of the crucial theoretical and organizational terms. The selection of the right analysis tool depends on the nature of the problem. The list of cited terms guided the author to analyze and describe some of the most typical problems of small and young enterprises. The article describes one of the consultancy works completed in the Business Incubator in Subotica. The basic aim was to solve the obvious and very typical problems of one of the small and young enterprises. Its case could be described as a representative of the majority of the firms at a high rate of growth without named and delegated functions, lacking formal structure and formalization. According to the results of the initial enquiry (interview with the owner manager), this client - after a short period of being in the "Go-Go phase" it derailed towards the phase called "The founder's trap" (*Adizes* 2004, 2007). The consultancy work started with the questions (basic terms) about the range of contingency factors including:

- Size/Ownership,
- Management Style,
- Organizational Climate,
- Environment,
- Technology,
- Strategy.

Also about the organization and its current situation are listed as "organizational properties and structural configurations" (*Burton–Obel* 1998a) e.g.:

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[1] http://www.fao.org/docrep/W7503E/w7503e03.htm
[2] The program "OrgCon" based on contingency approach expert system (*Burton–Obel* 1998b) provides a tool for diagnosis and design. It aids the design process by asking the designer questions about the current organization, the contingency factors, and then offers recommendations on the design, the configuration and the properties. (*Zhiang*).
[3] The Adizes Lifecycle Assessment Survey instantly produce and present a customized web report that contains a graphical representation and written summary of the lifecycle stage(s) of the analyzed company. The custom report is based on the clients' answers to a series of questions. (www.adizes.com)

- Organization's current configuration (organizational structure – form),
- Complexity (vertical, horizontal, spacial differentiation),
- Centralization and decentralization
- Formalization,
- Incentives, etc.

As a matter of fact it is the problem finding stage that can be called as the strategic assessment. The problem finding and problem formulation stages are also part of the organizational audit. Special emphasis was laid on problems or typical symptoms that may occur at any of the small enterprises.

One of the possible patterns for analyzing these terms can be followed according to organizational (diagnosis and) design using a "Step-by-Step Approach" (*Burton* et al 2006).

3. The problem finding stage – the strategic assessment

We "should start by assessing two, always existing, fundamental goals, efficiency and effectiveness. Efficiency is a primary focus on inputs, use of resources and costs. Effectiveness is a focus more on outputs, products or services and revenues. These are competing priorities. Some organizations place a higher priority on efficiency, focusing on minimizing the costs of producing goods or services. Other organizations emphasize effectiveness focusing on generating revenues or seizing leading-edge innovation in the marketplace" (*Burton* et al 2006, p. 11.).

Based on the given answers and interviews the current organization's features could be summarized according to the highlighted terms. Meanwhile, we can consider some theoretical recommendations pertinent to the current case.

3.1. The strategy of the organization

Before starting to analyze structural questions, one should know about the famous dictum "structure follows strategy" (*Chandler* 1962). One of the simple but powerful ways to describe a firm's strategy is in the terms of a reactor, a defender, a prospector and an analyzer with and without innovation (*Miles–Snow* 1978). Situational contingencies influence the strategies, structures and processes. There is always more than one way to reach a goal but in any case managers should adapt their organizations to the situation. Most likely the client's (studied case) strategy is to be a defender because it has greater focus on exploitation than on exploration. That means a defender is high on exploiting its resources and situations but low on exploring anything new or on being innovative. The defender should maintain its position by being efficient much more than the competitors. The defender is slow to make significant changes. This can lead to a dangerous position in some environmental circumstances. An organization with a defender strategy is an organization with a narrow product market domain. Top managers in this type of organizations are experts in their organization's limited area of operation, but do not tend to search outside their domains for new opportunities. In an uncertain environment, it is very likely that the customers will prefer variation in products and services. Competitors are likely to vary their strategies in products, prices, advertising, etc. New innovative strategies may be called for.

An organization in the "Go-Go phase usually is a company that has a successful product or service, rapidly growing sales and strong cash flow"[4].

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[4] http://www.adizes.com/corporate_lifecycle_gogo.html

The Go-Go companies are sales- and opportunity-driven rather than opportunity-driving. They react rather than proact to opportunities.

Everything is described as a business priority. To make matters worse often the overloaded manager has difficulty articulating his strategy and ideas clearly. (In the client's firm evidently bad sign predicting misfits). The employees who can interpret the Founder's ideas become the key person, critically important insiders. They may become trusted and authorized confidants in the future.

3.2. The business environment

Open systems theory can be defined as a theory of an organization that views organizations dependable from their surroundings, highly complex entities facing considerable uncertainties in their operations and constantly interacting with their environment. The environment creates limits and opportunities for a firm's strategy and structure with other organizational properties. This system also assumes that organizational components will seek equilibrium among the forces pressing on them and on their own responses to their forces. The organization's environment can be described in numerous ways. For this case the four dimensional environmental description will do. A) The environmental complexity which is the number of factors in the environment and their interdependency. B) The environmental uncertainty which is the variance among the factors. C) The environmental equivocality which is the ignorance and confusion about the existence of some factors. D) The environmental hostility which is the extent of malicious external threats.

In the examined period of time the client's business environment can be described by medium equivocality, medium uncertainty and high complexity. In this stage it is important to consider first: whether the strategy matches the goals of the firm? If it does not match the goal, the statement should be reconsidered or the strategy to match the goals. Second: Does the strategy match the environment? Generally the aim (in the case of such a small firm) is to move the strategy of the organization to match the environment.

3.3. The size of the organization

One of the most widely accepted measures for organizational size is the total number of full-time or full-time-equivalent employees. With their 12 employees the consulted firm can be considered as a small enterprise. Some approaches define the adjusted size as define correction factors according to the employee's level of education. Between 51 and 75 % of the people employed by the client have a high level of education. But in this case the possible adjustments do not mean change. This enterprise is a typical small privately owned firm (a bit over the size of the so-called micro firm).

3.4. Organizational structure

It is sometimes called configuration or architecture, frequently pictured as an organizational chart. It shows the principles of departmentalization and identifies the grouping of the functions or the individuals, the hierarchy - number of levels and the span of control, the formal communication pattern-coordination and the integration. A poorly designed structure may cause a number of misfits between the organizational properties and the contingency factors. The contingency theory of organizations posits that there is no single best way to organize. The optimum structure for an organization depends on the values of variables describing its task and its environment. The organizational structure must provide adequate support for the position and effectivity. That means sufficient authority, resources and

management support. All of the jobs overlap should be avoided as a source of inefficiency and conflicts.

According to the scheme – organizational chart given, it was easy to recognize that the client's organization had a typical Simple Structure. That can be characterized as a structure with low degree of departmentalization and a wide span of control. The authority is largely centralized in a single person with very little formalization. It usually has only two or three vertical levels, so it could be called 'flat structure', and means low vertical differentiation. Human resources are a flexible set of employees and generally one person in whom the power of decision-making is invested. This simple structure is most widely practiced in small business settings where the manager and (usually the) owner happens to be the same person. Its advantage lies in its simplicity. This makes it responsive, fast, accountable and easy to maintain. However, it becomes grossly inadequate as and when the organization grows in size. Such a simple structure is becoming popular because of its flexibility, responsiveness and high degree of adaptability to change. "Go-Go's need continuous restructuring. They are like children who keep growing out of their clothes. Many Go-Go leaders however, attribute little importance to structure, managerial processes or systems. They are focusing externally on the sales. Organizational structures, roles, responsibilities, require attention to detail, discipline and self-restraint. These qualities are quite alien to the entrepreneur"[5].

3.5. *Question of organizational complexity*

The complexity of an organization is measured by vertical (hierarchical), horizontal, and spatial (geographical) differentiations. In most of the cases the hierarchy of an organization (vertical differentiation) begins to emerge when the organization experiences problems (very often connected with the question of delegation). A basic design challenge involves deciding how much authority to centralize at the top of an organization and how much to decentralize to middle and lower levels.

Small organizations should have low organizational complexity. The client has a routine technology, which implies that the organizational complexity should be low. When the environmental hostility is high, organizational complexity should be low. The top manager has a preference for a high level of involvement into decision making in lower (operative) levels, which leads to lower organizational complexity. It is also a symptom that appears in the Go-Go's founder trap.

"When the size of the company and the environmental complexity increases the top of the simple structure usually may get overloaded with information. This information overload may compromise the effectiveness of decision-making performed at the organizational top, and make the organization slower in its adaptation to new situations. Therefore, growing companies, in changing and dynamic environments, may need to specialize and formalize their organizational structure so that work should not be heavily coordinated by the organizational top. Likewise, companies may need to differentiate activities into subtasks and employ specialists responsible for a given subtask previously handled by e.g. the company owner. Finally, companies may need to decentralize some of the decision-making power to lower levels of the organization, so that decisions are made by people responsible for the subtask, and by those who control specific knowledge and information about the handling of the given subtask. A clear pattern of vertical and horizontal differentiation can cut down on role conflict and role ambiguity"[6].

"Organizational differentiation means the un-bundling and re-arranging of activities. Re-grouping and re-linking them is organizational integration (*Lawrence–Lorsch* 1967).

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[5] http://www.adizes.com/corporate_lifecycle_gogo.html
[6] http://www.businessmate.org/Article.php?ArtikelId=183

When different units are assigned to individual tasks and functions, they also set independent goals"[7].

3.6. Organizational climate

Organizational climate is a measure of internal environment and can be described in terms of the values of a particular set of characteristics or attitudes of the organization. It is experienced by its members. It refers to all members of the organization including superiors and subordinates. Basically, the climate can be described with two dimensions: A) Tension - incorporates a combination of organizational factors as experienced by insiders such as trust, conflict, morale, rewards, leader credibility and scapegoating. B) Readiness to change – people's readiness to shift direction or adjust their work habits. For more precise diagnosis the four category models as a combination of the mentioned dimensions seems to be applicable (Table 1.).

Table 1. Organizational climate dimensions

	Group	Internal process	Developmental	Rational goal
Tension	Low	High	Low	High
Readiness to change	Low	Low	High	High
oriented	Internally	Internally	Externally	Externally

Source: own construction based on Burton et al (2006, p. 149.)

Based on the answers provided for analysis, it is most likely that the client's organizational climate is a developmental climate. "The developmental climate is characterized as a dynamic, entrepreneurial and creative place to work. The leaders are considered to be innovators and risk takers. Readiness for change and meeting new challenges are important. The organization's long-term emphasis is on growth and acquiring new resources. Success means having unique and new products or services, and being a product or service leader is important. The organization encourages individual initiatives and freedom." (Orgcon Report Summary according to the case).

3.7. The management style

Managers have to perform many roles in an organization and how they handle various situations will depend on their style of management. According to the applied approach (OrgCon questionnaire – *Burton–Obel* 1998b) the management style can be measured by the level of the management's micro-involvement in decision making. Leaders could have a low or high preference for micro-involvement. As a matter of fact, it means that there are two sharply contrasting styles: Autocratic and Permissive[8].

In the current case the manager has a high preference for micro-involvement. It could be considered as a typical example for small firm around the Go - Go phase. The authority presents itself as the power vested in a person by virtue of his role to expand resources: financial, human and technical ones, in order to meet the accountabilities of the role. It is very important to have a clear and distinct line of authority, so called "chain of command", among the positions in an organization.

The manager of the reviewed company has a preference for making most of the decisions himself. This means a high preference for micro-involvement. When the manager has a preference for using control to coordinate activities that leads toward a high preference

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[7] http://www.fao.org/docrep/W7503E/w7503e03.htm

[8] http://www.rpi.edu/dept/advising/free_enterprise/business_structures/management_styles.htm, [Accessed 31 August 2011].

for micro-involvement. Founder - manager needs the employee's deep feelings of affection and respect.

3.8. Delegation and decentralization

Decentralization is a necessary and continuous process which means systematically delegating power and authority throughout the organization to middle and lower-level managers. It goes together with the delegation process by which a manager assigns a portion of his or her total workload to others.

The manager is "often ineffective (and frustrated). With his personal involvement in the day-to-day work of the company, the leader often has little time to manage. Work is hastily assigned with scant attention to detail." As a matter of fact the owner does not need to be involved in all those details. This is a real sign (distinctly appeared in this case) that there is a need for decentralization. Some founders view these symptoms as further evidence that successful business depends on their personal engagement. The usual problem is that they tend to fix these problems by taking personal control (and unnecessary level of micro-involvement). "The employees are frustrated. In the face of an overwhelming workload, unclear responsibilities and fuzzy goals, employees find it increasingly difficult to be productive. New people are hired and thrown into their jobs with little training or preparation. Physical space and proper equipment can be scarce because growth is difficult to predict. Promotions can occur on the spur of the moment. Later in adolescence it often turns out that people promoted into senior management positions during previous phase do not have the skills and the experience needed to succeed in that position"[9].

Often when the rules and policies are created, the founder – leader could be the first to violate them. In the Go-Go phase founders also tend to struggle with delegation and decentralization. Workable decentralization requires an effective system of control. Mistakes in delegating can bring the Founder to retake the reins of control. It can endanger the process of effective decentralization. The Founder needs to escape from day-to-day details so that he can focus on the whole picture.

If perpetuated, this inability to effectively delegate will threaten the organization in the Go-Go phase into a premature aging syndrome known as the "Founder's Trap" (*Adizes* 1990) (see Figure 1). It occurs when a rapidly growing company is unable to relieve itself from dependency on the founder. With weak control systems, accountability is very unclear and no one takes responsibility. This is the stage where "everyone claims inadequate information, lack of authority and feels they are the victims of decisions made by other people. Fingers point in all directions. This frustrates Go-Go leaders. They feel betrayed. No one warned them of the tricky dangers ahead"[10].

The urgent need is uncovered to develop functions and abilities needed among the employees to replace the unique skills of the owner. If it will not happen because the owner-manager is unwilling or unable to effectively delegate and decentralize control, it can become a fatal problem.

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[9] http://www.adizes.com/corporate_lifecycle_gogo.html
[10] http://www.adizes.com/corporate_lifecycle_gogo.html

Figure 1. "Go - Go phase" turning into dangerous "Founder trap"
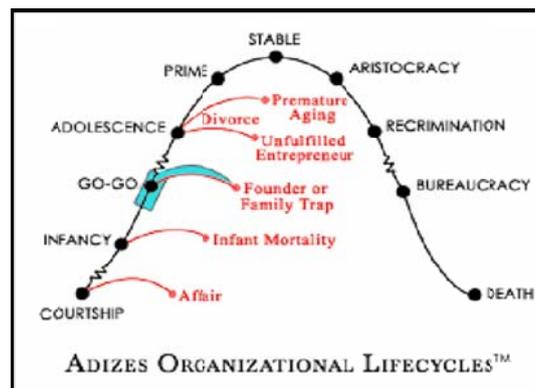
Source: Adizes (2010b) a customized web report

3.9. Integration and coordination

It involves the collaboration among specialists needed to achieve a common purpose of the organizational sub-systems. It evolves some controlling mechanisms for smooth functioning of the organization. As a matter of fact, it means organizational counterbalance for decentralization, differentiation and (in some cases) division of labor. Integration can be achieved across various specialized units and functions to ensure that organizational goals are being pursued. "Span of control refers to the number of specialized activities or personnel supervised by one manager. There is no optimal number for a span of control and the number of levels in the hierarchy. In fact, span of control and hierarchy levels are inter-related and depend on situational factors" (*Barkdull* 1963). Important features to be considered while designing are: the similarity and the complexity of functions, the need for direction and control, the managerial coordination and the planning requirements.

There are several methods to improve integration. (If needed even in a small organization). These include rules, procedures and professional training. Communication is another important process in the organization crucial for achieving integration and coordination of the activities of separated units at different levels. Communication can be horizontal, downward or upward. Integration and coordination refer to integration of the objectives and activities of specialized units or sub-systems in order to achieve the organization's overall strategic objectives. In large and complex organizations coordination and integration become extremely important. It can also be improved through developing rules and procedures, and professional training (done simultaneously), with professional committees involving managers from different specialized units.

Integration aims at ensuring that different sub-systems work towards common goals. Staff meetings with the purpose of integration and coordination are held weekly in short duration for each work group (department), with the general manager present. There are no meetings for the entire staff meantime.

Some additional terms of analysis were:

− Job design −"...the assignment of goals and tasks to be accomplished by the employees..."
− Job enrichment – "An alternative to job specialization which involves increasing both the number of the tasks (job enlargement) that the worker completes, and the control the worker has over the job which become crucial, as well, for the examined firm." (*Daft* 2006).

3.10. Technology

Technology is based on major activity. In the current case it is production (a unit production technology - finished products from composite material, custom-made furniture). The client only has (a) few different products, operates in one country, has a low product and process innovation, with a high concern for quality. "In an uncertain environment, it is very likely that the customers will prefer variation in products and services. Competitors are likely to vary their strategies in products, prices, advertising, etc. New innovative strategies may be called for. Some rather non-routine technologies will likely be required to adapt to an uncertain environment" (*Burton–Obel* 1998b).

In this organization information and accounting systems seemed to be weak. This can be typical for the Go-Go phase where only the support for basic needs of production/operations, customer service and accounting exist. The client's firm lacks useful cost accounting and accurate reporting of individual product profitability. Management reports are often published so late that they are of little use for day-to-day operations (Insufficient cost controls, ad hoc budgeting).

3.11. The question of formalization

Formalization is the degree to which an organization has rules, procedures and written documentation. Formalization means an organization is involving installation and the use of rules, procedures and control systems.

The examined firm is organized around people and projects. Responsibilities are assigned based on who can do the work on a project-by-project (product - task) basis. New tasks often conflict with previous assignments. The organization chart often does not accurately reflect the way the work really gets done.

4. The results – strategic design recommendations

According to the cited literature and applied practice knowledge the results of the performed analysis show comparisons between the theoretical input modules and the identified appropriate practical organizational solutions. The basic aim was to diagnose and solve the fundamental discrepancies between the contingency factors and the elements of the organizational properties. As a result some of the identified values of major factors and properties in the analyzed organization derailed from universal principles of management and contingencies, which means that urgent adjustment is needed in the client's firm.

When many factors in the environment affect the organization, it may make it difficult for a defender, like the client's firm, to protect what it does, and also difficult to protect its established market position. Therefore, the defender strategy is not appropriate. An analyzer strategy is more appropriate for this complex environment. Here the analyzer should seek for opportunities in the complex environment.

The current organizational complexity is low due to the fact that it is a small firm with medium horizontal differentiation, low vertical and low geographical differentiation. (It has only one location).

The most likely configuration which best fits the situation for the client has been estimated to be a functional configuration. A functional organization is an organization with unit grouping by functional specialization (production, marketing, finance, etc.).

The current formalization is medium but there should be high formalization between the organizational units, but less formalization within the units due to the high professionalization. Since the firm employs many professionals, the formalization should not be as high as otherwise it would be. When the organization is in the manufacturing industry

and it has a routine technology, its formalization should be lower than if it were in the service industry. When the organization uses an advanced information system, formalization should be high. A defender strategy needs cost efficiency and that can be obtained through formalization. Organizations with routine technology should have high formalization. High formalization is consistent with top management's preference for a high level of micro-involvement.

The organizational life cycle phase "The Founder's Trap" (uncovered pathologies for Go-Go) "occurs when a Go-Go company is unable to relieve itself from its dependency on the Founder. The company is trapped by the capabilities and the limitations of the bottleneck that is its Founder. This can occur because the organization is unable to develop the abilities needed to replace the unique skills of the Founder. The slide into the "Founder's Trap" can also occur because the Founder himself is either unwilling or unable to delegate and decentralize control effectively. Developing the skills, systems, trust and respect needed to support delegation and decentralization is a crucial task for the given client. The process starts with delegation from the Founder, which involves transferring responsibility of important tasks down into the organization and creating the commitment needed to achieve the desired results. But forcing this transition before it can be effectively supported will foster mistrust and animosity between the Founder and the employees" (the future senior management team), and exacerbate the "Founder's Trap" pathology[11].

Go-Go companies must begin to make the transition from management-by-intuition to a more professional approach. Stages of the Founder's trap should be avoided by staggered empowerment. That can be achieved through:

- aligned role with capability,
- aligned tasks with the role,
- aligned resources with accountability,
- context or value provided by the manager.

Consistent human resource management builds responsibility, enables avoiding confusion in roles and frustration of the employees.

The motivational system should develop a feeling of obligation in the employees and also the system of values, standards, conscience and aspirations that the individual demands from themselves. It relates to one's own standards, conscience, values and aspirations.

Incentives should be based on results and procedures. The client's coordination and control should be based on rules and procedures, integrators could be group meetings and some mutual planning. Unannounced and unproductive meetings should be avoided. A moderate amount of information will be required and it is not likely that there will be a need for rich information (nor for wide channels of information).

In the field of formalization the current client should consider increasing the number of positions for which written job descriptions and written rules and procedures are available. According to the defined measures the supervising of the employees should be at closer measures.

5. Conclusion

One of the major misfits that created obvious problems was the un-adjusted (defender) strategy with the business environment and the organizational climate. The reason lies in the lack of delegation and decentralization. The pathological Go–Go's "founder trap phase" was spontaneously formed because of the overloaded owner's inability to form and control

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[11] http://www.adizes.com/corporate_lifecycle_gogo.html

strategy. It slowed down the process of growth, derailed the organizational forces, such as creativity, and led to the diagnosed "founder trap". This stage threatens healthy development and it cannot be maintained over a longer period. Missing adequate organizational structure with poorly defined division of labor additionally worsens the situation. Very often "a single misfit may make the whole design unacceptable" (*Burton* et al 2002).

The detected situation shows misfits in a routine technology and an uncertain environment because it can cause problems. For this contingency some non-routine technology is better! "A routine technology produces goods and services efficiently which are standard and without variation. Low product innovation, but a certain environment, calls for a review and suggests that the organization should consider greater product innovation. Low product innovation means that the same products are available for an extended period of time. In a certain environment with little change in customer demands and preferences, there is little need for new products. But, with increasing uncertainty in customer demand, new competitor strategies, possible governmental actions, shifting customer tastes, etc., current products are likely to become soon mismatched with the possibly changed environment. New products and innovations will likely be required to adapt and meet the emerging needs and opportunities of the new business environment" (*Burton–Obel* 1998b).

It is evident that the client's firm needs to make the recommended interventions to return on the fastest possible track of development.

Such simplified approach, showed in the article can give a model that would assist analysts to deal with more widely recognized factors. The majority of those considered organizational glossary terms should be considered when diagnosing and designing organizations of any type and in any contingency circumstances. Users are asked to identify organizational design parameters in order to change their settings (if necessary). In this case the majority of important contingencies have been identified. It is also shown that the selected and analyzed terms can provide wider and guided possibilities for organizational analyses in even more complex situations. The suggested model of thinking or a qualitative analytical approach may be applicable to the majority of the managerial issues.

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