

# BUSINESS INSIGHTS

## Looking at the stages of business development

Ichak Adizes, Ph.D., has studied companies and charted the stages of company growth from start-up to death, in his book, "The Pursuit of Prime." The theory generally charac-

**MARK WELKER**

mark.bpinsights@comcast.net



terizes the conditions that can exist at each development stage and identifies problems that can occur. The problems are identified as normal or abnormal for various stages. Normal problems are change-induced problems that can be expected to occur as the business grows and evolves. Abnormal problems are problems that were normal in one phase but ignored and never solved. These are the problems that can cause a crisis sometimes before it is too late.

The major risks for each stage are described and potential remedies discussed along with actions to be taken. The stages up to prime on a bell-shaped curve are generally controlled by the culture of the organization, either positively or negatively. The other side of the chart, stability to death, is when the systems take over and the life is controlled out of the organization until death occurs. Control in these organizations is seen as the answer to replicating successes of the past.

The stages that are most important in small business are courtship to prime — prime being located on the ascending leg of the curve just before the top. In theory, a company can maintain the momentum and balance to stay at prime. Small business fatalities normally happen in infancy, go-go or adolescence, since abnormal problems, never solved in prior stages can kill a company.

The courtship phase is about making the commitment and dreaming the dream - the possibilities of ambitious plans. This phase is very emotional and often a sense of the realities of the undertaking are minimized. Objectivity is at a premium in order for the plans and ambitions to be realistic.

The normal problems are caused by emotion and excitement, energy is focused on why and how, and the when is a minor consideration. Abnormal problems involve considering reality and objectivity in decision making, commitment commensurate with risk, proper analysis of future needs, and making promises the owner can't deliver.

In infancy, the focus is on sales and results. Things such as systems, paperwork and controls take a back seat to sales. There are sixteen-hour days and the owner puts out fires and makes all the decisions. The owner is in almost complete control.

The normal problems are authoritarian leadership with limited delegation, weak controls, no budgets, and no job descriptions. The information system is the owner, and cash shortfalls are common. Abnormal problems are the owner being too arrogant to listen, cash flow becoming very unpredictable, founder not committed and not forming a complimentary team, and unresolvable lack of mutual trust and respect.

The go-go stage arrives when cash flow stabilizes and becomes predictable. This is when rapid growth occurs. The company is doing great and the owner can do no wrong. There are only opportunities, but too many can cause a crisis of opportunities.

The problems normal in infancy become abnormal in go-go. The normal problems are the attempts to control and plan, organizational efforts are haphazard at best, results are king and more is better, management by crisis is common and communication systems need to be developed. The abnormal problems are no planning, people are blamed for problems-not situations, negative cash flow, goals are murky, no focused strategy, founder milks company for self interest and individual responsibilities are not clear. Next week I will discuss the remaining two stages, adolescence and prime. ■

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