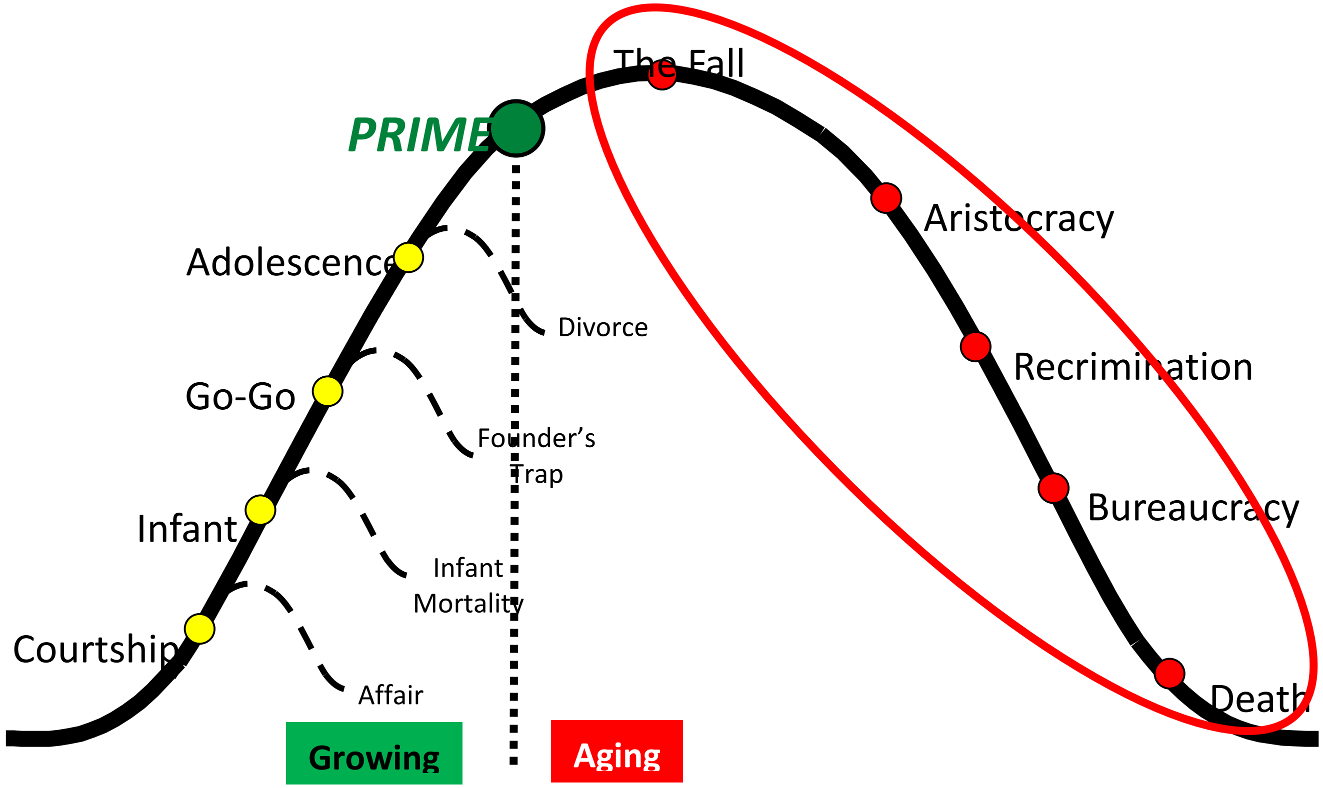

The 10 Stages of the Organization Lifecycle

From: Managing Corporate Lifecycles by Dr. Ichak Adizes (Prentice Hall, Englewood Cliffs, NJ:)

Understanding and Treating Aging Organizations

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The Power of the Organization Lifecycle

At the foundation of effective management for any organization is the fundamental principle that as organizations grow and age they progress through a series of predictable stages known as the Organization Lifecycle. Like humans, the evolution of every organization proceeds in distinct stages. Companies go through the terrible-twos, being a teenage, and the prime of life.

Each lifecycle stage presents a predictable set of unique challenges (life lessons) that must be overcome to progress to the next stage. How well or poorly leadership develops the capabilities needed to address those challenges determines the success or failure of the enterprise. If leadership is not able to do this, the organization gets stuck. Problems that can't be resolved become abnormal, retard the healthy development of the company, and lead to premature aging.

Leading successful lifecycle transitions is not easy or obvious. The same methods that produce success in one stage will create failure in the next. Knowing what to do and what not do to navigate the challenges of each lifecycle stage is therefore need-to-know information for every CEO, C-Level Executive, Board Member and Investor, as well as up and coming leaders who aspire to hold those positions in the future.

The organization lifecycle is one of those truths that once learned, fundamentally shifts how leaders lead; personally and organizationally. When an entire management team understands the lifecycle, they share eight insights that are critical to the long term success of their enterprise:

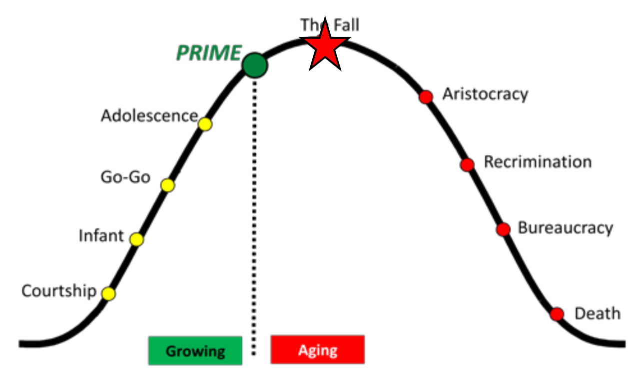
1. Prime is the place to be. It is the only stage where a company is be able to dominate its markets, sustain a position of leadership, and enjoy above average growth and profitability. The first challenge is to get to Prime; the second challenge is to stay there. Unless leadership takes proactive steps to stay in Prime, aging will automatically occur.
2. Problems are desirable. Many managers have an immediate and negative reaction to the idea that their organization has "problems". The Lifecycle teaches that the opposite is true. The lifecycle invites leaders who believe that "good managers" are those whose organizations have no problems, to rethink that perspective because the only stage where an organization has no problems is Death.
3. Many problems are not unique. The lifecycle also teaches that most of the issues a company faces are not unique to the organization; they are common to all organizations in a particular lifecycle stage.
4. Some problems are normal and others are abnormal. Like acne, normal problems require little attention because the organization will grow out of them. Focus on resolving abnormal issues because they will inhibit healthy development.
5. Successful leadership is different in each stage. Just like it makes no sense to parent a 6 year old the same way as a 21 year old, successfully leading a Go-Go organization requires a very different approach than one in Adolescence. Management style, goals, strategies, structures, metrics, and rewards must differ markedly from one stage to the next. Leaders who understand what is required can accelerate the journey to Prime.

6. Future problems are predictable. When a management team knows their current lifecycle stage, they also know what's coming next. Anticipating key challenges ahead of time allows the organization to move faster. It also helps everyone attack those problems instead of attacking each other.
7. Aging can be prevented or reversed. Unlike humans, organizations can stop the aging process and remain perpetually youthful. The 7 factors that cause aging can be diagnosed, and steps can be taken to prevent or reverse aging in youthful or mature enterprises.
8. The future success of the enterprise can be predicted based on the management team's ability to work well together and solve bigger and tougher problems in the future.

This white paper focuses on leading organizations on the aging side of the lifecycle curve. The growing side of the lifecycle is covered in a separate document.

The Fall Stage

When a PRIME organization loses its ability to embrace change and nourish new growth, organizational vitality levels off and the enterprise moves into the Fall stage. To remain in PRIME, management must proactively work to refuel momentum by nurturing a portfolio of Infant, Go-Go and Adolescent business units ensuring that entrepreneurship thrives.



The Fall Lifecycle Stage

Prime is not at the top of the lifecycle curve. This is because the curve depicts the vitality of an organization. When a company first starts to age, it is still producing the desired results as measured by short-term sales and profitability. Aging is having a negative effect on the company, but this effect is not yet reflected in sales or profitability. Therefore, the lifecycle curve is still rising; however the rate of change is slowing so the rising curve is starting to level off. If Prime's harvest their momentum rather than nourishing it, the company moves into aging.

After Prime, movement along the lifecycle is a gradual process of deterioration. Unlike the growing side of the curve, there are no more major transitional events in aging companies. The only difference between the lifecycle positions of the Fall, Aristocracy, Recrimination, and Bureaucracy is the degree to which aging pervades the organization.

The Fall is positioned at the top of the Lifecycle curve, but it is not the place to be. That position is PRIME, where organizational vitality is at its maximum. Companies that are in the Fall stage have started to lose their vitality and are aging. The slide into aging is subtle. When an organization first begins to age, the symptoms don't show up on financial reports. In fact, the opposite is true. Fall companies are often cash rich and have strong financial statements. Like medical tests, financial statements reveal a problem only when abnormal fiscal results finally surface late in the Aristocracy stage.

When the signs of aging appear in the numbers, the company will already be significantly aged. If you want to catch aging early, you must look elsewhere. When people begin to age, the initial signs aren't apparent in their actions or bodies. Aging starts in their minds with subtle changes in attitude, goals, and their outlook on life. This is also true for companies. When an organization starts to age, the first place the symptoms appear is in the attitudes, outlook and behaviors of its leaders. The emergence of an attitude of complacency is the first step into decline. Since the company is doing so well, it is easy to slip into a mindset where the focus is on maintaining the status quo.

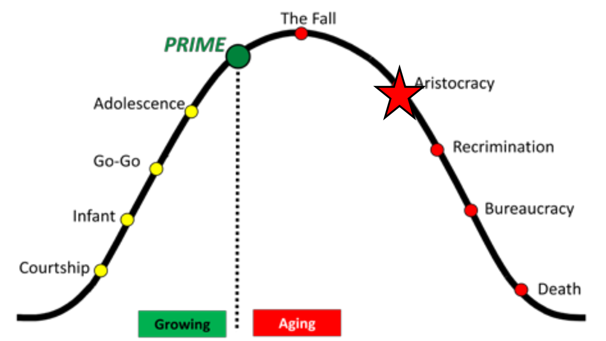
The leaders of Fall companies typically feel content and somewhat complacent. The company is strong, but it is starting to lose flexibility. It is at the top of its lifecycle curve, but it has expended nearly all of the "developmental momentum" amassed during its growing stages. The rocket is slowing down and starting to change direction. Soon the trajectory will be down the lifecycle curve. The organization suffers from an attitude that says, "If it ain't broke, don't fix it." The company is losing the spirit of creativity, innovation, and the desire to change that brought it to Prime. In Fall the seeds of mediocrity have been sown. As the desire to change lessens, the organization mellows. There is less contention than in previous stages. More and more, people are adhering to precedence and relying on what has worked in the past. The company's dominant position in the marketplace has given it a sense of security. From time to time, creativity and a push for change surfaces, but such eruptions become less and less frequent. Order and predictability prevail. To avoid endangering success, people opt for conservative approaches.

In contrast to earlier stages, managers in Fall companies spend more and more time in the office, reducing the time they spend in the marketplace or on the firing line. Whereas during the growing stages, disagreements were expansive and vocal, now, people express their opinions with sheepish grins, as if to say, "It's not really that important." The sense of urgency is not there. When people are asked to attend the prolonged meetings that are typical in a Fall organization, they no longer object. Unlike the growing stages, nobody screams, "Where the heck do I find time for another meeting?" The atmosphere is decidedly more formal. Like a company in Prime, people still discuss long-term strategy, but short-term considerations increasingly creep into the decision-making process. Bold new ideas still get discussed, but there is diminished enthusiasm for moving into risky new territory.

In Fall the centers of power gradually shift. Corporate staff positions such as finance, accounting, HR, legal, and risk management gain power at the expense of marketing, sales and production. Intuition and judgment play decreasing roles as facts, figures, and detailed analyses begin to rule the day. Revenues continue to rise, but the revenues generated by new products that did not exist three years ago, are declining. Often these "new" products are not really breakthroughs. There are merely product enhancements more related to new packaging or bundling than innovation.

Slowly and subtly, the entrepreneurial spirit in a Fall organization dwindles. The momentum of aging increases and the organization slides down into Aristocracy, the next phase of its lifecycle. This transition is subtle. Unlike the transitions in growing companies that are dramatic and obvious, the slide into deeper aging is a continuous process of gradual decay.

The Aristocracy Stage



The Aristocracy Lifecycle Stage

As organizations enter Aristocracy they characteristically:

- Are cash rich and have very strong financial statements.
- Have reduced expectations for growth.
- Demonstrate little interest in conquering new markets, technologies, and frontiers.
- Focus on past achievements rather than future visions.
- Are suspicious of change.
- Reward those who do what they are told to do and punish those who do not.
- Are interested in reducing their risks.
- Invest much more on control systems, benefits, and facilities than they do on R & D.
- More emphasis is place on <u>how</u> things are done, than <u>what</u> is done; form dominates function.
- Value uniformity, consistency and formality in dress, decorum, and behavior.
- Promote individuals who are willing to abide by a "don't make waves" operating motto.
- Engender only negligible innovation with internal efforts.
- Acquire other products or companies for new products, markets, and entrepreneurship to feed into their distribution channels and operating systems, or may be takeover targets themselves.

The effects of the steady decline in flexibility, which began in Prime, start to become more obvious in Aristocracy. Because it has neglected to pursue long-term opportunities, the company's focus becomes increasingly short-term. For the most part, its goals are financially oriented and low-risk. With less of a long-term view, the climate in an Aristocratic organization is relatively stale. What counts is not what people do, but how they behave. Working within the system, supporting the status quo, and not making waves are the most important contributions. The actual accomplishments of its leaders, or lack of same, are becoming less and less important.

Aristocratic organizations exhibit a very characteristic set of behaviors. How people dress, where they meet, the facilities they own, how they speak to each other, handle conflict and make decisions are markedly different than the other stages on the lifecycle.

- <u>Dress Code:</u> In an Infant company, if you can do the work, you can wear your clothes inside out. By the time the company is a Go-Go, people start wearing business attire, but there is no hard-and-fast dress code. Prime companies require their people to be professional in the way they act and the way they look. By the time the organization reaches Aristocracy, only the requirement to look professional remains. The conservative uniformity of the Aristocratic culture is reflected in a conservative uniformity of dress. Everyone dresses as if going to a wedding or a funeral.

- Meeting Rooms: In the boardroom of a typical Aristocracy, you will find a huge, highly polished, dark wood table surrounded by matching plush chairs. The carpet is thick. Lighting is subdued, and the windows are heavily draped. From the paneled walls, larger-than-life portraits of the unsmiling previous CEOs look down on the room, as if warning everyone to remember his or her place. Ornate works of art cover the other walls. The roar of silence in the room is deafening and collectively scream "Don't make waves!" How can anyone possibly tell corporate leadership the bad news that, "Hey, guys, we are losing market share."
- Facilities: Opulent meeting rooms are just a part of the Aristocracy's investment in facilities. In the absence of low-risk investments to fund growth and research, Aristocracies invest in their facilities. They commonly build huge edifices that reinforce their exalted position in the marketplace. Just the square footage of the dramatic entrances and imposing empty corridors could adequately serve the space needs of several Infant companies. The president's suite, with its exotic wood paneling, private Italian marble bathroom, liquor cabinet, executive dining room, and adjoining secretary's office, probably cost more than the company paid for all its facilities when it was a Go-Go.
- How They Address Each Other: People in Infant and Go-Go organizations address one another by first names or nicknames. The names people use for one another in an Adolescent company are not fit for print. When an organization reaches Prime, both first and last names are commonly used. By the time the organization has reached Aristocracy, people speak to each other almost exclusively with last names. It's Mr. Smith and Ms. Jones. They may be Bob and Mary inside their offices, but in meetings, they address each other formally.
- Verbal and Written Communications: In Aristocracy form is more important than content, the medium is the message. People speak slowly and softly, and overuse visual aids and written handouts. Extensive notes are taken that read like a trial transcript. During meetings, people hedge, using endless strings of double negatives and qualifiers. "It seems that, under certain circumstances it may be assumed, however, on the other hand, and not necessarily so, we might conclude that..." One leaves wondering what the person was really trying to say. If privately you ask someone to explain what the person was saying, he might tell you, "They said we are losing market share." "Well, why didn't they just come out and say that", you ask? They won't because that is not the way Aristocracies handle problems.
- Dealing with Problems and Conflicts: The way managers of an Aristocracy deal with problems and conflicts is well illustrated in the film, *The Garden of the Finzi-Continis.* This 1971 classic examines the behavior of an aristocratic Italian-Jewish family just prior to World War II. When the Italian Fascists started to persecute Jews, the Finzi-Continis refused to believe that anything serious could happen to them. "We've been here for a long time," they said. "We are one of the most distinguished families in Italy." So they continued to play tennis behind the high walls of their estate, eat in their chandeliered dining rooms, and pretend that it was business as usual. While individually each member of the family was terrified, as a group life went on as always. Enchanted with their past, they were paralyzed to deal with their future. The group dynamics overpowered individual fears. The Aristocratic corporation behaves similarly. Hidden in their opulent high-rises, the managers of Aristocracies are individually worried about the company and their future. In meetings, however, none of them would think of assertively voicing their apprehensions. When a consultant confronts management and points to the threats, they are prone to reply, "Don't worry, we've been here long enough. They need us. We have a name, tradition, and know-how." Privately they may agree with the consultant, but publicly they will not. In this way, leaders of Aristocratic companies collectively deny the current reality. While losing market share and increasingly incapable of competing, managers maintain their business-as-usual attitude. They feel obliged to sustain the company's track record. "We must distribute dividends. We cannot afford to disappoint the widows and orphans who trust us." To maintain this performance, Aristocracies generally increase growth and increase profits by raising prices and cutting costs. The

constant price increases threatens customer loyalty and open the door to competitors. By continually raising prices, an Aristocracy throws gasoline on its own fire.

- Weak Decision Making: Leaders of Aristocratic organizations, whether in government or business, behave as if they have a great deal of control over their organizations. In private, they know that they can do very little, but in public they act as if they can do a lot. The truth is that there are so many committees that need to agree, and so many, many interests that need to be aligned, that it is almost impossible to implement any significant changes in an Aristocracy. Their leaders are limited to only what politics allow them to do. As their companies continue to age, this inability to have a real impact gets even worse.

Mergers and Acquisitions in Aristocracy

Aristocracies are also unique in the nature of their merger and acquisition activity. Aristocratic organizations are cash-heavy. Their financial statements are strong and highly liquid. The prevailing sense of organization-wide complacency overpowers the aspirations of any aggressive individuals. People have learned the hazards of proposing risk-taking endeavors. As a result, internal business units make few demands on this cash. Instead of organic growth, the company uses its cash to grow by acquisition.

When they go shopping, what kind of companies do Aristocracies buy? Not Infants, "They're too young and risky!" Not Adolescents, "They have too many problems!" Not Primes, "They're too expensive!" Aristocracies normally buy Go-Go companies. Go-Gos with their new technologies in growing markets are very attractive, and the Go-Gos, tired of trying to get organized and having to grow using their own limited resources, are receptive. They believe the Aristocracy will make their lives easier because it is bigger, richer, and more organized. Unfortunately, what the Go-Go generally finds out is that every time they want to make a move, they have to submit a 50 page business plan to a committee and spend countless hours defending their projections to accountants that don't understand their business. By the time the Aristocracy gets around the making up its mind, the opportunity has passed and the Go-Go is too late into the market. It doesn't take long for key managers of the Go-Go to realize that the only thing you get from kicking an elephant is a sore foot, so they leave. They may be required to hang around by an employment contract, but even if they are still in place, emotionally they have left and are just biding their time.

Cash-heavy Aristocracies are not always the acquirers. They are sometimes the takeover targets. What kinds of companies find Aristocracies attractive? You guessed it, Go-Go's. This is particularly true of Go-Gos that are well regarded by the financial markets and have therefore have access to large amounts of capital. With the combination of money, the burning desire to grow, and the arrogance of their self-belief, Go-Gos have limitless appetites. When a Go-Go acquires an Aristocratic organization, it is like a small snake swallowing a very large gopher. Digestion generally takes a very long time. The Go-Go often becomes overwhelmed by the problems of the Aristocratic organization. They discover that after taking out the cash, what remains is only an aging Aristocracy that is racing towards bankruptcy. To correct this problem, Go-Go management may introduce sudden and forceful waves of change that often paralyze the Aristocrats, making the situation even more difficult. While it is choking trying to digest its latest prey, the Go-Go may sacrifice its own internal development and put both companies in jeopardy.

Silence before the Storm

The product or service lines of companies in the advanced stages of Aristocracy are overpriced and out of date. The clients know it, the sales people know it, and senior executives know it. Yet the problems of the future are not yet pressing. The company is still liquid and profitable. Management holds endless meetings discussing the situation but nothing much happens. Everyone seems to be waiting for someone else to do something. Taking action now means making waves and becoming embroiled in political fights that may not be necessary. Who knows? Government policies might change, the competition could go broke, or our customers might change their tastes. Maybe these problems will all go away. It could happen.

Gradually the stale atmosphere of the Aristocracy is replaced with an impending sense of doom. Some companies try to lift morale by awarding gold medals for obscure achievements or by holding seminars in resort hotels where most of the time is spent vacationing, not working. Others deal with the overpowering sense of impending calamity by getting busy building even more elaborate facilities that are not needed. In an effort to save their necks, many people leave. Lacking attractive opportunities, those who cannot leave, accuse the deserters of disloyalty.

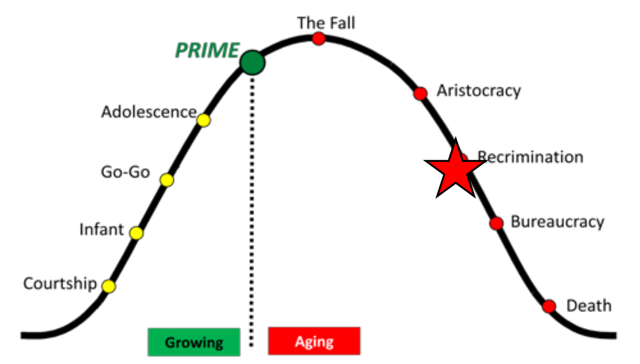
Desperate over continually declining market share, revenues, and profits, the Aristocratic organization enters Recrimination. This is not a gradual transition. It is quick and forceful. The Aristocracy has been covering its problems with price increases and acquisitions for a long time. The organization has expended all the goodwill it has so painstakingly accumulated from its Infancy. The artificial facelifts and price increases stop working because they are not a substitute for providing real new value and satisfying new market needs. The day of reckoning arrives when the financial reports finally reveal the true weakness of the company. The truth spreads rapidly. The company incurs the scorn of Wall Street. Stock prices drop like a rock, key accounts bolt to the competition and bankers won't return phone calls. When this happens, the gloves come off, knives are drawn, and the fight for survival begins.

Caution! You are entering Recrimination.

The Recrimination Stage

When an Aristocracy is unable to reverse its downward spiral and the artificial repairs finally stop working, management's mutual admiration society abruptly ends. The good-old-buddy days of the Aristocracy are gone, and the witch-hunts of Recrimination begin. Companies in this stage exhibit the following behaviors:

- People focus on who caused the problems, rather than on what to do about the problems.
- Problems get personalized. Rather than dealing with the organization's problems, people are involved in interpersonal conflicts, backstabbing, and discrediting each other.
- Paranoia freezes the organization.
- Personal survival and turf wars absorb all available energy leaving precious little to deal with the needs of customers or the world outside the organization.



The Recrimination Lifecycle Stage

The Witch Hunt

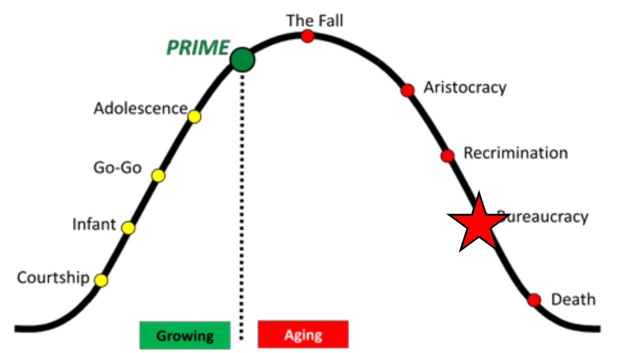
In Recrimination everyone is busy trying to find out who caused the disaster. With blades drawn, it's backstabbing time in the boardroom. Like primitive tribes afflicted by extended drought or famine, there is a rush to appease the gods. The organization needs a sacrifice. Whom does it sacrifice? The fairest maiden, the finest warrior, or the cream of the crop? Typically, the management of a company in Recrimination sacrifices its most valuable and scarcest treasure………the last vestiges of innovation and creativity. The company fires the EVP of Marketing, explaining, "We're in the wrong market with the wrong products and our advertising does not work." The heads of Strategic Planning, Business Development and Engineering are the next to find themselves on the street. "Our strategy does not work. Our acquisitions are not working. Our products and technology are obsolete." The people who get fired don't feel they are responsible for the company's situation. The Marketing VP often said that the company ought to change its direction. The strategist has an ulcer worrying about the lack of direction. Privately, these individuals complained, urged, begged, and threatened, but their efforts were like pushing wet spaghetti up a hill. Their exodus merely exacerbates the problem because these creative people are who the organization needs most for survival.

In the Aristocratic organization, silence precedes the storm. People smile. They are friendly, handling one another with kid gloves. In Recrimination, when the bad results are undeniable, managers start fighting each other. The ritual of human sacrifice is repeated over and over. Someone must take the blame every time there is bad news. Bad news comes every quarter when they must report results, so every quarter a new scapegoat emerges. No one is sure who will be the next to get the ax, paranoia reigns.

This poisonous atmosphere encourages the circulation of outrageous rumors. If, for instance, the sales manager announces a discount, the other executives don't interpret it in rational terms by referring to competitive conditions. Instead, they attribute the move to the sales manager's Machiavellian strategy to discredit the marketing department and expose the incompetence of the marketing vice president. This irrational paranoia accentuates and accelerates the decline. Managers fight each other, spending most of their time building cliques and coalitions that are constantly changing. They expend their creative energies in a fight for personal survival. Individual security, they know, depends on eliminating and discrediting internal "competition." Organizational performance continues its relentless decline, and the paranoia intensifies. Talented people, objects of fear and distrust, either get fired or leave. This cycle of vicious behavior continues until the company ends up bankrupt or becomes a full-fledged Bureaucracy.

The Bureaucracy Stage

Although it should be dead, an organization in Bureaucracy is kept alive by artificial life support. The company was born the first time in Infancy, it was reborn in Adolescence, and its third "birth" is in Bureaucracy when it gets an artificial continuance on life. If there is no business or government commitment to support the company, death can occur instead of bureaucratization.



The Bureaucracy Lifecycle Stage

In the Bureaucratic stage, a company is incapable of generating sufficient resources to sustain itself. It justifies its existence by the simple fact that the organization serves a purpose that is of interest to another political and business entity willing to support it. The Bureaucratic organization:

- Has many systems and rules and runs on ritual, not reason.
- Has leaders who feel little sense of control.
- Is internally disassociated.
- Creates obstacles to reduce disruptions from its external environment.
- Forces customers to develop elaborate approaches to bypass roadblocks.

Bureaucratic organizations accomplish very little of any value. Their focus is frequently on control for the sake of control. With no inclination to change, everyone's day is filled with systems, forms, procedures, and rules. People know all the rules, but they can't remember why they exist. If you ask why they do things in a certain way, managers in a Bureaucracy will likely tell you, "Because it's the policy." The response to almost any request is, "please put that in writing."

After the pressures of Recrimination, Bureaucracy is a low-stress environment. So long as one abides by the rules and regulations there is little pressure to perform. Rituals substitute for action. Meetings take place. Minutes are taken. Papers get filed. There is plenty of voting, and debates rage but one sees little, if any, real action.

Like an older person who follows a set routine every day and becomes highly aggravated with any change, Bureaucracies resent outside disruptions and aggressively create obstructions to limit them. Customers are an example of one such disruption. Bureaucracies minimize the possibility for external disruption by connecting to the external world through very narrow channels. Perhaps they allow only one incoming telephone line or they keep their customer service departments open for only a few hours a day. They keep people standing in lines, only to tell them which line they must go stand in next.

In a Bureaucracy, the left hand does not know what the right hand is doing. One department rejects what another one requests. Customers are puzzled, frustrated, and lost. To get results, a customer must build their own systems to deal with the ineffective organization. Businesses that must work with Bureaucracies usually have dedicated departments, systems and people that are experts on the inner workings of a particular government agency and getting the results they need from that Bureaucracy.

Because bureaucracies rely on laws that provide them with a monopoly on services and allocation of funds generated by taxation, heads of bureaucracies spend most of their time in halls of government and with politicians safeguarding their source of their funds. What annoys politicians most is negative press. So, heads of bureaucracies are careful to ensure that there is no negative press about their agencies. Ask people in a bureaucratic organization, "Who is your client?" The answers generally include a long list of state or federal agencies that either supervises its performance or its budget; other Bureaucracies that it works with, unions, newspapers and other media. Lost at the end of this long list of stakeholders, are the customers whom the Bureaucracy is really supposed to be serving.

The health of a full-fledged Bureaucracy is very delicate. Although it appear to be a robust monster, it may be relatively easy to destroy it. Many are rotten to the core, teetering on the brink of bankruptcy. Since many of them get their financial resources from politicians, they survive only as long as they are political assets. When they become political liabilities, funds are withdrawn and they quickly collapse.

Bureaucracies forced to respond to sudden changes, often don’t survive the effort without considerable external support. This is particularly true for government-owned monopolies that are privatized. Many of these organizations have nothing in place that resembles marketing, sales or business development and so they quickly flounder in a competitive environment. Monopolies and government agencies that are quarantined from competitive pressure and provide a large employment base, often live long and very expensive artificially prolonged lives.

The Death Stage

Death occurs when no one with resources remains committed to sustaining the organization.

Pathologies of Aging Organizations

Although it is interesting to understand the differences in between organizations that are in Fall, Aristocracy, Recrimination, and Bureaucracy, it is important to understand that there are no "normal" problems in aging organizations; every problem is pathological. This situation become abundantly clear when comparing the key differences between healthy growing and unhealthy aging organizations.

Growing Organizations	Aging Organizations
Everything is permitted unless specifically forbidden	Everything is forbidden unless specifically permitted
What is more important than How	How is more important than What
People ask for forgiveness	People ask for permission
Get what we want	Want what we get
Expectations exceed results	Results exceed expectations
Political power is in Sales and Marketing	Political power is in Accounting, Finance and Legal
Line calls the shots	Staff calls the shots
Function rules form	Form rules function
Cash poor	Cash rich
Era of intuition	Era of judgment
People are kept for their contribution despite their personality	People are kept for their personality despite their contribution
Management controls the system	The system controls management
Success comes to those who take risk	Success comes to those who avoid risk
Those with responsibility don't have authority	Those with authority don't have responsibility
Problems are seen as opportunities	Opportunities are seen as problems

All aging organizations exhibit these characteristics. In the Fall, these symptoms are not pervasive. They may pop-up from time to time and usually do not receive much attention. In Aristocracy they are more common and demand attention. Companies in Recrimination are dominated by these characteristics.

Prescription for Treating Aging

Aging in organizations is the result of the loss of Vitamin E the entrepreneurial vitality of the organization. These seven factors are the underlying root causes of aging. The first five are controllable by the company.

1. The company's perceived market share relative to key competitors.
2. The mental age of key decision makers.
3. The functionality of senior leadership's management style.
4. The functionality of the organizational structure.
5. The goals, metrics and incentives that drive employee behavior
6. Disruptive shifts in markets, economic climate, technologies, etc.
7. External controls placed on work and industry.

The Root Causes of Organizational Aging

In addition to addressing the obvious symptoms of aging present in their enterprise, senior leadership must also do the hard work needed to address any of these root causes that are present. If root causes are not addressed, symptomatic efforts will provide only short-term relief.

Structure must be addressed before strategy in Aging companies. This counter-intuitive approach is crucial to the success of any rejuvenation effort. This is because all organizations are energy systems. Structure reflects how energy is distributed into the company. In aging companies, the existing power structure controls strategy by controlling resources and the behavior of the organization. Function follows form in aging. For example, in the early 80's IBM had a dominant position in the mainframe market. The mainframe group produced most of the profits, controlled most of the resources, and held the real political power. This structure inhibited IBM's entrance into the PC market, which is why they missed the market during those years.

To enable new strategies and rejuvenate the entrepreneurial spirit in an aging company, the organizational structure must be changed first so the organization can be more flexible. The restructuring effort must identify, create, and protect new business units that will rekindle the entrepreneurial vitality. In this context "structure" must include roles, responsibilities, authority, and the needed changes to information, resource allocation and reward systems. Simply changing the organization chart is not enough. Powerful incumbents will strongly resist changes to structure. Instead, they will agitate for strategic planning. For them, structural change is a threat to the powerful positions and rewards they have spent years building. Strategic planning is far less threatening and they know that unless a new strategy fits into the current power and rewards structure, nothing will come of it. Turf wars and the emotional powder kegs of ego, status, power and compensation will surface in any reorganization effort. It takes time, patience and a willingness to confront these conflicts head-on to succeed.

The resistance and backbiting that characterizes restructuring efforts in Aging companies may require the prompt removal of people with negative or poisonous attitudes who are determined to block the changes. Removal is best completed once and sparingly. Management should also sell unprofitable units, stop negative cash flow, and focus on survival.

About Adizes

Our mission is to change how management is practiced and taught. Since 1971 we have pursued this calling, transforming the world one organization at a time.

We believe there is a better way to manage. We believe that way is a systematic, highly collaborative, common-sense approach that deeply engages the hearts and minds of employees at all levels, harnesses conflict constructively, and builds a strong and pervasive culture of mutual trust and mutual respect. Adizes provides leaders with the tools, resources, and support to develop this kind of management in any organization.

We know from over 40 years of experience with clients in 73 countries that range from the Global 100 to middle market companies, start-ups, and governments that our approach to management builds healthy, high-performing, self-managing organizations. Organizations that have the capability to successfully tackle any challenge, consistently WOW customers, attract and retain exceptional talent, generate superior financial returns, and become dominant competitors.

What We Do for Our Clients

We work with clients in two ways; 1) we teach them the principles and practices of Adizes, and 2) we work side-by-side and guide them to transform the management of their organizations through Adizes.

We guide CEOs and their leadership teams to navigate lifecycle challenges and reach PRIME – the only stage where a company is able to enjoy market leading growth and profitability. We are particularly adept helping Go-Go and Adolescent companies make lifecycle transitions. We have also had great success rejuvenating aging organizations. The challenges we help our clients address include;

- Accelerate profitability, growth, and market share.
- Build and strengthen management.
- Revitalize underperforming organizations and management teams.
- Succession execution and transition to new leaders and owners.
- Transition to professional management and avoiding Founder's Trap.
- Harness conflicts between founders, owners, board members, partners, and family members.
- Integrate clashing corporate cultures.

The Adizes Institute is ranked as one of the top leadership development consulting organizations in the United States by the Leadership Excellence Journal.

For More Information, Please Contact
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