

# Conceptual Features of the Balanced Development of Business Organizations

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## Abstract

In authors' opinion, studying and searching for main features of organizational development possess a fundamental nature and is a main task of scientific research in the sphere of economics and management. According to the results of the performed research, the main attributes of the organizational development include balance, which could ensure stable work of the organization. In general, balance characterizes harmony and equation of the system as to all its components; a methodological basis of the balance, as an object of scientific research, is the dialectic nature of dichotomic aspects in the developing system. The article includes practical examples of dichotomic contradictions which require a balanced approach as to preferred spheres of activity of industrial organization. With the help of the presented examples and based on the opinions of famous specialists, the authors prove that account of requirements to balance of processes and elements of the organization as a socio-economic system, allows reflecting the real situation more adequately, comparing alternative variants and making high-quality managerial decisions, reasoning and forming priorities of business activity, minimizing risks and contradictions while forming and realizing strategic and tactical goals.

**Keywords:** organizational development, balanced development of business organizations, features of development, dichotomic peculiarities of development, balance

## 1. Introduction

At present, the influence of the category "development" is rather strong, both in theoretical and practical aspects. Having undergone evolution, the notion of "development" spread in scientific circles, sphere of public administration, numerous international organizations and political societies, and various social classes. By virtue of its special importance, volume and complexity, this category became a key one during last 50-60 years in scientific, political, social, and economic vocabulary. Usage of the notion of "development" is often a peculiar test and implicitly proves the competence and awareness of modern realia.

Classical scientific ideas, regarding essence and peculiarities of development, originally had a vivid philosophical nature and were elaborated mostly for the problems of macro-subjects, including society, state, policy, and economy as a whole. However, during last decades, scientists' attention to the issues of development at the level of business organizations grew, which resulted in emergence of new scientific field that received the name "Organization Development" (OD).

Scientific literature describes a wide variety of main features and peculiarities of OD. At that, during the primary stage of this concept's formation, the meaning of OD was rather narrow. Thus, according to some authors, including Bennis W. G. (1969), Miles R. E. (1975), Huse E. F. (1980), OD supposed a specific program, strategy, or series of steps for implementing corporate changes that related primarily to behavioral aspects and aimed at the increase of organization's functioning effectiveness. The next stage of conception's formation is characterized by a wider scientific view, according to which, the researches pay attention to the necessity of considering not only behavioral, but also other important factors of organization development.

For example, the list of main principles and values of development, presented by the International Association of Consultants (involving Portsmouth Consulting Group), states that OD is an effective method in democratic society, which includes openness; control of actions; dialogue between people who possess the same authority and tend to solutions and development of new courses (Kubr, 1986). At the same time, a lot of authors, in

particular, Beckhard R. A. (1989), Porras J. I. & Silvers R. C. (1991), emphasized the importance of organizational processes, and the researches Deal T. E. & Kennedy A. A. (1999), Schein E. N. (1999) and others assigned the main part to organizational culture. Necessity for achieving balance and accordance with such factors as strategy, structure, culture, and organizational process, was emphasized in the works of Adizes I. (1988), Drucker P. F. (2002), Peters T. J. & Waterman R. H. (2004) and others.

Thus, the received results show a detailed picture of the process of organizational development. However, the complexity of the research object and absence of unity of opinions among the authoritative specialists determine the necessity for perfection of conception of OD, based on the search and reasoning of main peculiarities of development of business organizations in dynamically evolving external environment.

## 2. Materials and Methods

The main tasks of the conducted research of the condition of modern theoretical and applied works in the sphere of development of business organizations are the following:

- a) Conducting retrospective analysis of scientific conceptions which contributed largely into formation of modern ideas about development of organization and management of this process,
- b) Revealing factors that ensure and prevent the processes of stable development of business organizations;
- c) Studying conceptual peculiarities of development of business-organizations;
- d) Reasoning and describing new features and peculiarities of development with the help of corresponding methodological framework;
- e) Forming recommendations as to further research in specific scientific sphere.

In this research, the authors used the hypothesis that the necessary methodological basis was not created in modern management up to this time. That's why, in further scientific work, it is advisable to use the methodological framework which possesses objective and dialectic nature and formed in other scientific fields. According to the authors, these fields include philosophy and engineer sciences, which feature important scientific and methodological ideas, related to sustainable development of technical and informational systems. At that, the dialectical basis, which allows viewing the researched issues in their constant interconnection, movement, and development, may be a methodological and systematic platform for scientific research in the sphere of organizational development, and, in particular, during search for peculiarities of the modern process of business organization development management.

For performing the tasks during research, a complex scientific instrumentarium was used; it included dialectic laws, epistemological methods, and the methods of scientific abstraction. The scientific results were received using the following methods: expert evaluations, questionnaire, analytical, abstractive and logical, generalization and synthesis, prioritization, comparison, and observation. Theoretical and methodological basis of the research was the works of foreign and Russian scientists on the sphere of stable and sustainable development of business organizations, publications in scientific literature and periodicals, materials of scientific conferences, and internet data.

While describing a modern methodological and systemic basis of research in the development of business organizations, it should be noted that the main part of the conceptual ideas is formulated based on empirical basis and practical experience and requires the further scientific reasoning. These ideas correspond to the fundamental principles of systemic, situational, process, functional and other scientific approaches, used in modern spheres of management. The stated scientific approaches recommended themselves as a top-priority methodological instrumentarium. They allowed increasing scientific experience and knowledge both in the sphere of organizational changes management and in the sphere of organizational development as a whole. However, the analysis of peculiarities and value of these approaches showed that their methodological potential mostly depleted itself and is now rather limited (Salikov, 2008). Still, beyond doubt, the use of methodological tools, developed by generations of previous researches for systemic approach, is still actual.

Thus, for methodological and systemic provision of further perspective scientific research in the sphere of management in modern conditions, it is advised, together with perfecting the instrumental basis of scientific approaches, to pay attention to dialectical and systemic principles of the processes which take place within the business-organization.

## 3. Results

Results of analysis of various scientific approaches, ideas, and conceptions clearly show that at present, there is no unified and logical theory of development of business organizations – despite the variety of attempts made.

Moreover, the specialists in this sphere of scientific research do not agree on the nature and peculiarities of the process of development.

As to practical activities of modern business organization, the process of OD is described as a strategy of organization, based not only on the ideas related to organizational culture and group dynamics, but on the conceptual ideas related to planning and implementing organizational changes (Goncharuk, 2000). Summarizing the content of various research in this sphere, it is possible to state that changes are an important feature and inevitable necessity of organizational development.

In modern managerial literature, a saying by Heraclitus is very popular; it is 2500 years old, but still actual, as in old times: "Change is the only constant". This quotation is to be found in various interpretations in the works of leading specialists in the sphere of business organizations development: P. Drucker, T. Peters, K. Blanchard and others. Thus, changes are the sense of development of an organization and a specific process of emergence and manifestation of new features, properties, and elements in the organization as in a socio-economic system. Successful implementation of changes increases the potential for organization development and ensures the increase of its competitiveness in the market. At that, the process of development includes the elements of variety of changes which are related to renewal of the organization as a system, of its structural and functional content.

Retrospective analysis of scientific works in this sphere shows that, whichever angle the notion of "development" is viewed at, one way or another, it focuses on the issue of changes. Most often, from the modern positions, development is described as an irreversible change of material and ideal objects, based on existing laws and regularities. This definition clearly discerns 3 main attributes, the obligatory and constant manifestation of which is an exclusive characteristic of the process of development and distinguishes it from many other evolutionary and revolutionary changes. As a matter of fact, reversibility of changes is peculiar only to processes of functioning, aimed at constant and periodic reproduction of the system of functions; absence of regularity is peculiar for accidental facts of catastrophe type; when the direction of changes is altered, the process of development loses the distinctive unity, internal orderliness, interconnection, interconnectedness, and consistency, which results in the system's complete change (Kokhanovskiy et al., 2003).

The stated three attributes of the process of development, as an object of scientific research, are dominant and do not cause any doubts among specialists. At that, we believe that these features, despite their fundamental importance, cannot be comprehensive for such complex object of knowledge as development. Accordingly, the search for new supplementary features and peculiarities of the process of development, their identification and reasoning, should be included into an important scientific task, which has a substantial theoretical and practical significance.

Obviously, a permanent nature and stability of changes, their endless row and spontaneity cannot fully facilitate the successful functioning of business organization as a system, but can become a critical destructive factor for it. Consequently, a sustainable developing system requires maintaining the stability of its functioning – however, such stability should not slow down or immobilize the very process of development. If a system becomes fully stable, it shall bring it to dogma, stagnation, and, finally, to end of existence. Therefore, a specific dialectical contradiction arises: development of a system should be stable and unstable at the same time. Solution to this contradiction may point to new important supplementary features of the process of development.

System's theory supposes that, while in the stable condition, the system self-preserved itself – if the changes within it do not have an active self-destructive nature. However, there are systems with various levels of stability; thus, a high level of stability causes a strong resistance to the changes (both inside and outside the system), and also a minimum ability to adapt to changing external and internal conditions. In relation to business organizations as socio-economic systems, the problem of ensuring stability in the process of activities is very important and is related to solving both tactical and strategic tasks. Theory and practice of organizational development, based on the studying and performing changes, determine the process of development as unequal, unstable, and inconsistent, and at the same time as determined and goal-oriented. Consequently, development of socio-economic systems as a whole should be viewed as a specific result of logical dialectical cooperation of a variety of conditions, factors, or objects, which are contradictory in nature, direction, and essence.

In this regard, it is advisable, while viewing the peculiarities of development, to take into account the role and meaning of such important philosophical category as dichotomy. The notion of "dichotomy" (Greek *dicha* + *tome*, which means dividing in half) is closely related to the notion of "system". This sententia is widely known in various spheres of scientific knowledge, including informatics, biology, astronomy, politology, etc., in which it means dialectic (systemic) unity of two contradictions which constitute a single whole.

Beginning from the middle of the 20<sup>th</sup> century, when the influence of psychological knowledge on management grew, this notion started to be used in managerial literature – in particular, in relation to McGregor's theories of "X" and "Y" which were popular at the time. After that, the dichotomic point of view became actual in scientific argument as to possibilities and importance of two alternative processes of centralization and decentralization in the system of business organization management. At present, this notion is not widely spread in management and almost not used as to the essence, methods, and mechanisms of management. The reason for this is limitation or absence of dialectic understanding of complex events and phenomena, peculiar for economic and managerial processes as a unity of the two most important, but opposite in direction, elements of the system.

However, the manifestation of dichotomy is common for business management. The better decisions are made by the managers as to contradictory problems of dichotomic nature, the more successful is the organization and its departments. Effectiveness and efficiency of these decisions are determined by the scale and depth of using systemic, intrasystemic, and "over-systemic" transitions.

Figure 1 shows the schemes of dichotomic contradictions which often emerge in the market activity of industrial enterprise. These contradictions are determined, based on the results of questionnaire of managers of middle and high level of variety of Voronezh industrial enterprises which produce food. Questionnaire showed that the issues of balance are actual not only inside the functional spheres of activity of studied enterprises, but also between the functional spheres. Thus, by virtue of imbalance of organizational processes, the efforts, made by the managers for solution of the financial management problems, are half as much as the efforts for solution of industrial problems, and the problems of personnel management require 3 times more efforts than problems of industrial nature.

Table 1. Examples of dichotomy contradictions in the spheres of activity of industrial enterprise

<i>Corporate sphere</i>		
Satisfaction with achieved state of things	⇔	High risks of making and implementing strategic decisions
Decentralization of management	⇔	Saving resources, effectiveness, and speed of decisions
Diversification of industrial activity	⇔	Mission creep, increase of expenses, complication of management system
Suspension of production is necessary for modernization	⇔	Suspension of production leads to direct economic losses
Creation of integrative structures (clusters, holdings, etc.)	⇔	Increase of loss of property risk (completely or partially)
Necessity for active organizational changes	⇔	Active resistance to changes from personnel
<i>Sales and marketing sphere</i>		
Realization of production	⇔	Level of debit debt
Communicational and advertising policy	⇔	Informational security and protection from rivals
Rise / fall of price	⇔	Fall / rise of sale
Active influence on the consumer	⇔	Strong responsive actions by rivals
Saving costs during work with suppliers and buyers	⇔	Instability of economic relations and rise of risks
<i>Industrial sphere</i>		
Reduction of production cost	⇔	Improvement of the quality of production and customer satisfaction
Reduction of production cost	⇔	Expenses for observing high environmental requirements
Reduction of production cost	⇔	Expenses for innovational activity
Possibilities for technological process	⇔	Requirements of external environment
<i>Financial sphere</i>		
Need for investments and capitalization	⇔	Current interests of stockholders
Need for financial resources	⇔	Difficult conditions and possibilities for their engagement

Rentability of organization	↔	Critical volume (decrease) of production
Great need for finances (investments)	↔	Low paying capacity
Insufficient means of budget	↔	Necessity for strengthening security
Increase of profit	↔	Expenses for social programs and charity
<b><i>Personnel management sphere</i></b>		
Turnover of staff and casual employment of personnel	↔	Economic and informational security
Need for qualified personnel	↔	Possibilities for salary
Personnel pay-off	↔	Increased expenses for motivation
Goals of organization	↔	Goals of employees
Labor conditions	↔	Efficiency of personnel work
Rise of loyalty	↔	Implementation of personnel professional and social development programs

Thus, returning to the issues of stable development of socio-economic systems, it should be noted – taking into account the objective dichotomic peculiarities of the system – that there is a necessity for viewing in dialectical unity the complex of two contradictory requirements to the studied process. Any business organization exists in a certain market environment which can be conventionally divided into external and internal ones. Internal environment supposes the maximum sustainability of all processes up to rigid state - and external environment, being a main source for dynamic and deep changes, brings the possibility for ensuring stability to the minimum.

Striving to get the expected results of realization of tactical and strategic plans, the management of business organization should search for ways of the most rational solutions of emerging contradictions, based on systemic principles and with the help of balanced approach. It is known that when there is an attempt to substantially improve any parameter or element of the system, another element or parameter appears which worsens inevitably. Consequently, a balanced approach to the development of organizational processes should ensure the simultaneous maximal improvements of system's condition by means of changing certain parameters and elements, and minimal or even missing aggravations, caused by the forced concurrent change of other parameters or elements of the developing system.

Based on the above, it is possible to conclude that balance should be viewed not only as a requirement to current functioning of modern organization, but, mainly, as a very important feature of the process of its long-term sustainable development. The main essence of this feature is direction at the search of ways and possibilities for balance of contradictory phenomena, situations, and parameters which inevitable appear in the processes of development of business organization and management of the development.

#### 4. Discussion

In general, balance means harmony and equation of a system as to all its components. This sententia derives from the word “balance” (French “balance” – scales), which, in its turn, has Latin origin (Latin “bilanx” – having two scales). In modern understanding, expression “balance” reflects the method of studying one or another economic phenomenon by comparing or opposing the parameters that characterize different sides of these phenomena (Lopatnikov, 2003). This understanding almost completely corresponds to the above ideas regarding systemic dichotomic manifestations.

Also, according to popular opinion, “balance” can mean a certain group (system) of parameters which together characterize parity in a changing process or phenomenon. This notion is the basis for a popular conception of balanced system of parameters of BSC (Balanced Scorecard), which offers the mechanism for ensuring the balance of strategic relationships with the current tasks of the company (Kaplan @ Norton, 1996), (Niven, 2008). A successful spreading of this conception was actually a beginning and reason for forming real scientific field in economics and management, related to study of the issues of ensuring balanced development of business organizations.

Important scientific preconditions for forming conception of balanced development include, together with works of Robert S. Kaplan and David P. Norton, also “Mission Possible: Becoming A World Class Organization While There's Still Time” (Blanchard @ Waghorn with Ballard, 1997). In this book the authors note that if there is an alternative of attempts to improve the existing state of affairs or creation of a new situation, it's necessary to do

both. At that, it's important to keep stable balance between stability and innovations – as both are equally significant and cannot exist separately. The similar approach is supported by Stephen R. Covey in his bestseller “The 7 habits of highly effective people” (Covey, 2004) – with the help of appropriate examples, he reasons the necessity for supporting stable balance between the process of routine functioning of business organization and the process of its perspective development.

Among scientific researches, recently conducted by Russian scientists in the field of balanced development, a clear tendency for transition from systemic to sub-systemic level of organization as an object of scientific research should be emphasized. Unlike traditional direction, related to the study of corporate issues (e.g., balance of internal and external environment, balance of economic and social policy, etc.), a new tendency is directed at the study of in-house aspects. These aspects include issues of balanced management of organization development, issues of balance of industrial and marketing activity, balance of export and import, and balance of innovational and investment activity (Soblirov, 2009; Morkovina et al., 2014; Serebryakova et al., 2014). At that, it is emphasized that the balanced nature of innovational and investment activity of business organizations requires the search for effective mechanisms, aimed at the forming necessary investment resources for well-aimed innovational policy.

## 5. Conclusion

The notion of “development” has undergone a long evolution and become widely spread. At present, it is viewed as a targeted and irreversible change of objects, based on the existing laws and regularities. The result of development is a new qualitative condition of the object of changes which suppose the presence of scientifically reasoned management that is able to create adequate goals for development and ensure their realization. Specifics of functioning and high economic value of business organizations preconditioned the necessity for methodological, systematic, and practical elaborations in the sphere of organizational development.

By combining the experience of scientific research in the field of OD, it is established that at present time, the absence of agreement of opinion among specialists as to the direction and sense of development is a restraining element in the study of other important aspects, including the details of this process. According to the authors, the most important conceptual peculiarities of the development include its balance. A methodological basis for this feature is dialectic nature of dichotomic manifestations in the developing system.

Account of requirements to the balance of the processes and elements of business organization as a socio-economic system allows reflecting a real situation more adequately, comparing alternative variants and making successful managerial decisions, reasoning and forming priorities of business activity, minimizing risks and contrariety while forming and realizing the strategic and tactical goals.

The received results show that the further scientific study in this field should be related to the search for other important peculiarities of the complex process of business organization development, perfection of models of L. Graner. K. Blanchard, T. Vaghorn, I. Adizes and others, formation of appropriate mechanisms for management of balanced development, and to active use of mathematical instrumentarium for describing specific peculiarities of the process of development. Moreover, in our opinion, the further research in the field of management of balanced development of business organization should have a balanced nature, as well: this research should be equally aimed at the conceptual corporate aspects which form theoretical and methodological basis, and at the revealing the specific dichotomic alternatives with the following goal of their rational applied use.

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