

# ORGANIZATIONAL LIFE CYCLES

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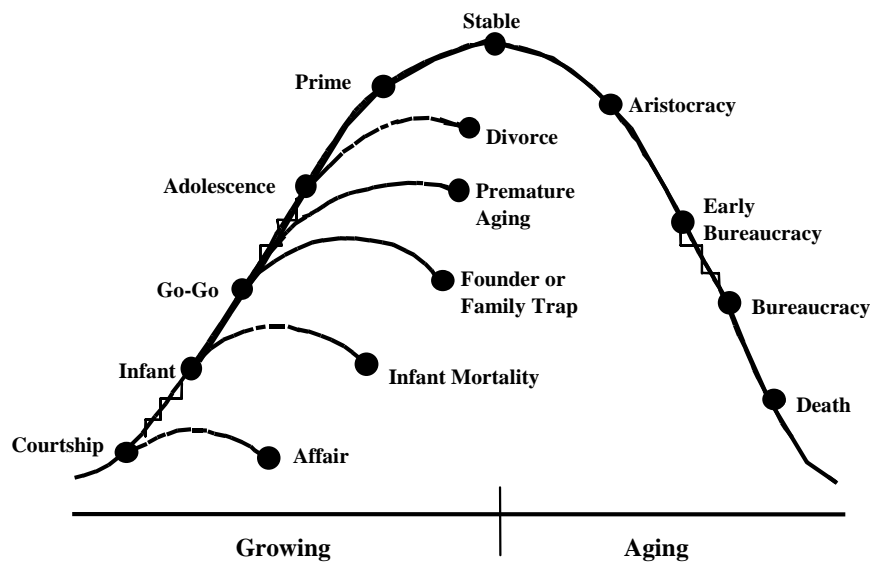
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Acknowledgment: The life cycle analysis used in Life Cycle Insight™ and ODQ™ are based on the model elaborated by Ichak Adizes in his books *How to Solve the Mismanagement Crisis* and *Corporate Lifecycles*.

# ORGANIZATIONAL LIFE CYCLES

Organizations go through predictable patterns of growth and development. As an organization grows, its personality (culture) changes. Its focus, priorities, problems, concerns and complexity also change. It has been said that this life cycle is but a series of phases of evolutionary growth followed by crisis which necessitates revolutionary growth of the organization and/or its people, followed by another period of evolutionary growth, etc., etc. On a somewhat comforting note, these periods of growth, the crises and the revolutionary changes they require are predictable.



**The Organizational Life Cycle Model**

## *Courtship*

All organizations begin as someone's vision. In this phase of development, the organization is an idea. Generally a need or opportunity has been identified but no commitment has been made. Initial discussions about the idea filled are with enthusiasm and expectations. Often there is an entrepreneurial spirit associated with the idea. The focus is on the future and expectations are often overly optimistic. There is an unspoken but nagging concern about "what if it doesn't work?"

Expectations are high. Convincing "talk" is abundant. In reality, the champions of the new organization are trying to convince themselves, and others, that the core idea has merit. Courage and commitment are important at this stage.

## ***Infancy***

At some point, the risk is taken. The Organization is born. The idea has become a reality and now requires time, commitment and resources.

Each day brings new challenges. The Infant business needs to be fed. The emphasis is on making things happen, producing results and selling. There is little planning and few systems. Energy is high, consistency is low. Firefighting is a way of life.

The Entrepreneur/Founder is the driving force in the organization. This is a one person show.

It takes dedication, energy and hard work to keep a new organization alive and productive.

## ***Go-Go***

To survive infancy, the organization learns how to produce results. Its success is encouraging and it will begin to expand on its vision. With the renewed vision come more opportunities. A new product here, a market there.

Soon there is opportunity around every corner. The Go-Go organization is optimistic. It is confident in its ability and often takes on more than it can “chew.” It develops pride in its growth, people, size and sphere of influence. Big is considered better and expansion creates crises. Everything is viewed as an opportunity, and every opportunity is a threat.

People and managers get spread too thin. Standards become lax and excellence in performance may be compromised. In this phase, the organization remains dominated by its leader.

During the Go-Go period, nothing seems out of reach.

## ***Adolescent***

The expansion of Go-Go brings vulnerability and risk. Mistakes are made, too much is promised, too many projects are started. And, the organization could be in danger. As the organization tries to get under control, the organization moves into the Adolescent phase. The rapid expansion of the Go-Go is followed by a period of rethinking, consolidation and reorganization.

This Adolescent organization, like the young teenager, is often characterized by some degree of conflict and confusion. In organizations the conflict occurs between people, departments, and cliques. Teamwork suffers. Leaders may not be in agreement on direction or risks that should be taken. The entrepreneurs are often at odds with their more conservative colleagues. Rapid expansion often leads to a loss of focus, confusion about what type of organization we are, what market do we serve, and how should we be organized?

The challenges of the Adolescent organization are difficult. It is easy to lose energy and prematurely age by moving directly past Prime and into decline. This is particularly true if a strong sense of mission does not exist or if people have not learned how to disagree productively or made decisions together.

This is generally a tough time for the leader and the organization. But, if these issues and challenges are met... the newly directed organization can emerge into its Prime phase.

### ***Prime***

This phase is characterized by strategically-directed management that achieves total quality in terms of service to customers, satisfaction of its employees and the ability to achieve desired results. The Prime organization has a clearly defined mission and strategy. It is continuously improving its processes and its bottom line. The organization is generally predictable. It sets and meets aggressive goals. Challenges are faced and resolved efficiently and effectively. Reward and recognition systems are aligned with company strategies.

Finding and developing enough capable and competent people becomes a problem for Prime organizations. The organization and its mission are both focused and expanding. The culture is one of open communication, honesty and strong performance. The exhilaration experienced within a Prime organization is great. There is a great sense of purpose and achievement. The inherent danger in Prime is one of fighting complacency.

### ***Stable***

When an organization ceases to stretch for excellence, it will begin to age. Complacency sets into the organization and its leaders slow down, settle in and become “comfortable.” The aspirations for growth and improvement begin to fade. The Stable phase is the first stage in the aging process and it is difficult to notice. The changes are ever so slight and generally take place over a considerable period of time.

The Stable phase is a phase of transition from growing to aging. The organization may still have some characteristics of Prime, but the aging symptoms begin to appear. The organization is still profitable, and may appear to be a flashy industry leader. It has often had a long reign at the top of the heap. However, the team no longer pushes itself. Honest, open criticism is less tolerated. Politics become more of an issue. There is more focus on how we do things than what we do. More emphasis on activities than results. The organization is changing. It no longer goes after what it wants; it takes what it can get. Momentum declines; the organization appears “flat.”

While transition into the Stable phase is subtle, its impact is profound.

### ***Aristocracy***

As the drive to produce results declines and the organization becomes more concerned with form and function, it loses energy. The conflict which keeps a young organization sharp is replaced by an easy-going tolerance, including a tolerance for poor performance, and there is an attitude of “don’t make waves.” The aristocratic organization may still have cash; its balance sheet and operating statement still looks good and the bankers are their friends. Usually the organization has the tools it needs at this point in time. It has the location and systems; equipment is plentiful, and training courses can be found everywhere. However, the most common behavior is denial. This includes denial of problems, denial that customers aren’t as satisfied. Fewer are coming back each year. The drive for profit now focuses on creating a monopoly, reducing costs or raising prices. This stage brings the organization to the beginning of a decline.

### ***Early Bureaucracy***

If the organization does not recognize the symptoms of the Stable or Aristocracy phases and makes no major effort to re-energize itself, it will continue to decline. As results decline complete denial is no longer possible. People begin talking openly about “the problems” and try to identify the person who precipitated the decline. Scapegoats are found, the culprit is removed and the team rejoices. However, the problems are systemic. The removal of a couple of people is not the answer. It doesn’t work and the witch-hunt begins again.

As people turn inward and point fingers, they turn their backs on customers. Service levels fall. Customers complain. After this point, the organization generally self destructs unless there is an immediate effort to turn the organization around.

### ***Bureaucracy***

If the declining organization is big and vital to the nation’s economy, the government takes it over, driving it into full-fledged Bureaucracy. When this happens, focusing on form rather than function is taken to the level of an art form. Paper work abounds and the customers are left crying in the wilderness.

## The Challenge of the Life Cycle

There are two significant challenges for any organization. One is getting to Prime. The second is staying at Prime. Long term success has a basic requirement -- strategic thinking combined with a willingness to continuously stretch the organization to improve. You either work hard to drive to Prime or you allow the organization to age.

Aging organizations can turn around. They can move back to Prime. But, to do so requires they overcome the denial that usually accompanies Aging. They must assess themselves, admit they have problems and commit themselves to change.

The life cycle phase of every organization can be determined and there is a specific prescription for each phase of the life cycle that will eventually lead to *Prime*. The prescription generally revolves around three key elements.

### ***1. Strategic Positioning and Alignment:***

Organizations must be aligned with viable markets. They must know and understand their customers' needs and be properly positioned to serve them. They must also be organized to deliver on their strategy and positioning. Information control and improvement systems must serve both the strategy and the structure and the reward and recognition systems must put the goals and motivation of the people in sync with the organization.

All the activity of day-to-day business can detract from the care for positioning and alignment. Organizations' structure and systems can drift and their alignment with the marketplace or of the organizational superstructure can deteriorate.

### ***2. Stretch for Continuous Improvement:***

The drive to Prime is a journey made with regular innovation and improvement. To stretch for continuous improvement, the organization must be willing to look closely at itself. It must face difficult issues. It must encourage creativity. It must take appropriate risks throughout the organization and it must continuously work to solve problems and improve its processes.

### ***3. Ability to Create Agreement Among the Doers, Deciders and Experts:***

Contemporary organizations must have the ability to get people from different departments and levels within the organization to work together to identify and solve problems, re-engineer processes and make critical team-based decisions. As an organization ages, this ability declines. The drive to Prime requires all units to pull together. Divisions and departments cannot become parochial. Empires and personal vested interests cannot be allowed to override the good of the organization. Creating innovative solutions and breakthrough processes requires creative input from different perspectives. There are Deciders, leaders who have a broad perspective and the authority to make changes. There are Doers, the people who implement the process and serve the customers every day. There are also Experts, people who have critical expertise or information needed to identify or solve particular problems or

achieve insight into critical processes. On the drive to Prime, Doers, Deciders and Experts work together on important issues.

Knowing where an organization is in its life cycle helps you understand and put into perspective the problems an organization is facing and helps us set priorities for problem solving and change. The organizational life cycle model helps us identify where we are going and what challenges we are likely to face tomorrow. Many organizations use structured life cycle assessments each year to mark their progress, set their priorities, and manage their drive to Prime.

Now that you have a better understanding of the organizational life cycle model and its many challenges it's time for you to take a little test. Look at your organization and address the following three questions.

1. *Where is your organization in its lifecycle?*
2. *What does it need to do to start or continue its drive to Prime?*
3. *What will be your role in making things happen?*

*Dr. Gerry Faust is co-author of "Responsible Managers Get Results" and a thought leader whose innovative diagnostic products will help you analyze your organization, identify where your organization is in its life cycle, design strategy and manage change. If you would like more information about Dr. Faust's products, consulting services, or booking Dr. Faust as a keynote speaker, call his office at 1-800-835-0533 or visit his website at <http://www.faustmgmt.com> and/or <http://www.mentor.com/faith>.*

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