Iranian Journal of Management Studies (IJMS)
Vol 1. No.1. winter 2007 pp: 111 - 131

How Should The Entrepreneurs Of SMEs In Iran Change Their Style In a Business Life Cycle?

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Abstract:

Kambeiz Talebi, the author of the Article discusses the urgent need for top managers to change their style in small entrepreneurial firms during a business life cycle. Although most leadership theories assume that it is an easy task, but the case studies and practical experience suggest the opposite - managers find it hard to move from an innovative style when the company is young to task-oriented behavior in the firm's mature stage. If the steps aren't taken early enough, severe crisis will be followed by an external CEO being called in. Talebi discovers that the reason why change in style is so difficult to achieve is that everyone has overlooked the link between management style and the corporate system, structure and values. The corporate context itself must change if managers are to be able to change their own styles effectively and smoothly. Suggestions are made for doing this to avoid crisis. This paper is based on a research study on management of a business life cycle in Auto Part Manufacturing Medium-sized Enterprise in the year 2002 in Iran

Key words:

Entrepreneur, SME, business life Cycle, public enterprice

PREFACE

The economy of the Islamic Republic of Iran (hereafter referred to as Iran) is to a very large extent determined by large public and quasi-public enterprises, controlling up to around 80% of the economy. This is especially true with regard to the businesses engaged in exploiting, processing and trading crude oil, petroleum products and natural gas, which provide some 80% of Iran's export earnings and around 40-50% of the government budget.1

This has created a heavy dependency on this sector of the economy, and its mainly (publicly-owned) large enterprises, in spite of the fact that the great majority of businesses in Iran belong to the category of micro-, small and medium-sized enterprises (SMEs).

Disregarding the firms involved in the trading and service businesses, the number of small- and medium-sized industrial SMEs hovers around 345,000 formally registered businesses, of which 96.1% belong to the category of micro-enterprises (with a workforce of 1-9 employees), 3.3% to the category of small enterprises (with 10-49 employees), 0.3% to medium-sized enterprises (with 50-99 employees), and 0.4% to businesses larger than 100 employees.2

As the present study shows, these industrial SMEs provide approximately 1.3 million jobs, out of a total employed labor force of 15.6 million. The bulk of the difference (14.3 million jobs) is accounted for primarily by wholesale and retail trading businesses and to a lesser extent by the service sector. Although trading and service activities are important for the successful functioning of the economy, the manufacturing sector and its industrial SMEs are highly important in view of generating both manufacturing value-added and exports. The study at hand makes clear that the industrial SME sector has tremendous scope for growth in Iran, and by that token has a great potential for generating new jobs. The achievement of this potential will, however, require a number of conditions to be fulfilled.

The best practices in all types of economies (developed, developing, transitional) have shown that a flourishing and sustainable industrial SME's sector can only be attained when two major elements of the business environment have been put in place. **The first** of these is an appropriate legal structure for SMEs, which belongs in the domain of the government. **The second** is a suitable institutional support structure for SMEs, which include business advisory services, information provision, training, financial services, and the like, and falls in a domain. [1 EIU Country Profile 2000, p. 20. 2] (The data presented here are based on Chapter 7 of the Statistical Yearbook of Iran, 2000. The Size-class of Enterprises)

Introduction

There seems to be two views about the way managers can change their style in a firm's business life cycle. One says it's easy; managers are concerned with day-to-day work and alter their styles individually with no problems. The second says, it's difficult, managers' work itself changes in the firm's business life cycle, and team work or new managers are called for. I believe that changes in managers' styles must be put into a strategic context, and it is difficult and costly to achieve that, because systems issues are involved. A major shift requires changing the behavior of a large number of people as well as all the systems in the organization. We need to know more about the development of business and of managers, particularly CEOs, before the problem of changes in management style during the growth process can be solved.

This article discusses appropriate management styles for different phases of the business life cycle. It defines management style and classifies best styles to fit different phases of the business life cycle. Finally, it looks at successful and unsuccessful patterns of management style over the cycle.

Definition and Evaluation of Management Styles

Since the late 1940s, two management styles have dominated the literature on this subject, the task-oriented and the person-oriented. However,(Ekvall 1988) has argued for the existence of a third dimension: development-orientation. The reason is that several major changes have taken place in the corporate environment during the last two decades, which have provoked new management styles. Above all, the speed of change has increased tremendously. Skills and approaches are demanded that most managers simply did not need in the relatively calm of 1950s, 1960s and early 1970s. There should be a shift towards experimentation, the support of new ideas, strong future orientation and

risk taking. It is taken for granted that subordinates are given great freedom - as in the person-orientation style - but this is not enough. Management style should also encourage change. In order to investigate the content of management styles, a study was designed and carried out during 2004 and 2005. The database consisted of observations from forty manufacturing companies and five service companies. Three styles were identified. The first was a change-orientated style in which person orientation and 'change initiation' were emphasized. This implies that the person-oriented manager nowadays is not only good at maintaining group cohesiveness and creating a positive climate, but he/she is also able to pick up new ideas, and willingly questions his/her own beliefs.

The second was a development-oriented style indicated by the factors 'risk taking', 'change initiation', 'visions and action generation' and 'goal and feedback'. These factors were positive towards the encouragement of change. The style expresses a need for risk-takers and for managers with vision and views about the future. The third style was task-oriented, in which the core elements were 'clear instructions and order', 'careful planning' and 'controlling'.

The managers were also evaluated by their juniors. A manager who had high scores on all styles was given the best ratings. Managers using the new styles, development- and change-orientation were given better ratings in today's business environment (Lindell and Rosenqvist, 1990), however, the Task-oriented style was also significant.

The conclusion is that there is generally not only one optimal management style, but the successful manager uses all three styles and has to master them. One of the key challenges seems, therefore, to balance the three management orientations. How this can be achieved in different development stages of the business life cycle is what will be discussed in the next section. A general hint from earlier studies is that the style of a top manager might vary in strength during different growth phases, but that a successful manager uses a combination of the three styles in every phase.

Phases of the Change and Growth Process

This section covers different phases in the growth and development process in an attempt to derive the best styles, especially for the CEO and top management level. The transformation problems between phases are treated later on.

The Introductory Stage

This begins with product innovation and development; it starts a business life cycle, and runs until the product is being manufactured in larger quantities. It is a 'search stage' in which new, interesting business is being sought. Styles should be planned as a sequence of experiments to test the stability of markets and to discover better ways of behaving in the future. People, and especially organizations, have insight only after they act, not before. In a new organization an entrepreneurial insight, perhaps only vaguely defined at fist, must be developed into a concrete definition of an organizational field, a specific product or service and a market segment. Important roles at this stage include the entrepreneur, the technical innovator and the market and technological controller.

The organization is informal. Highly structured thought, as well as tradition, can interfere with insight and innovation. Once some experience has been gained, the

diagnosis or planning phase can begin. The organization is usually managed by an entrepreneur whose vision and energy drive it. Adzes (Adzes 1988) characterize it as an ad hoc and infant with hardly any policies, systems, procedures or even budgets. The administration systems might be 'on the back of an old envelope' in the founder's jacket pocket. The boundaries between the functional areas are not substantial. Communication is face-to-face, there are few rules and regulations; decisions are made quickly and informally, and control is achieved by the direct personal action of the entrepreneur (Moore and Thus man, 1982).

The entrepreneurs arc willing to take risks and make quick decisions when necessary. They also initiate new projects, experiment with new ways of doing things and push for growth. The development-fomented style is vigorous. However, entrepreneurs also seem to be rather heavily change-oriented. Even if they make the decisions themselves, they strive to create a free atmosphere without any restriction. They are considerate and show regard for their subordinates as individuals. They listen to ideas and suggestions, and discuss new plans and encourage others to think along new lines. They are, however, low in task-orientation. They hate almost all bureaucracy and prefer to work in ad hoc groups.

The Growth Stage

When the new product begins to mature, innovation activity shifts from the product to the process. The product is standardized. The job moves from small to more rationalized manufacturing groups. The engineering problem involves the creation of a system which puts the developed products into operation. The creation of such a system requires management to select the appropriate technology for producing and distributing the products or services concerned.

The growing organization must begin to systematize and routines its processes; continuing chaos will kill the entrepreneurial firm (Moore and Thus man, 1982).

The following administrative procedures characterize operational efficiency (Greiner, 1972):

- a functional organization structure is introduced to separate manufacturing from marketing activities, and job assignments become more specialized;
- accounting systems for inventory and purchasing are introduced;
- incentives, budgets and work standards are adopted;
- communication becomes formal and impersonal as a hierarchy of titles and positions builds;
- new managers and key supervisors take most of the responsibility for directing, while lower- level supervisors are treated more as functional specialists than as autonomous decision-making managers.

When the entrepreneurial organization approaches its growth phase, senior management must staff it with individuals who can contribute to and manage a more professional set-up (cf. Bargeman's organizational champion). A climate must be established in which there is a balance between entrepreneurial and more professional orientation, and in which diversity and conflict are tolerated. This inevitably means a change in management styles.

The entrepreneur is still an essential part of the development process. The developing style gradually loses its effectiveness, however, and the task-oriented manager begins to take over. This phase builds on style that is intrinsically in conflict. Administrators seek stability, while entrepreneur is change-oriented (Adzes, 1988).

Groups emerge which strive to weaken the entrepreneurial spirit. Roles such as sponsor and project manager are important. The implementation of ideas and change also requires a great deal of people and change-oriented style. The situation develops where the **CEO** or the top management team need to master all the styles, with no clearly dominant one.

The Mature Stage

In the mature stage, sales growth no longer predominates (Abernathy and Utter back 1978) call it the specific phase, with standardized products and efficient, capital intensive, rigid and automatic production processes.

The production process moves from islands of automation through assembly lines to continuous flow operations (Woodward, 1965). There is a minor need for innovation only for some modifications. Competition is more about market share and attacking the shares of the others. As a result of slower growth, more knowledgeable buyers and, usually, greater technological maturity, competition tends to become more cost- and service oriented. This changes the ingredients of success in the industry and may require the dramatic reorientation of corporate functioning. There are three main options: cost reduction and sophisticated cost analysis, differentiation, or a combination of both. The 'fittest' survive.

The organization is result-oriented (Adzes, 1988). Rules are introduced to handle repetitive procedures and decisions are made at senior levels of the hierarchy.

Control is achieved through bureaucratic mechanisms. The unit's climate emphasizes greater formality, stability and business-as-usual orientation. Subunits restrict their information processes and rely on prior knowledge.

The mature stage features greater emphasis on senior management decision making. Control is more and more indirect, through systems, organization structure and selected employees. The environment is quite stable. This is the homeland of the task-oriented manager. Both developing and change-oriented styles are weak. **Figure 1** summarizes some features of the different stages in the business life cycle and the expected mix and strength of management styles during the different development phases (cf. Abernathy and Utter back, 1978; and Moore and Thus man, 1982). The changing role of the CEO is illustrated by Clifford in **Figure 2.**

	Business life cycle stage		
	Introduction	Growth	Mature
Dominant values	Learning, experimentation, informality	Expansion, growth	Role efficiency, market share , superiority
Management role type of innovation	Entrepreneur major product innovation	Administrator / integrator Incremental product / major process innovation	Steward incremental product/process innovation
Location of innovation base of competition	Entrepreneur product performance	Marketing/production product differentiation, price	Production Price, image, minor difference
Production process	Job shop	Islands of production	Assembly line and continuous flow
Dominant function modes of integration	Entrepreneur informal communication	Marketing/production Informal communication, teams project manager	Production/sales Formal communication ,senior management committee
Organizational structure CEOs & top manager's style profile development – oriented style	Free form strong	Project/matrix/functional Strong/medium	Bureaucratic Weak
Change –oriented style	Medium	Medium/ strong	Weak
Task – oriented style	weak	Medium	Strong

Figure 1. Pattern of different phases in the business life cycle I

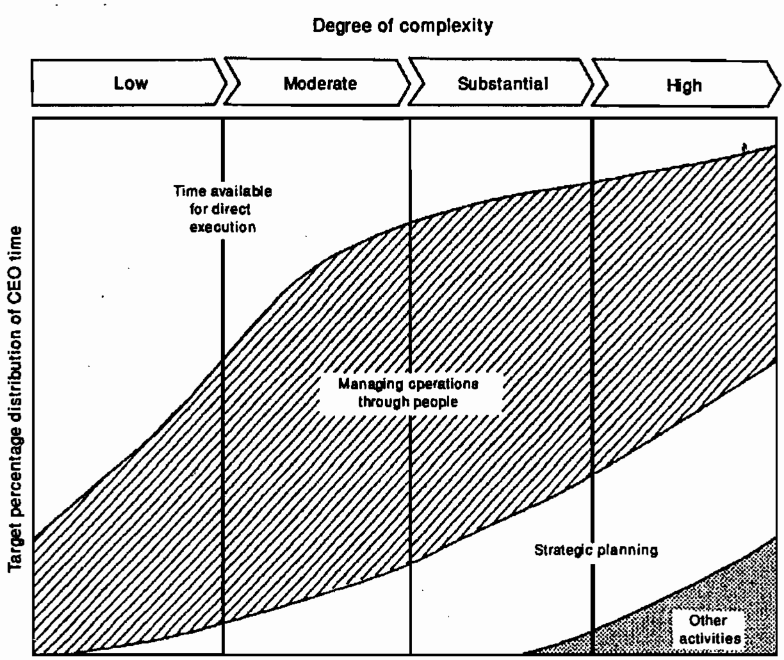

Figure 2: The changing role of the chief executive.

Growth Phases and Changes in Management Styles

As shown above, the character of business changes 1 dramatically during its development, and top management orientation has to change too. Development- and change-oriented styles dominate in the first stage and the task-oriented style in the mature phase. A short description of the first development period in a small entrepreneurial firm follows by way of an introduction to discussing change in management style.

A Case Study of a Small Entrepreneurial Company

This company's competitiveness has been based on new technologies, products and production processes. It has 25% of the car spares markets for auto companies and 15% for its exports to about 4 countries and its current turnover is about USD 1/5 million. The introductory stage of the growth period involved initiating projects in small, cohesive groups. According to the R&D manager, the company has always been growth-oriented. Whenever time and resources permitted, new products have been developed. Analytical instruments are not used. Limited resources have prevented further product development.

R&D personnel had strong development needs and were given the freedom to use their initiative. They produced a continuous stream of ideas for new projects.

The market served as the selection mechanism. In the words of the R&D manager: We start with a small run and see where we stand. If the market demand is there and prices are high, we invest more heavily. But the trial period has to come first.

There's a great deal of new product potential here. Our strength is clearly in the technical area, and from there we look at market opportunity. The market decides which projects are followed through. The stream of successful and unsuccessful product launchings and the business development of successful products acted as learning mechanisms. A selling success pushed the other products onto the waiting list (a 'trial and- error' strategy). The choice of each product was made without reference to a total plan. The competence and interest of the managers themselves controlled the process. The individual driving forces were most decisive when complemented with market needs and technical opportunities. The timing of the process was dictated by the resources of the company. Final approval was always given by the entrepreneur.

Growth stage: It was not long:

Before there were too many projects. The company then had to concentrate the efforts. The developing costs of new business were large. In this phase, for the first time, there was some sign of planning. The products and business area were defined. Some experience had been gained of the most suitable type of projects for the future. Prerequisites included technically more demanding products, the maximum use of in-house competence, synergy with existing products and a small niche in the world market. A broadening of their own knowledge was the turning point. Once the business idea which gave rise to the first products was almost fully developed, a new and more controlled search phase began. New products for new markets could be produced using the same technology and material (fiber – reinforced steel). According to the R&D manager, most fiber-reinforced steel applications have been tested by the company in their market research, which paved the way for the development of successful new products. This in turn provided new market knowledge and different product alternatives. Decisions were made ad hoc. The strategy emerged from the handling of individual projects. The company developed as a result of a number of successful and unsuccessful ventures, with little or no entrepreneurial or strategic control, once it became clear where the competence of the company lay, surplus businesses requiring large investments in automatic production were sold. New investments were made staked on new projects in areas with the greatest success potential and which exploited the company's competitive strength.

These developments are described in Figure 3.

Mature phase:

After more than twenty-five years as managing director, the entrepreneur decided to sell the company. Profitability problems were increasing and it was obvious that things could not continue on the same informal basis. The diversification-concentration mechanism was not enough to solve the more fundamental problems in the growth process of the firm, the structural and administrative problems. A more professional management approach was needed, something that the entrepreneur probably did not want. He had consistently used a strong development- and change-oriented style. About the earlier, very informal way of functioning, the R&D manager told me: "We avoided building up administrative routines. One of the most important values in the company has been that improvements in technology, products and materials give profitability. There is no need for financial control systems. You have to be able to sell on the world markets. Technology, cheaper raw materials and longer production series counteracts inflation. Neither our lifestyle nor our company philosophy is dominated by the size of financial revenue".

This is the preoccupation of professional businessman. We're more concerned about the technical idea and its development. Can we succeed? And it is a fact that, if we manage to come up with an improved method or idea, we know it will be profitable. We concentrate on technological improvements and on the product, and this controls development. The early pattern was no longer suitable in the company's development stage. With a turnover of more than 9 billion Rials, more structured management was needed. Why didn't the entrepreneur change his style earlier? Increasing problems of control and decreasing profitability should have been strong enough signals to provoke change.

It is quite clear that style change has to do with basic beliefs and values, which are very difficult to shift. This is described as a leadership crisis by Greiner. The entrepreneur had a clear role in the introductory phase of generating and developing new products, and in the growth phase of developing new production processes. However, he lacked either the will or the capability of changing the company to meet the demands of the mature phase. Fundamental change and a new CEO were soon needed to save the company from bankruptcy.

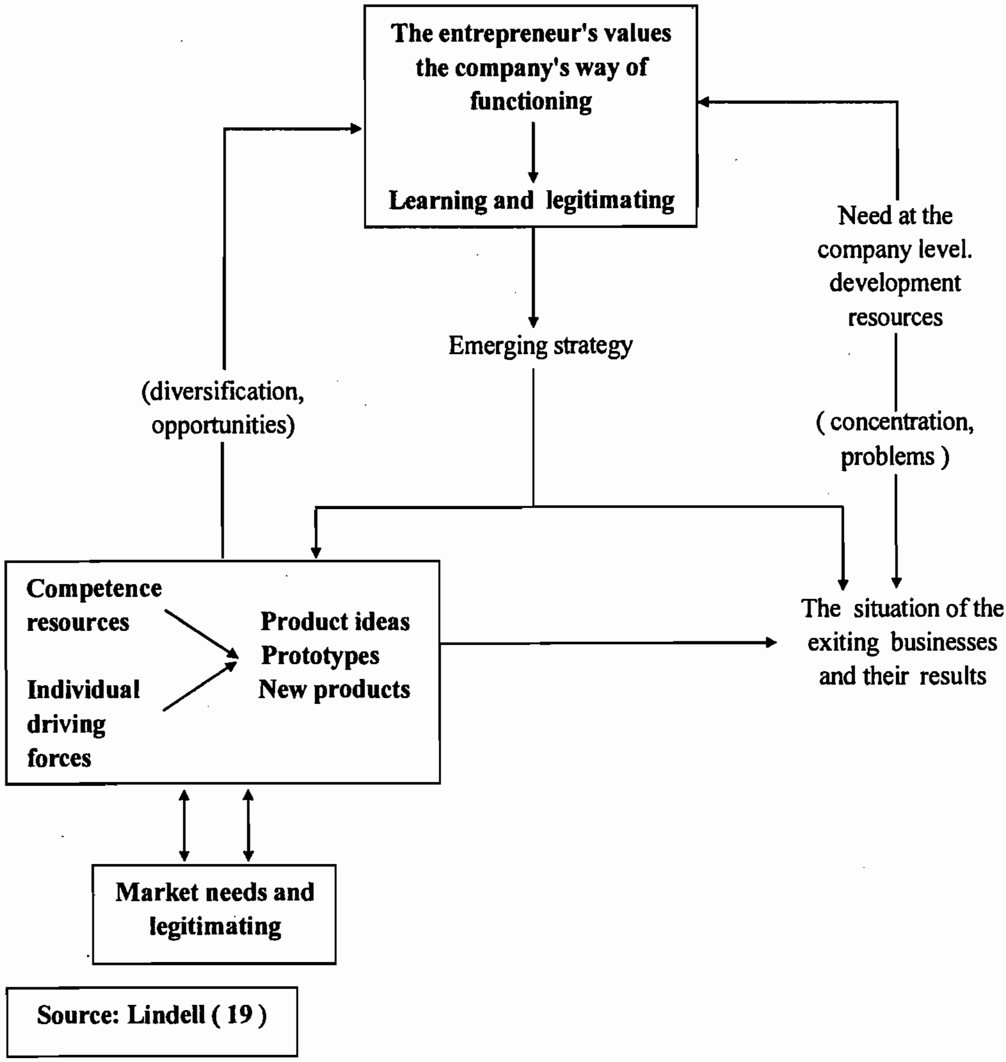

Figure 3: the early development of an innovative company as an

Emerging pattern

Managing Change in Styles

Controlling change is complex. Leaders have to administer the space between the parts (Leavitt, 1986). Developing innovation and new businesses demands different management styles at different times.

Organizational characteristics and individual style which are vital in one phase are wrong in another phase (Moore and Thus man, 1982). The manager must change his style in order to be effective. How can he do this?

Successful change:

In its introductory phase, the organization is small, informal and loosely-structured. The new firm is often dominated by an entrepreneur whose energy, enthusiasm and intuition drive it. If it is successful and sales begin to grow rapidly, there are several critical consequences.

Totally different skills are required (Adzes, 1988). The company cannot continue with systems, budgets, policies, organization structure and centralized decision making. Less immediate reaction to chance opportunities and more considered appraisal is called for. There are plenty of potential crisis points where many firms fail and become bankrupt or are bought out. The entrepreneur seems to have great difficulty recognizing the need to shift style and change the organizational processes. During this change, perceptions come first (Doze and Prahalad 1987) suggest that a precondition for redirection seems to be a shift in the cognitive maps in use within the organization. Without a cognitive shift to provide a new context, change is unlikely to succeed. This means that, before successful measures can be taken, a vision about how the organization ought to function in the next phase must emerge and spread by good leadership. Experimentation, often on a small scale, is needed to find out the best way of functioning. The pattern for the growth phase depicted in Figure 3 should be intuitive ideas about the future state of the system.

Tight cost control, cross-functional coordination, marketing and so on, is very different skill from those required to build the organization in its early days. The organization must change its basic beliefs and cultural identity in order to survive.

The second condition for change in management style is that the vision is established at the top of the organization, and top management is committed to its implementation. Thirdly, the organization should have the necessary competence to enter the next phase. Appropriately skilled managers should be promoted or new managers brought in. There should also be a concentrated in-service training. The entrepreneur himself is seldom the person to generate new visions or to demand changes. (Norman 1977) gives the task of analyzing the broader trends in society and the internal political situation in the company to some sort of statesman, who is often the chairman of the board.

The range of individuals capable of carrying out critical leadership functions is often too narrow. Consequently, the entrepreneur has to transfer management of the company to a new CEO, which is very difficult. The swift, intuitive, decision-making style of the entrepreneurial company - one of the keys to its early success - can severely handicap it at a later stage if it is not balanced with realism (Clifford, 1978). There are three leverage points for the extension of leadership:

“Building the senior team; broadening senior management; and developing leadership throughout the organization (Nadler and Thus man, 1989)".

Some sort of transition team might be needed. However, it seems to be an advantage if the entrepreneur stays in the company, because entrepreneurial energy is still needed in the growth phase although it must be complemented with administrative energy's. These stakes increase task-oriented characteristics at the top level, but still maintain some change- and development-orientation, the fundamental features of top management style in the growth phase (see Figure 4). As process innovation increases and product innovation decreases, the organization begins to integrate and functional conflicts are reduced. The mature organization is, then, an elaborate version of processes initiated during the growth phase. Planning, administrative and control skills are acquired.

As volumes increase and costs are reduced, it is carried by its own momentum into the mature phase of the business life cycle. Firms become more and more bureaucratic and task-oriented style is strengthened at top management level. In summary, it can be said that, in the successful pattern of transformation, a vision of how to function in the next phase is built up quite early and the necessary new top managers either recruited externally or promoted internally. The vision for the next phase must be set from the top. New values and beliefs are required.

	The successful model	The crisis model
Mature stage	T - style strong D - style weak C - style weak	T - style strong D - style weak C - style weak
		Change agent Transformational leader
Growth stage	T - style medium D - style medium C - style medium	D - style strong C - style strong T - style weak
	(Transition team)	
Introductory stage	D - style strong C - style strong T - style weak	D - style strong C - style strong T - style weak

Figure 4: Successful and unsuccessful patterns for changes In CEO Ana

Top management behavior during the business life cycle
C-style = change-oriented style: D-style = development-oriented style;
T-style = task-oriented style.

and the innovative entrepreneur can seldom change hasher style to suit. It is critical for future success that the founder hands over the company to an administrator at the right moment to achieve smooth transit oil. These transformation processes continue during the mature stage. The process described above can be called Framebm Ding (Nadler, 1988). Necessary changes are anticipated, and actions to meet the new challenges are taken in advance; a key factor. The new frame emerges incrementally, a characteristic of successful change.

Unsuccessful transformation:

Transition to maturity signals a new 'way of life' in a company. The excitement generated by rapid growth and pioneering is replaced by the need to control costs, compete in price and market aggressively (Porter, 1980).

Few inventor-entrepreneurs can tolerate the formality that is linked with large volumes. Therefore, their businesses never develop into the mature state. They move from the introductory phase to the growth stage with no change in behavior, at least administratively, and more and more problems arise. Clifford says that almost every fast-moving company passes through a critical trouble-zone in the transition from entrepreneurial enterprise to large corporation. Economic stress in one form or another triggers crisis; all too often, a company emerges with its growth momentum fatally sapped. It hells expanded so much and operational restructuring is long overdue. However, the earlier framework has been reinforced over many years and is therefore difficult to change. Necessary shifts are made too late or not at all. The company has reached a 'threshold situation', and the only remaining option is rapid and radical turnaround, so-called frame-breaking changes. Tow momentum, and frequently success, of convergent periods breeds reluctance to change. It is not until financial crisis shouts its warning that most companies begin their transformation (Leavitt, 1986). A misfit between the way of functioning and the characteristics of the environment has arisen. The organization's strategy and structure are no longer compatible with the situation in the environment or with the size of the firm. Typically, the situation leads to poor results and the perception of an organizational crisis. Existing organizational beliefs are challenged. There is growing internal tension and disunity, indicating a need for radical changes. Frame-breaking change is abrupt, painful to participants and often resisted by the old guard.

The profitability signals in the small entrepreneurial firm described above were not strong enough to change the entrepreneur's beliefs early in the development phase. After the old systems have been unlearned, the organization often passes through a period of confusion and a new strategic vision is created. Positive results lead to greater commitment to the new vision. Further, positivc feedback gradually increases members' commitment to new belief systems which seem to work.

Successful direction of a frame-breaking change calls for talent and energy. New business ideas must be defined, technology selected, resources acquired, policies revised, values changed, organization restructured, people reassured, inspiration provided, and an array of informal relationships shaped (Thusman, Newman and Romanelli, 1986). The old organization is usually not capable of this. The impetus for a break often comes from outside shareholders who eventually put strong pressure on existing executives - or bring in new ones - to make fundamental shifts. Most frame-breaking upheavals are managed by executives brought in from outside the company. Thus man, Newman and Roman Elli report findings that externally recruited executives are more than three times more likely to initiate frame-breaking change than existing teams.

Frame-breaking change was coupled with CEO succession in more than 80% of the cases. Furthermore, when combined with executive succession, company performance was sign higher than when former executives stayed in place. In only 6 of the 40 cases studied did current CEOs initiate and implement frame-breaking changes. There are several reasons why a fresh set of executives is typically used in company changes. Real problems of cultural change can probably be diagnosed with sufficient clarity only by people who are not deeply involved in the existing culture. The first condition is the existence of a leadership - exercise by either a person or an elite - which can take the organization into unexplored territory where its competence can be reconstructed and' its identity redefined (Gagliardi, 1986).

The new executive team brings different skills and a fresh perspective. Moreover, its members are unfettered by prior commitments linked to the status quo; on the contrary, they symbolize the need for change. The execution of a new challenge adds to the energy devoted to it. The two change processes and the different styles used are summarized in Figure 4.

In the unsuccessful pattern the entrepreneurial firm continues with its old beliefs, styles, organization and climate from the introductory stage to the growth stage. No changes are made in spite of its fast growth. Gradually, the financial situation becomes untenable and dramatic changes, frame-breaking changes, have to be made very quickly. Change agents and transformational leaders are needed. (Burns 1978) and Thus man, (Newman and Nadler 1988) state three key activities for the change agent in a turnaround process:

(a) presenting a clear and credible vision of the organization and its future;

(b) energizing, demonstrating personal excitement and modeling expected behavior; and

(c) enabling, providing resources, building an effective senior team.

The successful entrepreneurial firm, however, begins to :change at the end of the introductory phase and to form new visions about how to function, plan the new structure and systems and build up competence. but this is not destructive. There is a time for experimentation. The transition can be made smoothly and in an orderly 'fashion. The movement from the growth phase to the mature phase involves further development of the administrative and production systems with emphasis on internal efficiency. No frame – breaking change is needed. Managers can easily change their styles. The small entrepreneurial firm studied earlier shed some light on why researchers have had problems obtaining conclusive results. Their concentrated focus on management behavior has been too limited. For one thing, management style is governed by the manager's beliefs and personal qualities and, in order to shift styles, these must first be changed. What is more, changes in styles in a life cycle perspective have to be analyzed in the strategic context. Attention should be on the system, style transformation, therefore, cannot be constructively discussed outside this context. Behavior shift in a business life cycle implies that the whole system and way of thinking should be changed. Successful changes in managers' styles in a strategic context, therefore, demand an early start before the situation becomes critical, considerable activity to overcome inertia, the generation of new operational ideas, new, bought-in competence, and a change in the power base.

Summary

In the Introduction part, it was pointed out that most management theories are based on the assumption that changes need not be violent and emphasis can be put on learning. In successful introductory – to - growth transition, the growth pattern depicted in Figure 3 should be a visionary future state and grounds for shifts in managers' cognitive maps. Thus, the competence of the company should be strengthened. The administrative systems, especially financial control systems, should be developed and functions integrated. At this stage, the successful manager should also begin to develop an executive team to handle matters he can no longer cope with himself.

He must give breathing and growing space to the executives below him. Very often, a change of CEO is needed. In that context, it is possible to change the strong development- and change-orientation of the introductory phase to a more balanced style profile with stronger task-orientation, as required in the growth phase Similarly, in the transition from the growth stage to the mature stage, the mature pattern should be the future vision. Once top management has decided to carry out the necessary changes, a competence-building stage follows and the actions already taken during the growth phase are consolidated.

The new emergent context produces the right conditions for a strong task orientation. The alternative is first chaos, then deep financial crisis and many personal tragedies. In order to keep firms alert, tension in the organization is used as a change mechanism. In successful companies, there seems to exist fruitful tension between order and disorder, and between deliberate and emergent development. Neither structured formality nor unstructured chaos work well. One of the key challenges is to balance the two. (March 1981) stresses that adapting to a changing environment involves interplay between rationality and foolishness.

The transition process described is tentative and is based on (as it was pointed out in the introduction) on previous research and current actual observation.

The following theories are based on the assumption that more knowledge about successful change and how it starts is required as is more rigorous testing about the processes described in Figure 4. The optimal balance between stability and foolishness is a matter for urgent investigation.

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