Seven Stages of Organizational Development

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Stages of development

Organisations grow and develop in the same way as individuals – by successfully mastering their needs at each stage of development.

The following diagram shows the Seven Stages of Organizational Development. The focus of the first three stages is on the basic (deficiency) needs of an organization - financial viability and stability, creating harmonious employee and customer relationships, and building high-performance systems and processes. Without a strong foundation in these three areas, organizations cannot evolve and grow.

CONTRIBUTION — 7 — **Living Purpose** — Being of Service, Future Generations, Vision, Social Responsibility, Long-term Perspective

COLLABORATION — 6 — **Cultivating Communities** — Community Involvement, Partnership, Mentoring/Coaching, Employee Fulfillment

ALIGNMENT — 5 — **Authentic Expression** — Purpose, Openness, Creativity, Integrity, Passion, Trust, Honesty, Transparency

EVOLUTION — 4 — **Consciously Evolving** — Accountability, Transformation, Innovation, Continuous Learning, Autonomy, Courage, Empowerment

PERFORMANCE — 3 — **Achieving Excellence** — Quality, Results Orientation, Competence, Self-esteem, Productivity, Efficiency

RELATIONSHIPS — 2 — **Building Relationships** — Customer Satisfaction, Connection, Respect, Listening, Open Communication

VIABILITY — 1 — **Ensuring Stability** — Financial Stability, Profit, Safety, Health

The focus of the fourth stage of development is on consciously evolving - a shift from fear-based, rigid, authoritarian hierarchies and silos to more flexible, adaptive and inclusive systems of governance that empower employees to innovate and become accountable for the success of the organization.

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The focus of the last three stages of development on fully manifesting the purpose of the organization. This includes internal alignment around the organization's values and purpose, collaborating with others to build mutually beneficial alliances and partnerships in pursuit of the organization's purpose, and fully living the purpose by contributing to the well-being of society and the UN's Sustainable Development Goals.

Organizations that focus exclusively on the satisfaction of their basic needs (the first three stages) are not usually market leaders. They can be successful in their specific niche, but in general, they are too internally focused and self-absorbed, or too rigid and bureaucratic to become innovators in their fields.

They are slow to adapt to changes in market conditions and do not empower their employees. There is little enthusiasm among the workforce and innovation and creativity get suppressed. Levels of staff engagement are relatively low. Such organizations are usually run by authoritarian leaders who operate by creating a culture of fear. They are not emotionally healthy places to work. Employees feel frustrated or disempowered and may complain about stress.

On the other hand, organizations that focus exclusively on the satisfaction of the higher needs lack the basic business skills necessary to operate effectively and profitably. They are ineffectual and impractical when it comes to financial matters, they are not customer-oriented, and they lack the systems and processes necessary for high performance. They may have a strong overarching purpose, but without a focus on the organization's basic needs, they will struggle to achieve their purpose. We often find such organizations in the not-for-profit sector.

The most successful organizations focus on their basic needs and their evolutionary needs. They are purpose-driven, values-guided and care about the well-being of their employees, their customers and the society in which they operate. They are, what I refer to as, full-spectrum organizations. This means the organization can respond to whatever challenges it faces from the appropriate level of consciousness because it has learned to operate from all stages of development.

Full-spectrum organizations

Surviving

The focus of the first stage of organizational development is financial viability. Without profits or access to a continuing stream of funds, organizations quickly perish. Every organization needs to make financial viability and stability a primary concern. A precondition for success at this level of consciousness is a healthy focus on cash flow and the bottom line.

When companies become too focused on financial viability, they develop an unhealthy short-term focus on shareholder value. In such situations, making the quarterly numbers—satisfying the needs of the financial markets—can preoccupy the minds of the leaders to the exclusion of all other factors, including the needs of employees. This leads to excessive control, micro-management, caution and a tendency to be risk-averse.

Businesses that operate predominantly from survival consciousness are not interested in strategic alliances; takeovers are more their game. They will purchase a company and plunder its assets. They see people and the Earth as resources to be exploited for gain. When asked to conform to regulations, they do the minimum. They have an attitude of begrudging compliance.

The key to success at the first stage of development is strong financial performance and a focus on employee health and safety.

Relationships

The focus of the second stage of organizational development is to create harmonious interpersonal relationships and good internal communications.

Without good relationships with employees, customers and suppliers, a company's survival will be compromised. The critical issue at this stage of development is to create a sense of loyalty and belonging among employees, and a sense of caring and connection between the organization and its customers and suppliers.

Preconditions for creating a sense of belonging are open communication, mutual respect and conflict resolution.

Preconditions for caring and connection are friendliness, responsiveness and listening. When these are in place, loyalty and satisfaction among employees and customers will be high. Building traditions and respecting rituals help cement these bonds.

Fears about belonging and lack of respect lead to fragmentation, dissension, and disloyalty. When leaders meet behind closed doors, or fail to communicate openly, employees suspect the worst: cliques form and gossip becomes rife. **When the leaders are more focused on their own success rather than the success of the organization, they begin to compete.**

When leaders display territorial behaviours, blame, internal competition, and internal politics ensue. Family-run businesses often operate from this level of consciousness. This means their pool of talent is limited and they are unable to bring in talented people to leadership positions because they can't trust outsiders.

Performance

The focus of the third stage of organizational development is on efficiency, performance, excellence, quality and professionalism.

Measurement matters in an organization. Whatever you measure tends to improve. You must keep a watchful eye on all the key performance indicators. In addition to the financial performance indicators, the cultural performance indicators are extremely important. You can find out more about measuring the culture of an organization at the Barrett Values Centre website.

At this stage of development, the organization is focused on staying relevant to its customers, pursuing excellence by adopting best practices, and constantly implementing productivity and efficiency enhancements. Systems and processes are strongly emphasized, and strategies are developed to achieve desired results.

Business process re-engineering, Six Sigma and Total Quality Management initiatives are typical approaches to continuous performance improvement at this stage of development.

A precondition for continuous performance improvement is the encouragement and reward of excellence.

Organizations that get stuck in the third stage of development tend to be structured hierarchically for the purposes of central control. Top-down is the primary mode of decision making. The hierarchical structure also provides opportunities for rewarding individuals who are focused on their own personal success. Steep hierarchies often serve no other purpose than to cater to managers' needs for recognition, status and self-esteem.

To maintain central control, organizations that operate from the third level of consciousness tend to formulate rules and regulations that bring order to all aspects of their business. However, if they are not careful, organizations can easily degenerate into power-based silos or rigid authoritarian bureaucracies. When this happens they lose their adaptability, agility and flexibility. Failure or collapse will eventually occur if the organization cannot shift to the evolutionary stage of development.

Evolution

The focus of the fourth stage of organizational development is on adaptability, employee empowerment, continuous renewal, and continuous learning.

The critical issue at this stage of development is how to stimulate innovation so that new products and services can be developed to respond to market opportunities. This requires the organization to be flexible and take calculated risks.

To fully respond to the challenges of this level of consciousness the organization must actively garner employees' ideas and opinions. Everyone must feel that his or her voice is being heard. This requires managers and leaders to admit they do not have all the answers and invite employee participation.

For many leaders and managers, this is a new role requiring new skills. That is why it is important to develop the emotional intelligence of managers. They must be able to facilitate high performance in large groups of people who are looking for equality and responsible freedom. Employees want to be accountable—not micro-managed and supervised every moment of every day.

One of the dangers at this stage of development is to become overly biased toward consensus. While some level of consensus is important, ultimately decisions must get made, too much consensus can be the death knell of innovation.

A precondition for success at this level of consciousness is encouraging all employees to think and act like entrepreneurs.

More accountability is given to everyone, and structures become less hierarchical. Teamwork is encouraged and more attention is given to personal development and relationship skills. Diversity is seen as a positive asset in exploring new ideas.

This stage of development, which brings responsible freedom and equality to workers, will not achieve the desired results unless all employees and teams share similar values, have a common purpose and a shared vision of the future. This requires a shift to the fifth stage of development.

Alignment

The focus at the fifth stage of organizational development is on building an internally cohesive organization that has a capacity for collective action.

For this to happen, leaders and managers must set aside their personal agendas and learn to work for the common good. The critical requirements at this stage of development are developing a shared vision of the future that inspires employees, a shared set of values that provides guidance for decision making, and an organizational purpose that is more than making a profit.

The shared vision, values and purpose should clarify the intentions of the organization with all its stakeholders. The values should be translated into behaviours so they can be used for performance management. The values should be reflected in all the systems and processes of the organization with appropriate consequences for those who are unwilling to conform.

A precondition for success at this stage of development is to build a climate of trust that engenders responsible freedom.

To build commitment and enthusiasm, every member of the organization should understand how their contribution relates to the overall success of the organization. In organizations that operate from the fifth level of consciousness, failures become lessons, and work becomes fun.

The key to success at this level of consciousness is the establishment of a strong, positive, unique cultural identity that differentiates the organization from its competitors. This is particularly important in service organizations where employees have close contact with customers and the general public. At this and subsequent levels of consciousness, organizations usually preserve their unique, strong, and healthy culture by promoting from within.

Collaborating

The focus of the sixth stage of organizational development is on deepening the level of internal connectedness and expanding the sense of external connectedness through collaboration.

Internally, the focus is on helping employees find personal fulfilment. Externally, the focus is on building mutually beneficial partnerships and alliances with business partners and local communities to increase the impact of the organization and build its resilience.

The critical issue at this stage of development is that employees and customers both see and feel that the organization is making a difference in the world, either through its products and services, its involvement in the local community or its willingness to fight for causes that improve the well-being of humanity or the planet. **Employees and customers must also feel that the company cares about them, their futures and their needs.**

Companies operating at this level of consciousness go the extra mile to make sure they are being responsible global citizens. They support and encourage employees' activities in the local community by providing time off to do volunteer work and/or making financial contributions to the charities in which employees are involved.

A precondition for success at this level of consciousness is developing leaders with a strong sense of empathy. Leaders must not only provide direction for the organization, but they must also become the servants of those who work for them. The organization should support employees in becoming all they can become, both professionally and personally. Leadership development is given significant emphasis at this stage of development.

Contributing

The focus of the seventh stage of organizational development is on making a contribution to the well-being of society. Externally, the focus of the organization at this stage of development is on local, national or global activism in building a sustainable future for humanity and the planet. Internally, the focus is on cultivating a climate of compassion.

The critical issue at this level of consciousness is developing a deep sense of social responsibility throughout the organization by caring about social justice, human rights, and the ecology of the global environment.

A precondition for success at this level of consciousness is selfless service, displayed through a profound commitment to the common good and to the well-being of future generations. The organization also takes great care to make sure their products or services are in alignment with the UN's Sustainable Development Goals.

To be successful at this level of consciousness, organizations must embrace the highest ethical standards in all their interactions with employees, suppliers, customers, partners, investors and the local community. They are, what I refer to as, full-spectrum organizations. This means the organization can respond to whatever challenges it faces from the appropriate level of consciousness because it has learned to operate from all stages of development.

Resources

The Values-driven Organization by Richard Barrett

E-Learning Courses of the Barrett Academy