

## The Rise and Fall of Organizations

*By Louis P. Solomon*

A life-long friend of mine, Charlie Hall came to me one day several years ago and said that he had a revelation. Charlie Hall has demonstrated to me, as well as to many others, that he is one of the most competent and perceptive analysts in the military/technical world. I always listen to him when he has an idea about anything. His revelation was the general theory of the Rise and Fall of All Organizations.



I encouraged him to tell me the details. He did, and we discussed it for some time. We massaged, organized, simplified, and clarified it over a period of days, weeks, and perhaps months.

Many people have noticed that organizations change with time. In general, organizations are born, prosper, develop arthritis, eventually stultify and die. We all know such organizations. But Charlie's contribution was to understand the existence of five different stages in the life of an organization, recognize the characteristics of the leaders during each existence stage, and, most important of all, realize how it may be possible to renovate and reinvigorate any organization—or, equally important, to recognize the impossibility of achieving such a reinvigoration.

The rise and fall of all organizations can be characterized by several different measures: profit, number of units sold, number of personnel, market share, and many others are all possible measures that can be used to characterize and quantify an organization's status. If any measure of performance is plotted as a function of time then a curve may be drawn that shows the time history of that particular measure. The time periods may be named for the types of people who are in charge of the organization during that period of time. The single generic curve that we developed is called the FICAE curve. This is not a mis-spelling of the term FICA, so well known to all taxpayers in the United States. Rather the term FICAE is an acronym that stands for the leaders of each stage of an organization's existence. The acronym FICAE stands for Founders, Innovators, Consolidators, Administrators, and Exploiters. Definition of each term and the types of managers who represent it is given below.

### **Founders**

These people have the original concept for the organization. They are innovative, clever, smart, and pliable. They are mercurial in character, changing their methods and tools as necessary to attain their goals. Their principal and continuing focus is really on the basics of the technology and its application, but not on the business side of the enterprise.

### **Innovators**

These people take over the detail construction of the organization from the Founders. They shape and re-shape the organization so that it can actually operate. They make rules, adapt and change them as required. Generally there are many small groups within the bustling organization, all working on their own component of the problem, and frequently getting in the way of other groups—also working feverishly—and all competing for common resources.

### **Consolidators**

These people reconstruct the organization to maximize the measure of performance. They are interested in efficient operations. It is recognized that order and regulations will help the organization grow and

prosper. This means merging groups, restructuring organizations, focusing on a small number of measurable objectives, and, in general, increasing the efficiency of the organization. If successfully implemented, these steps result in a smoothly running, efficient organization, which is almost unaffected by external forces.

### Administrators

These people take over a smoothly running, well-oiled machine. It functions almost automatically. Their interest is to define, implement, and monitor policies that are aimed at making sure that there are no changes to the running of the organization. Virtually nothing is allowed to interfere with the functions, groups, and prerogatives of the senior staff. This attitude, which is prevalent in the senior staff, is reflected in the behavior of the mid-level staff and eventually is seen in the behavior of all management, independent of level.

### Exploiters

These people use the assets of the organization to feather their own nests. They make sure that they have lots of prerogatives, expense accounts, and other special privileges. They have a wonderful time, frequently at the expense of the company. They have little interest in the company except as it supports their own personal desires.

Figure 1 presents the FICAE curve. It shows that the organization starts operations, and if the Founders persevere, are lucky and skilled, the measure of performance shows rapid growth.

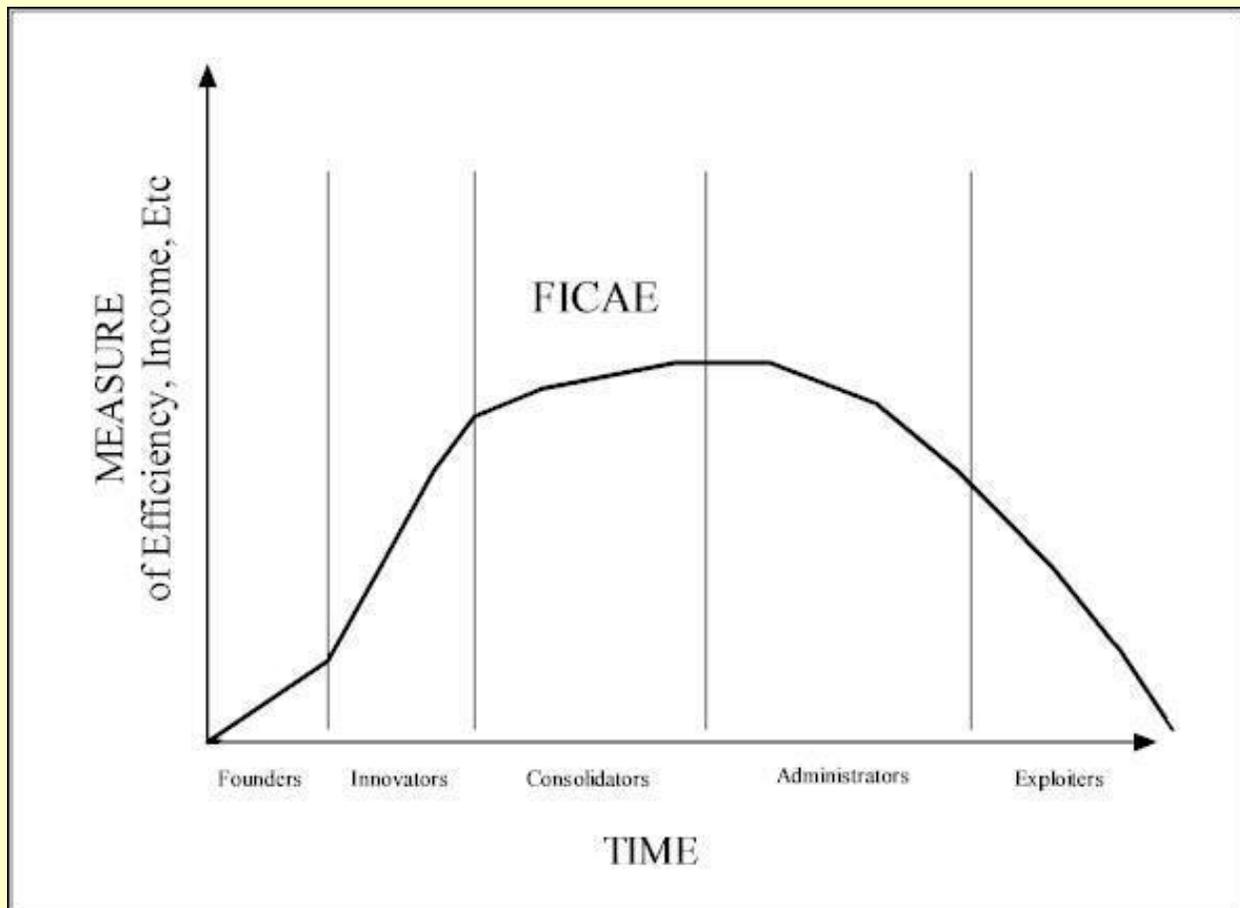


Figure 1

Founders characteristically want to continue to improve their invention or concept, but frequently don't pay attention to the real guts of business operations and maintenance. They are not businessmen, but thinkers,

fiddlers, and experimenters. In time, their role as leaders of the organization is taken over by the Innovators. The Innovators organize the small and growing company and focus on the success of the company (or organization) in the market place. The Founders frequently become head of Advanced Concept groups, or special laboratories, which is where their strengths and hearts really reside. The Innovators completely understand the importance of technology, innovation, and techniques; they focus on the growth of the business, and leave the future technology developments in the skilled hands and brains of the Founders.

The pace of progress increases; however, the size of the company eventually becomes unwieldy and it needs to be consolidated into efficient, working components. This is the time of the Consolidators. They run the company very well. The growth becomes less rapid, but the organization remains quite efficient. Meanwhile, the Innovators are promoted to be Members of the Board, or leave to find other little companies that need their managerial skills. The Consolidators eventually manage to create a highly skilled, very efficient company that continues to grow. In fact, their input is required less and less

Operations become standard; policy issues become paramount in the running of the company.

This is the time for the Administrators. All the policies are developed, implemented, and remain virtually static. The company continues to operate efficiently, but innovation is frowned upon since it would violate or disturb established policy. In fact, it could be argued that a policy manual is all that is required, but the administrators begin to let their attention wander. They take long vacations and go to innumerable conferences. The company is running on auto-pilot. This idyllic time sees the rise of people who wish to pursue their own interests. These are the Exploiters. They come to power and use their positions to further the pleasures of their own life. They focus on their own interests and the company becomes only a means to an end. The efficiency of the company rapidly decreases, the market share becomes noticeably less, and in general the company or organization falls into a state of rapid decline.

We all know companies and organizations in different states of this universal process. This seems to be a fixed and rigid progress, which, once started, leads inevitably to the ruin of a once proud and successful company or organization. Even so, there are organizations that don't die. They don't collapse. They seem to go from one triumph to another and seem to get better with age. How can this occur?

It is our postulate that because of external and unusual forces a sudden major change occurs sometime during the periods of the Founders, Innovators, or possibly Consolidators. This large, sudden move upward (or downward) occurs because leaders in the organization change. This change may be attributed to new partners, purchase of new wholly-owned subsidiaries, selling of the company to people with different visions, recognition that new technology could change the company's entire market share, and what also must be considered: growth of potentially dangerous competition, or some other serious and major event. It is recognized by the leaders that the organization is under great threat and needs to reorganize itself to achieve continuing success. Major reforms are introduced, and these bring a revitalized effort to the Founders-Innovator-Consolidator period, and the process continues as before. This process of a major shift in the measure of performance is represented in Figure 2.

During our lives all of us have encountered organizations in different stages of existence, or at different points on the FICAE curve. The tiny firms formed by enthusiastic entrepreneurs are well known. Some make it, and some don't. The larger successful firms that we know periodically upgrade their capabilities and remake themselves. A few examples of these are GE, 3M, Kodak, Apple Computers, and Caterpillar Tractor. And a few such as Enron, WorldCom, and W. T. Grant are examples of those firms that slipped into the control of the Administrators and Exploiters. With a little effort you are able to look at the organizations you deal with and decide where they are on the FICAE curve. If you decide that the organizations are in the Administrator or Exploiter stage, they may be beyond redemption. You may be well advised to search for other organizations to meet your needs.

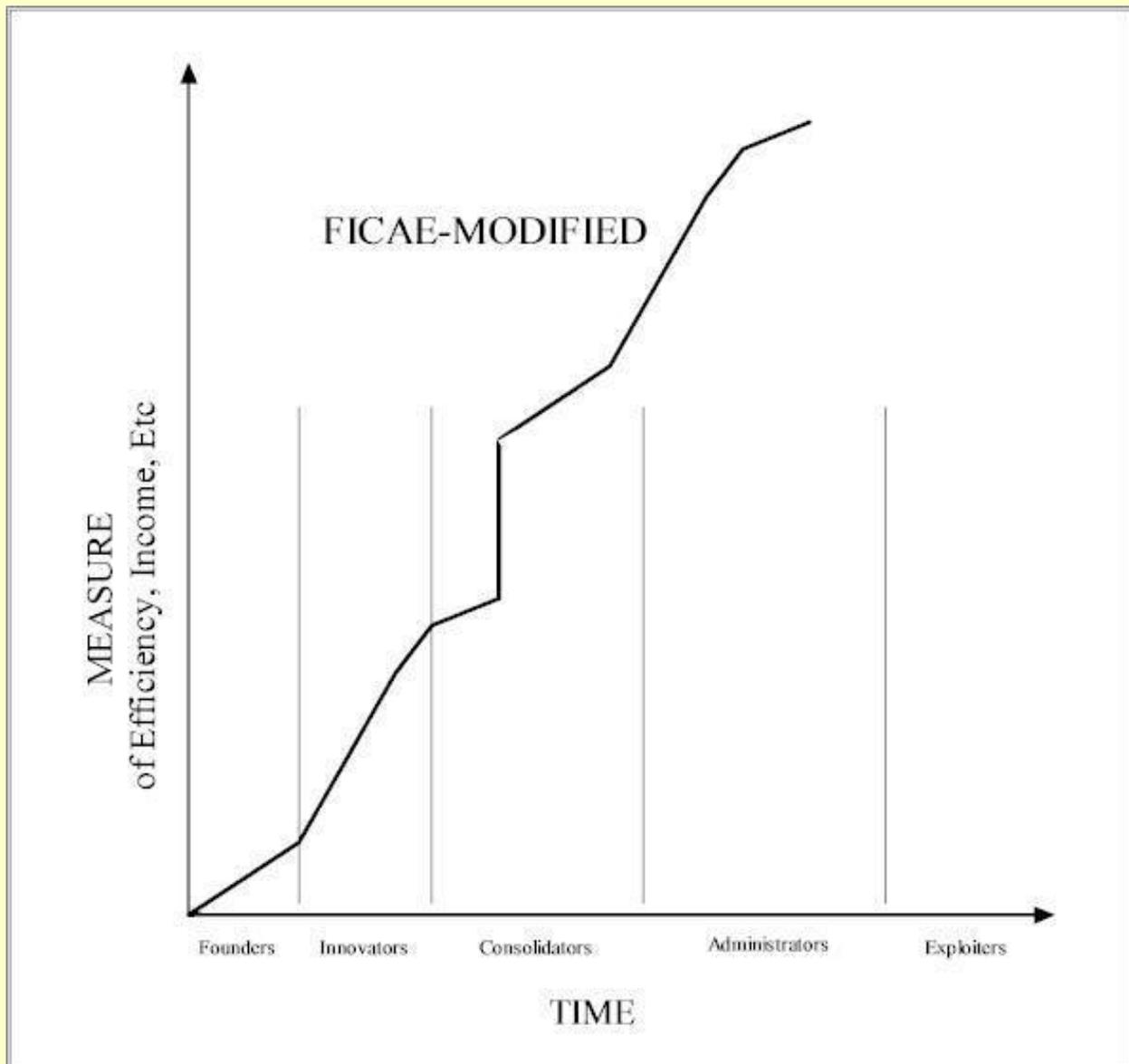


Figure 2

### SUMMARY

Some organizations are born, grow, stagnate, and decline. An organization assumes the characteristics of its leaders during their time in control. There are five different types of leaders: Founders, Innovators, Consolidators, Administrators, and Exploiters. This process can be observed in hundreds of examples in all organizations of all types. The different phases can be observed by examining the characteristics of the leaders, the beliefs of its workers, the performance of the organization, the success or failure of its products in the marketplace, and how the organization is viewed by outsiders: its clients, its customers, its debtors, and the public.

While the process seems to be fixed, many organizations have an ability to reinvent and reinvigorate themselves; that renewal seems to emerge from a major change of characteristics that happens during the Founder-Innovative-Consolidator stages. If an organization gets to the Administrator-Exploiter stage, it is doomed.