My Firm versus Our Firm: The Challenge of Change in Growing the Small Professional Service Firm

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Moving from start-up to mature organization involves many changes and transitions. While significant research exists about cultural organizational change, the nuances of such cultural change in small, growing organizations have not been as extensively researched. This paper seeks to understand how transitions experienced in the small business life cycle represent cultural organizational change, and whether such transitions can be more effectively managed when viewed as organizational change. Small businesses represent a significant portion of the U.S. and global economy. This paper focuses on small professional service firms. The case of an accounting firm moving to the mature stage in the small firm organizational life cycle is presented. Case methodology provides a means to better understand the transition from one life cycle stage to another as cultural organizational change, and explores how this change is different for owners/leaders of a small growing firm than for executives in large firms or organizations. The discussion focuses on how small firms can manage such transitions and offers insights for the owners/leaders of such firms.

Key Words: Organizational life cycle, Organizational change, Small business, Professional service firms

Introduction

Small business represents a significant portion of the American and global economy, employing one-half of the entire workforce (Headd, 2000), and representing 99 percent of all businesses (Anonymous, 2006). Small business ventures contribute to the local economy and beyond, and are a source of growing capitalism around the globe. These small businesses face a number of challenges as they progress from start-up to mature organization, such as acquiring resources and obtaining and retaining clients.

Substantial research exists with respect to the organizational life cycle, and a smaller amount of specific research exists on the small organization life cycle (Masurel and van Montfort, 2006). This research notes that small firms typically progress through four stages: start, grow, mature, and decline (Masurel and van Montfort, 2006), and also notes that small organizations experience greater variation in these stages, and that not all small organizations progress through the same stages (Mount, Zinger, and Forsyth, 1993). Research suggests that 50 percent of small businesses fail in the first five years (Klein, 1999). Organizational failure may be due to ineffective management of the transition from one life cycle stage to the next.

This exploratory research examines how transitions between the life cycle stages of small organizations are organizational cultural change, whether these transitions can be more effectively managed when viewed as such change. The case of a small, growing professional service firm which is intentionally trying to move from the growth to the mature stage is examined. The case provides an intriguing example of failed transition, despite a number of indicators of the success of this planned and intentional change. Three research questions are explored:

1) What type of change does the transition between small firm organizational life cycle for small organizations represent?

2) Can this transition be more effectively managed when viewed as organizational change?, and
3) What issues exist in growth-related cultural change for the owners/leaders of small professional service firms and organizations?

Relevant literature and methodology are presented, followed by the specifics of the case along with observations and discussion related to the research questions. This paper concludes with a discussion about limitations and future research directions.

Summary of Relevant Literature

Characteristics of Small, Professional Service Firms. Small organizations are defined as less than five hundred employees (Headd, 2000; Anonymous, 2006). The focus of this research is small professional/knowledge-intensive service firms that are in the growth stage. Professional service firms rely heavily on the expertise possessed by their employees and include accounting, law, and consulting practices. Although the competitiveness and success of such firms depend extensively on the knowledge of their workers, knowledge-intensive does *not necessarily refer to a flow of information creation and dissemination* as the core of the firm's operations, such as in a research firm, but to *a dependence on the existence of employees' knowledge and expertise* (Starbuck, 1992).

Several large, international, accounting firms exist (such as PriceWaterhouseCoopers). A number of smaller, more localized firms constitute a significant portion of the industry and provide tailored services to smaller customers in their geographic area. These firms usually begin as sole proprietorships or partnerships and adapt to fit the needs of the changing market by either expanding or specializing (Hillman, 2003). Bucher and Stelling (1969) indicate that the professionals in these firms tend to resist traditional roles, building their own instead. They also tend to be highly spontaneous and more competitive and politically active as compared to large public firms. The nature of knowledge-intensive, professional firms is to resist formal structure and rely more on social norms rather than the traditional hierarchal structure (Starbuck, 1992; Van Maanen and Kunda, 1989).

The Life Cycle of Small Organizations. Literature identifies a number of theories related to the organizational life cycle of small businesses (Churchill and Lewis, 1983; Scott and Bruce, 1987; Dodge and Robbins, 1992). This research explains that unlike the traditional development frameworks that apply generally to larger organizations, the organizational life cycle for small, professional service firms encompasses a greater variation of stages from firm to firm, and that not all small businesses go through the same stages (Mount, Zinger, and Forsyth, 1993). Masurel and van Montfort (2006) compared numerous theoretical and empirical studies on the organizational life cycle and narrowed their findings to four main stages that apply to small, professional service firms: start, grow, maturity, and decline. Common characteristics, common challenges, and what leaders commonly face or need to do in that stage are also indentified.

Start stage. The start stage is commonly characterized as a period of creative growth (Greiner, 1972; Scott & Bruce, 1987; Quinn and Cameron, 1983). During this stage the firm is in the process of developing its business plan into a market identity. It must secure financial support and survive the challenges of new firm development (Dodge and Robbins, 1992; Churchill and Lewis, 1983). These challenges may include business planning and marketing, obtaining customers and delivering services, and maintaining cash flows. The small firm owner has significant and direct control over the success or failure of the firm and must adapt to meet demands for increased growth and customer load. Scott and Bruce (1987), adapting the work of Greiner (1972) to small firms, indicate that each of the four life cycle stages ends with a management crisis, and the end of the start stage is usually punctuated by a crisis of leadership. As the organization continues to grow it becomes increasingly complex. Often a definite leader or leadership team must emerge before the firm can progress to the grow stage.

Grow stage. Rapid growth characterizes the grow stage, and is often facilitated by direction giving and delegation by the leader or leadership team (Greiner, 1972; Scott and Bruce, 1987; Churchill and Lewis, 1983; Dodge and Robbins, 1992). High cohesion, personal commitment, and the owner-leader's vision also play key roles in the success of the firm throughout this stage (Quinn and Cameron, 1983).

Several challenges arise during this stage over which the owner/leader may or may not have direct control, unlike in earlier stages, and often include formalizing the firm's structure, delegating key responsibilities, dealing with competition, and guiding and or training other managers to cope with the organization's ongoing growth and developing and changing culture. At some point during the grow stage, Churchill and Lewis (1983) note that the owner-leader has two possibilities: disengagement or ongoing growth. In disengagement, the leader perceives that the firm has grown to a healthy and manageable size and subsequent growth is intentionally minimized. This option can be the permanent choice of the organization's leaders. Research supports this view, indicating that only 51 percent of small business leaders want to continue to expand and or grow their firms (Anonymous, 2006). If the leader chooses to push for continual growth, he or she must harness the firm's resources and use them to expand, often to a larger and more complex firm. This typically includes hiring additional professional staff and decentralizing key functions. The grow stage can include a crisis of autonomy occurs when the owner/leader is reluctant to give up responsibility, and or a crisis of control when the owner-leader feels he or she no longer has direct control over the operations of the firm. These often are cultural changes, and must be addressed in order for the firm to progress to the next stage.

Mature stage. The mature stage comes as the firm embraces more formalized procedures and controls. The organization will have developed into a bureaucratic and collaborative organization (Quinn and Cameron, 1983; Dodge and Robbins, 1992). If sales growth slows, competition increases, and the market becomes saturated, then management focus must shift to plans and procedures that promote efficiency (Churchill and Lewis, 1983; Dodge and Robbins, 1992). Challenges for the leader include maintaining customer contacts, continuing quality performance, formalizing rules and procedures to stabilize the company, and implementing cost and financial controls. Management must continually scan the market and develop new ideas to expand or maintain operations while dealing with the crisis of red tape. Innovation can be stifled by the overabundance of controls and paperwork.

Decline stage. The decline stage is marked by structural elaboration and stability (Quinn and Cameron, 1983; Dodge and Robbins, 1992; Dodge, Fullerton and Robbins, 1994). At this point, fewer ideas are being developed and change becomes increasingly difficult to implement. Unless momentum is regained, the bureaucratic organization will stagnate. Masurel and van Montfort (2006) observe empirically that while sales, labor force, and labor productivity increase during these first three stages, the decline stage in small professional service firms is marked by a decrease in these areas. Challenges in this stage are similar to those faced in the maturity stage. The owner/leader must also maintain customer contacts and encounter methods for continual innovation. By this point, the original leader and many of the long-term staff may be burned-out and the firm begins its decline.

Movement through the stages. Morrison, Breen, and Ali (2003) conclude that small business growth relies on a combination of three elements: intention, ability, and opportunity. Intention is based heavily on management's demographic variables, personal characteristics, values, and beliefs. Ability includes education level, knowledge of different fields of business, owner-manager competence, growth potential of products or services, legal format, and proactive learning. Opportunity consists of market conditions, access to financing, regulations, and the labor market. Business growth occurs when factors for each of these three elements are satisfied (Morrison, Breen, and Ali, 2003; Gray, 2000; Maki and Pikkinen, 2000). Kimberly and Miles (1980) assert that throughout the organizational life cycle, the firm constantly faces cycles of technical, political and cultural tension. Successfully managing these tensions is crucial in the firm's success or failure as it transitions from small startup to a more formalized, stable company.

Planned Cultural Change.

Radical or second-order organizational change. Research identifies three magnitudes of change: first-order, second-order, and third-order change (Bartunek, 1984; Argyris, 1974; Watzlawick, Weakland, and Fisch, 1974). First emerging in the family therapy literature (Watzlawick, et al, 1974), it was noted that change could occur at an individual or group level either *within* an existing system or set of

values (named first-order change) or *to* an existing system or set of values (named second-order change). In organizational second-order change the underlying assumptions, values, and frameworks that shape the organization's work and behavior are changed, resulting in new world views and not simply new ways of operating within an existing world view. Third-order change differs from second-order change because the change in systems, values, or frameworks extends to the societal level. This paper focuses on first- and second-order change.

Transitions between stages of the small organization life cycle may represent first-order or second-order changes, depending on the transition. The transition from the grow stage to the mature stage is likely most consistent with second-order cultural change, because of the increased formalization and decreased autonomy and control that characterize both ongoing growth and the transition to the mature stage. The result is a change from the more informal organization and hands-on leadership characteristic of the start and grow stage. In particular, autonomy and control are often core or primary values of start-up leaders and are major reasons for small business are created. Such changes typically represent cultural (second-order) change as they are changes in values.

The organizational change process. Literature identifies a number of organizational change models (for a summary, see Whelan-Berry, Gordon, & Hinings, 2003). Existing models identify steps or processes at the organizational, group, and individual level (Cummings & Worley, 2004; Kotter, 1996; Goodman, 1982; Prochaska, DiClemente, & Norcross, 1992). We note that cultural change requires change at the individual level of organizations (Bones, 2003; Whelan-Berry, Gordon, & Hinings, 2003; George & Jones, 2001), that is, by the owners and employees of the firm. For purposes of this case we simply distinguish the organizational, group, and individual level since we assume that cultural change, such as the one undertaken in this case, requires employees within the small organization to change not only their underlying assumptions, values, and or frameworks, but also their behavior.

Limited research specifically focuses on change in small, growing organizations, and what does exist tends to focus on a specific type of change such as leadership succession planning or TQM (Haddadj, 2003; Hansson & Klefsjo, 2003). Prior research indicates that large organization definitions and language of changes, such as reengineering, do not necessarily apply to small businesses (McAdam, 2002). We seek to fill part of this gap in the literature. Three research questions are explored:

1) What type of change does the transition between small firm organizational life cycle for small organizations represent?
2) Can this transition be more effectively managed when viewed as organizational change?, and
3) What issues exist in growth-related cultural change for the owners/leaders of small professional service firms and organizations?

Methodology

Standard case methodology is used to explore our research questions (Stake, 1995; Denzin and Lincoln, 1994). The case examined in this paper studies a regional public accounting firm (hereafter called Balance), focusing specifically on the last year of the firm's existence. The case is based on the observations of the second author, who was hired as a senior manager in the firm shortly prior to the beginning of the case study, and who shared responsibility for one of five offices with one of the senior partners of the firm. Further details of the case analysis were developed from time management diaries of the second author, conversations with the chief operating officer (COO (who served during the time of this case)), and a review of firm newsletters, recruiting, and marketing materials from that period. The second author's perceptions regarding the culture of Balance were verified with the COO. In addition to the COO's input on the case, Balance's printed materials and newspaper articles were very straight-forward, providing confirmation and detail data related to parts of the case. We use the case instrumentally (Stake, 1995) because although we want to understand the particular case, we also want to understand the dynamics of the small firm organizational cultural change processes as exemplified by the specific case.

The Case

A summary of the Balance case provides context as the case is read, followed by the history and a

description of Balance's progression through the organizational life cycle. The planned change that was to move Balance to the mature stage and the current status of Balance are then described.

Summary of the Balance Case. In the ten years following its inception, Balance grew to be one of the premier regional accounting firms in a three state area. Subsequently, in less than a one year period, during the end of the tenth and beginning of the eleventh year of the firm, the following sequence of events occurred:

- following ten years of phenomenal growth the ten partners/owners jointly finalized a comprehensive long-range business plan, which had been developed over several months, with a primary goal of being the premier regional accounting firm,
- hired a chief operating officer (COO) to assist in implementing the plan and ongoing management of the plan and firm growth,
- worked under those decisions for approximately eight months,
- fired the COO,
- dissolved the firm,
- and formed three separate, unrelated firms.

How could these events happen so quickly in a firm that seemed destined for phenomenal success? What were the driving forces behind these events?

History and Overview of the Life Cycle of Balance. Balance was organized when four individuals left an international accounting firm as managers (the level below partner) and became the founding partners of a then local firm. One of the founding partners described his decision to start Balance thusly, "I decided I would rather be my own failure than the large international accounting firm's success". A goal of the founders was to be a regional firm in what was perceived to be an under-served geographic area – a three state area. Balance could conceivably serve most, if not all, of the three states.

Among professional service firms, large international accounting firms, such as PricewaterhouseCoopers, provide the broadest range of services including audit, accounting, tax, and other specialized services, serve the upper echelon of the business community, employ thousands of people, and have a more hierarchical structure with the most external and internal standards to adhere to and highest degree of regulation. At the other end of the spectrum, local firms may only employ one or two people, frequently serve the smallest businesses along with individual clients, often provide only basic tax and accounting services and thus have a very limited range of services. A partner in a local firm has sole authority and responsibility within the industry guidelines, while in large firm the partner must also work within firm guidelines as well as industry guidelines.

Regional firms are in the middle, and can serve a diverse range of clients, from an individual to a multi-million dollar corporation, while providing a significantly broader range of services than a local firm due to greater breadth and depth of human and financial resources. Regional accounting firms have a distinct competitive advantage, providing more services than a local firm at fees considerably lower than national or international accounting firms. In Balance's three state area there were no national or state firms. With very few exceptions, at the time of this case study the choice was a large international firm (these typically had one or maybe two offices in the entire three state area) or a local firm with one or possibly two offices. In addition, at the time of this case, the two other regional firms in the area had restructured and downsized to become more like a local firms, leaving Balance clearly positioned to be the regional firm.

The Life Cycle of Balance

Balance and the Start and Grow Stages. The firm grew rapidly and after ten years consisted of five offices, located in two of the three states, and Balance was identified as one of top thirty firms in the surrounding six state area. The firm had total revenue of four million dollars, 10 partners and 60 employees and served over 2500 clients. The ten partners were supported by only three managers (the level below partner) and three supervisors (the level below manager); the rest of the employees were in project level supervisory, staff level, or administrative positions. The growth over the ten years was due to 1) new clients and 2) the merger of two smaller firms into Balance. Balance was clearly the surviving firm in both mergers. Balance's reputation and resources meant an ability to provide a wide range of auditing, accounting, tax, and consulting services. Often

providing one type of service to a client led to the opportunity to provide other services, and many of the smaller firms did not have the resources to provide auditing or consulting services. The four founding partners remained the most influential leaders, one of whom was the President of the firm. Each managed an office of the firm.

Balance Entering the Maturity Stage. A number of events and aspects signaled Balance's movement toward the maturity stage. First, several business processes of the firm were formalized and or centralized including marketing and accounting/financial management of the firm. Next, the firm had recently responded to external recognition and publicity about the firm, and was more intentionally marketing the firm as a regional firm. Client selection had become more discriminating. In addition to the founding and merged partners, a few individuals had made partner internally at Balance, and there were managers and supervisors to whom day-to-day supervision, client relationship management, and project oversight was delegated. The partners had been struggling with some of the aspects of managing the firm. A key issue was variance in the operations, profitability, and client management between the five offices.

Planned Change at Balance. At the time this case begins, the majority of the partners had been working together for approximately four years. The firm had been managed by the partners who rotated responsibility for being the officers of the firm. All partners had a seat on the board which was the governing body of the firm. The partners all appeared to be committed to growing the firm and to working toward firm goals, including becoming the premier regional accounting firm.

A long-range plan had been drafted over the preceding year and had received firm-wide approval. Every employee of the firm had reviewed and contributed to the plan. The plan included a number of initiatives ranging from marketing to staff development. The key objectives of the plan were to smooth the variance in revenue, profitability, and service quality between the offices, more effectively manage outcomes, and continue to grow the firm.

One of the single most important steps of the plan was the hiring of a COO; the partners felt the firm had grown to the point where a COO was appropriate to relieve them from full time administrative roles and free them for billable work and marketing efforts. In the late summer, the partners announced the COO had been hired. The person hired had been working with the President of Balance as a consultant to increase the President's effectiveness and to evaluate overall firm management. The partners had been so pleased with the consulting work, they offered him COO role. The COO role was newly created, and had a seat on but also reported to the board (which consisted of the partners). The individual partners were to be accountable to the COO on goals and on day-to-day operations.

The initial goals established by the board for the COO included

1) implementing the business plan;
2) smoothing variances in revenue, profitability, and service quality among the five offices;
3) ensuring, and assisting when necessary, each of the partners in achieving stated goals;
4) increasing firm recognition; and
5) focusing firm marketing efforts.

In addition, the partners had a long list of administrative problems which they wanted addressed, ranging from administrative staff work loads to a compensatory time system. Most decisions and behaviors indicated that every member of the firm was committed to being the best regional firm. Key indicators included the new COO role, the firm-wide long-term plan, firm publications, marketing and recruiting printed materials, marketing speeches given by the partners, and an article in the local business digest.

Balance's phenomenal growth - and its potential premier regional firm image and status - were highlighted in an article in the local business digest. Over the ten year period the firm was growing at a consistent rate, approximately 20% per year, exclusive of mergers, which required considerable effort on behalf of the partners and the employees. The President of the firm stated as the project started to become the premier regional firm that the firm's goal was to add one partner per year, which would require \$250,000 to \$300,000 growth in business. Another partner was quoted in the local business digest article, "Right now, our corporate goal is to

provide quality service to our clients and be recognized as the premier accounting firm in the region. We'll build on the recognition that we've gotten over the past few years, which is quite remarkable. I think we just want to establish a very good reputation everywhere we are and be recognized as the best accounting firm in the area." The local business digest article highlighted the firm's growth, and its commitment to becoming a regional firm.

The three elements required to facilitate this growth appeared to be in place. The actions of the partners and the marketing materials clearly depicted the intention for the growth, the hiring of the COO provided the ability to make the change, and the market conditions and favorable publication clearly outlined the opportunity for the firm to become the premier accounting firm in the region. Balance appeared to have highly favorable internal and external conditions to successfully move to the mature stage and to become the premier regional firm.

Implementing the Planned Change. As the COO began to implement the planned changes, conflict emerged. Key issues included the partners' individual autonomy, the COO's authority, the sharing of resources between offices, and variation among the offices.

A partner in a local firm is often the sole, or one of a few owners, and has considerable, if not total autonomy over profitability, fee structure, work hours, hiring, and administration. Prior to the hiring of the COO the individual partners managed such issues within broad firm guidelines, so much variation existed between offices. Partners had sole authority over hiring in their office, except at the manager or partner level, and worked very independently, deciding what type of clients they would serve and how best to serve them. The partners met monthly for board meetings. While certain pairs of partners talked frequently, generally the partners acted quite independently of one another. It was apparent that this autonomy was extremely important to the partners as they spoke of "my" office, staff, or practice.

The firm had been doing so well overall that although not all offices consistently performed at a level at which all of the partners felt comfortable, the issue had not been confronted directly. The COO, based on his job description and the stated goals of the partners began to more consistently and directly manage the variations. The COO began to push the partners on client selection procedures, billable hours and received hourly rate. His requests and directives were frequently ignored, despite the clear authority in his job description. The COO then began to set goals and standards regarding the profit margins, collectability on client work, and on collection of outstanding receivables. The partners withheld their support by committing to work at less than the targeted profit margin, and by not meeting stated goals and deadlines. Several months into his tenure, the COO challenged the partners on revenue, cash collections, and write-offs.

One of the founding and senior partners, who was the current President of the firm, told the COO to "back off'. The COO challenged the President in a board meeting, pointing out that the stated goal of being the regional firm could not be reached or sustained without addressing certain issues. The COO was supported in his position and view by some of the partners, but then some partners chose not to support the goals. When pressed, the partners stated that "I have the right to manage my office and practice as I see fit." When the COO began to strengthen firm financial management, he was told by the partners that certain sacred cows could not be touched, such as the partners' compensation plan could not be altered to reflect compensation based on performance.

At this point, about eight months into his tenure, the COO began to question the partners on their commitment to being a regional firm. However, while the COO was given the authority both in his job description and in initial discussions with the board to manage partner and office level performance, the COO reported to the board, which consisted of the partners. His authority and his ability to enforce goals was severely limited. The COO had discussed this very issue at length prior to accepting the COO role, and the partners assured him of their cooperation and support.

Another issue was the sharing of staff between offices. Prior to the long range plan, staff was not shared as one large pool of resources among the five

offices. Each office worked within the constraints of its own staff capacity and knowledge (except in emergency situations). This meant that one office could be working excessive overtime to meet client demands, while another had idle staff. While the partners met at least monthly, firm-wide meetings including all staff members were rare. Staff from the different offices did not know one another well and could not benefit from one another's expertise. When pressed about why this was so, one partner said that the firm had only recently reached a point where such sharing was feasible. Efforts by the COO to introduce such sharing were met with high resistance and eventually abandoned.

Perhaps the most meaningful, while also a seemingly trivial, indication of the partner's independence and local firm mentality was the manner in which the phone was answered at each local office, a key cultural artifact or creation. Balance is a pseudonym for a string of names e.g., Smith, Jones, and White, which had been voted as the official name, and the name was on all letterheads and marketing materials. One of the firm goals was to develop name recognition. Yet, in some of the offices in which the partner's name was not included in voted firm name, the name used when the receptionist answered the phone was simply altered to include the individual's name.

The Outcome and the Current Status of Balance. Following many discussions, the partners approved a restructure of the firm into three small, local, independent firms; Balance was dissolved. Prior to the restructure the clash between the startup and grow characteristics and the maturity characteristics was clearly evident. The partners were in conflict among themselves, as well as with the COO. The staff was wary of this conflict and felt a loss of job security. The COO immediately left the firm, and the second author left a few months later when that firm (of the three new firms) was restructured and the second author's position was eliminated.

The opportunities for any one of the three new firms were significantly more limited than those of Balance: revenue, profit, diversity of clients and related work, growth, and marketability were all exponentially smaller. Three years after the break-up the long-term viability of the three firms was still questionable - two were struggling while one was relatively stable. Of the four founding and most senior partners, subsequently, two of the key partners joined other unrelated firms that are about the size of the failed regional Balance firm, where each is one of approximately seven partners. Two others each have a small local firm.

Discussion

To discuss the results, we return to our research questions:

1) What type of change does the transition between small firm organizational life cycle for small organizations represent?
2) Can this transition be more effectively managed when viewed as organizational change?, and
3) What issues exist in growth-related cultural change for the owners/leaders of small professional service firms and organizations?

Organizational Change and the Transitions Between Life Cycles.
Life cycle transitions as second-order, cultural change. In this case we specifically explore the transition to the mature stage, and for Balance the transition was clearly a cultural, second-order change. The transition involved changes in processes and systems, as well as in underlying values and assumptions. For example major changes in underlying values included the partners' desire for autonomy, the staff's commitment to their local office and clients (as opposed to serving the entire region), and increased accountability for outcomes (such as billable hours for all employees, profitability, and client revenue rates). Several processes were being changed (or changes were proposed) including management of client receivables, partners' compensation system, and scheduling of staff.

It is important for small organizations to recognize life cycle transitions as cultural, second-order change, particularly the transition to the mature stage, in order to allocate sufficient resources and time for such change to occur, which can take several years. A result of Balance's planned change, was that the intensity and pace of change was faster than might have occurred otherwise, specifically, without the COO. The magnitude of transition was greater from

the beginning of the change, and change management became more critical.

Use of Change Management During Transitions in Small, Growing Organizations. Prior research on such change notes that such typically takes three to five years and significant resources – time, money, and knowledge (McAdam, 2003; Smith, 2003; Burke, 1995), although it is not clear how these requirements vary in small organizations. In small organizations such change not only requires support from top leadership, it requires significant change of the owners/leaders themselves. Beyond dealing with the individual change, small organization leaders could ease the life cycle transition by better managing the change process. For example, in this case, very few interventions occurred and almost no training took place for the partners, although their different views and opinions about the changes were an ongoing topic of partner meetings conversation. However, no formal conflict resolution or similar intervention occurred to try to more effectively resolve these differences. The staff was not trained on what it meant to become the premier regional firm and changes in individual jobs or roles were not explained. Little feedback was formally gathered, and none at the firm level, so issues were informally addressed on an office-by-office basis, resulting in further variation in the actual changes implemented.

This case provides an excellent example of how multiple changes and tensions existed as the firm tried to move to the mature stage. The partners at Balance initially seemed to perceive the change was simply technical or content-related in nature and would require little real emotional or psychological adjustment on their part or the staff's part, aside from the anticipated organizational-level process changes. The partners failed to consider the political and cultural elements that would be compressed into the transition period, which would make the change much more complex. The partners did not really address the transition as change. Because they did not take into consideration these elements, they faced multiple crises at once. Throughout the change implementation, they did not address their personal issues of autonomy and control.

Prior research on change notes that successful major or cultural change requires time and effort to understand underlying issues and nuances in a manner that lets all parts of the organization to understand and adopt the change. Although all employees of the firm had input into the strategic plan, very little feedback was sought as the implementation moved forward. The partners either failed to recognize, or perhaps ignored, the personal challenges regarding autonomy and control as the change occurred.

The change leader. When the COO was hired at Balance, his responsibility was to implement controls that would ensure a successful change. He was the change leader and his responsibilities were clearly identified in his job description. He was acting as a catalyst for movement to the mature stage, which included stability, institutionalization, formalization, and more cohesion. These were essential for Balance to achieve its goal to become the premier regional firm. However, the COO was an outsider, and not a CPA. In analyzing the case, this seems a part of the problem. Although one characteristic of the mature phase is the hiring of professional staff, such staff may or may not be able to lead a change as that attempted by Balance, especially if the professional partners/leaders of Balance failed to anticipate the personal issues facing the partnership team. In retrospect, failing to deal with the shift in autonomy, power, and authority among the partners may have been a fatal flaw in the planned change process and in the transition to the mature stage.

Cultural Change Issues for Owners/Executives in Small, Growing Organizations.
The impact of the change on the owners/executives. Organizational change often has minimal impact on executive leadership of large organizations. For example, in the case of an organization implementing a quality initiative or a change initiative to become a top family-friendly firm, executive leaders may not have to individually change at all, or only very minimally. This is due to the nature in larger organizations of the executive leader's job, role, and autonomy. However, the change experienced in this case was most personal for, and felt more, by the partners/executive leaders. They had to specifically change core values, how they managed their individual clients and or office, and the assumptions of how they worked together. Owners/executives of small, growing firms may believe that cultural change can occur without personal impact, but the Balance case would not support such a view. The

partners had agreed upon the shift and made all of the arrangements, including the hiring of a COO and marketing the idea by way of company communications and brochures. The unspoken, however, was that many of the individual partners desired to remain sole practitioners, fully in control of their own success or failure. Why this was not previously surfaced is a mystery. This became an unspoken disagreement on the change of the organization structure as it moved toward more formalized systems and processes.

Multiple owners and the conflict of assumptions. When there is more than one owner, a forced change may bring to the surface individual assumptions of each of the owners that may not have been explicit or visible before. Collectively, the partners of Balance were aware of what was required to push the firm to the next level, and believed that the historical variation in office-level performance could not continue if Balance was to be successful. The COO assumed that the partners really wanted the change to succeed. The partners, however, responded with resistance to the adjustments the COO was making even though they hired him to make those specific changes. Their individual values and assumptions were revealed, which contradicted goals of the firm's long-term plan and stated values and assumptions in that plan.

Research Limitations and Future Directions

This research involves a single case in a relatively small organization, and single cases must be generalized with caution. Cultural change research needs to continue to focus on all types of organizations, but in particular on small organizations, in which the change initiative can be researched in real-time. It is also important to understand how change management can allow small organizations to more effectively transition from one life cycle stage to the next.

More thorough understanding of the change process in small organizations is needed; in particular, the impact of cultural organizational on owners/executives. This is a key area for scholar/practitioner collaboration. Organizational change leaders can better understand what best practices and empirical research might suggest in this area, and scholars can better understand why organizational change leaders make what appear to be illogical or contradictory choices.

Conclusion

The transition between life cycle stages in small organizations can be more effectively managed when viewed as organizational cultural change. Small businesses represent a significant portion of our national and the global economy, and should take advantage of the best practices of change management and organizational development. This paper highlights the challenges faced by growing small businesses and professional service firm and the need for further work in this area.

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