



The Business Advisor

Newsletter Spring, 2006

v.1a

Keeping your business profitable and fresh.

Some businesses manage to stay vital and exciting, and their employees love working there. Others may be confused and rigid, and no amount of motivation training can inspire people to produce. There are certain strategic truths that effect this situation. You can prepare for them and increase the possibility that your business will be both profitable and a desirable place for people to work. Here is a list of changes your enterprise will face, and what you can do about it.

Phase One: New or revitalized companies usually grow through the sheer force of will of founders, owners and key creative staff. The invention of new products or services forms the springboard for this growth. Rapid market penetration occurs, with some very satisfied customers. In every company, this initial burst of energy [up to five years] is followed by a transition, as there is a renegotiation of who will lead the organization. Partnerships often dissolve at this point. Conflicts frequently chase away key creative people. If the enterprise is to survive, roles and responsibilities within the leadership groups must be clarified.

Phase Two: With roles and responsibilities clarified, clear goals and objectives replace creative will as the organization's galvanizing force. Further growth is possible as company energies are harnessed. But eventually, employees tire of the leaders' vision being the only vision. People with independent vision and technical abilities that surpass the leader's may leave. Morale declines. 50% staff turnover is common at this point.

Phase Three: If the organization invests key staff with more responsibility and the authority to 'make it happen,' the company will revive immediately. New energies are unleashed into the market place. Management now monitors rather than closely directs expansion. Management begins to lose control of the organization. Departments operate at odds with each other. The typical syndrome of right and left hands not knowing what the other is doing emerges. Staff become frustrated by chaos. A return to growth through direction is not possible; the organization is too big. It is here that many business owners decide to exit the business and sell off. Creating a real management structure may not have been why they started a business to begin with. If the company has a board of directors they may bring in a 'suit' as CEO to create management systems. There may or may not be a role for the founder.

Phase Four: The organization develops formal communication methods to assure that everyone knows what is going on, and to assure that resources are used optimally. Formal procedures and policies are developed. The organization begins to run very smoothly. Energy that was bound up in frustration is now released for more growth. The glory days of creative chaos and excitement in Phase One are long gone. The enterprise is now a formal one. But coordination can develop into bureaucracy. The organization can choke on its procedures. People become lost. Clients become

lost. The organization's procedures have taken on a life of their own apart from its business mission.

Phase Five: If the enterprise is to survive it must replace a focus on procedures with a focus on people and problem solving. The procedures are not eliminated. Their purpose must evolve. Walls between functions are broken down. Cross-functional teams become common, as they were during Phases One and Two. The organization is revitalized. It is here that the company may have a second 'golden age.' But collaboration may take up so much energy that the organization focuses on process to the exclusion of initiating new ideas and building on them. In this environment progress can come to a standstill.

Phase Six: The organization creates spin-offs, new enterprises, splits into autonomous business units and other similar creative activities. At this moment in evolution we go back to stage 1, Growth through Creativity.

Many companies, if they don't know how to respond to these changes, will 'cash out.' They merge. They do this even though mergers have proven to be financially unsuccessful. They sell out, claiming that the work is not profitable. Some one buys the business unit, and low and behold, they make money doing what was allegedly unprofitable work.

We'll be scanning the business news and recent business history, and in Newsletter 1b we'll show you how this dynamic works. Meanwhile, you know the model, and you know what to do to keep your enterprise fresh and on track. These phases are a normal part of business growth. Problems are to be expected. As a business owner or manager, you can make changes so that the enterprise will stay profitable and vital.

Growth Through Differentiation

