YOUR ROLE IN GROWING YOUR BUSINESS PAST THE START-UP STAGE

William E. Lawson, P.E.
NewTech Development LLC, 1917 County Road I, Somerset, WI 54025 USA

Businesses evolve and change as they grow. Understanding the stages of growth, from infancy through adolescence to maturity, and perhaps death, can help the entrepreneur guide his/her company more effectively. Ichak Adizes describes these growth stages (See Figure 1) in his book "Corporate Lifecycles"[1].

Infancy and Adolescence

The start-up and growth stages leading to a prime, mature business are the most interesting ones for entrepreneurs. The two most problematic stages are Infancy where the business is just starting and needs to get enough business somehow to support the costs of running the business and Adolescence where the business is trying to grow from the small entrepreneurial business where everything can run without good business systems to the size where it has good systems in place. The Adolescent stage ranges typically from a company of 20 to 60 people to one of 200 employees or more.

Infancy, as the most difficult stage to surmount, is often a very individual activity and depends on luck, hard work and some good forethought. The founder must be prepared to do what is necessary to keep the business going, such as holding another job, using saved money, living off your spouse or family, etc. Businesses that succeed in this stage have found enough resources to survive until cash flow is positive, i.e. there are enough customers to pay more than it costs to provide the product or service. The best piece of advice I ever got was to make sure that there was enough money to survive for one year (pay the rent, feed the kids, etc) without any income from the new business.

Adolescence is the stage where systems need to be put in place to control the business, like good HR systems, good middle managers, serious budgeting and planning systems, Productions controls, etc. even though many times implementing the systems costs more than they produce in increased productivity. In many ways companies in the Adolescent stage are like teenagers, sometimes they act like an adult and sometimes like a child. The trick is helping the organization grow without stifling it too soon. The organization needs freedom to act but not so much that it does something destructive before learning how to make good decisions. Systems need to be put in to manage a larger organization however too much too fast will raise costs too high.

Perhaps the most difficult transitions in the Adolescent stage are for people to assume the different roles needed at this stage and for the founder to truly share power. Quality middle managers need to be added in this stage and given real authority to build their own area. This means a minimum of oversight by top management. In my experience 80% of founding entrepreneurs are not able to delegate enough authority so their company can grow through this stage. There are, however, several strategies for dealing with this problem, from selling the company to changing the entrepreneur's role to one of resident Guru guiding the organization but not actively involved in day to day activities.

The Four Basic Business Roles

In "Corporate Lifecycles" Adizes discusses the four basic capabilities businesses need to succeed in each stage and the way the amount and dominance of each capability is different in each stage. The roles of different people exemplify these four characteristics:

1. Producer
2. Administrator
3. Entrepreneur
4. Integrator

Each of these has different effects on operating a business.

Role	Impact	Time Range

Producer (P)	Effective	Short
Administrator (A)	Efficient	Short
Entrepreneur (E)	Effective	Long
Integrator (I)	Efficient	Long

The Producer (P) gets things done, selling or building, in the most expedient way if left alone. The focus is on being effective today and not worrying about what will happen tomorrow.

The Administrator (A) organizes activities. Actions and results are organized, measured, written down. Actions are very efficient in the short run. However things will always be done the same way independent of "is it the right thing to do" under future conditions.

The Entrepreneur (E) works to take actions today that will make things better tomorrow. Usually this slows down today's activities but tomorrow's actions become that much more effective. These actions may range from the secretary implementing a new, easier and faster filing technique to sales and marketing recognizing a new market and getting products designed and built early in order to get a lead on the competition.

The Integrator (I) makes an organization robust. As it gets larger the organization has to develop a culture of interdependence and affinity so that it does not depend on a single person to get things done. This is a major change from the earliest stages where the primary direction was provided by one person. There are now back-up systems, no one is indispensable, and it takes a combination of people to get things done, but the organization is still able to make good decisions and produce. A characteristic of an integrated organization is the willingness of one group to help out another when needed.

Each growth stage has its own characteristic mix of P, A, E, and I. Typically in the Go-Go stage after start-up, a company is under the direction of one or a few key people and is very focused on getting things done, on producing (P) and doing the right thing (E). In transitioning to Prime, the emphasis needs to change to doing the right thing for the future (E) and getting organized (A). Unless the company is lucky enough to be very profitable, choices must be made on what to focus on. In order to implement (A), something else must have a reduced emphasis and that usually is producing (P). In this stage the pace of growth typically slows down while infrastructure is put in to support further growth. When the next stage "Prime" is reached, the company uses the infrastructure to concentrate on doing the right thing for the future (E) in the best way (A) to produce results (P). Integration (I) is important but not as important as the other factors. When (I) starts to dominate, especially at the expense of (E), the company is on the road to bureaucracy

Conclusion

The ability to manage the stages of growth can be complicated by other changes the business must deal with. External issues are market growth stages often different from that of the company, and then there are changes in technology and society. Internally, key people who might be appropriate for one stage need to change or be moved to positions where they can continue to be useful contributors, and even the founders needing to realize what they are really good at and therefore taking the appropriate action including even relinquishing control.

Getting the appropriate balance of P, A, E, and I is key to being successful in each growth stage. An abnormal mix of characteristics at a particular stage is a signal there are problems that need to be addressed. In addition, when transitioning from one stage to the next, there are normal and abnormal problems. Just like a child in the terrible twos there are normal growth problems that must be worked on in order for the child to reach the next stage and there are abnormal problems that need extraordinary actions to correct.

Reference

[1] Adizes, Ichak (1988) Corporate Lifecycles: How and Why Corporations Grow and Die and What to Do About It, Prentice Hall, 361pp.

Meet the Author

William E. Lawson, P.E., has a BS in Mechanical Engineering from the University of Wisconsin-Madison and substantial graduate work in design, electronics and material science at the University of Minnesota. Bill worked at 3M Central Research and for Harken Yacht Fittings. He founded Laser Machining, Inc. in 1978 and grew it to over 200 people before selling it in 2002. From 2002 to 2005 Bill was CTO for Preco Laser Systems, LLC. Bill is now President of NewTech Development, LLC (www.newtechdev.com) of Somerset, Wisconsin USA focused on (1) the successful implementation of new laser manufacturing technology and (2) developing and implementing strategies for growth of emerging market high technology companies. Bill is a Fellow of and past president and treasurer of the Laser Institute of America. He holds fourteen patents, primarily for laser processing, and has taught laser material processing courses for the University of Wisconsin-Madison Continuing Education.