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CORPORATE LIFECYCLE DEEP DIVE: ARISTOCRAT

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Corporate Lifecycle Deep Dive: Aristocrat

The Corporate Lifecycle is a standard developmental process that any organization goes through from start-up to eventual death or bankruptcy. The beauty of the Corporate Lifecycle is that it allows you to gain awareness on developmental steps and stages of where your organization currently falls. This then allows you to become more strategic about how to grow and become more profitable, while maintaining an ideal developmental state for your organization. This paper will focus on companies that are entering the Aristocracy Phase of their development.

As we previously covered in another white paper, the front half of the Corporate Lifecycle is notorious for companies being low on cash and structure, but highly driven by entrepreneurship and innovation. As the organization grows, however, organizations tend to lose these attributes unless it is consistently worked on.

Fall of Aristocratic Organizations

In the Aristocracy Phase, what tends to happen is that the vision, entrepreneurship and innovation tend to take a back seat to the growing bureaucracy of a business. At this stage of the game, it is easy for companies to become complacent and still be very profitable. However, it can be very difficult for them to maintain their competitive edge, so that they can stay in business well into the future.

One would think that in order to keep their competitive edge, a corporation in the Aristocracy would just need to focus more on innovation. But Aristocracies are typically well-oiled money making machines, who have developed structure and efficiencies that churn out reliable profit and growth. Aristocracy can be seduced into discounting the need for continual innovation because there are not a whole lot of short term incentive making money and growing. [After all R&D budgets across corporate America has been shrinking steadily](#). It can be difficult to justify investments in your business to shareholders when those very investments will impact their short term gains.

Growth through Acquisition

So, how do you grow if you're not going to invest in R&D or creating a culture of innovation in your business? During Aristocracy, many organizations look to acquire other companies to fill their innovation and entrepreneurship needs. A strategy to address this is acquiring organizations in either the Go-Go or Adolescent stage.

Acquiring a Go-Go Business

Companies in Go-Go are going to lack the resources, structure and efficiency to scale. Because Go-Go businesses are typically immature, it can be a great bargain an Aristocracy to purchase. Go-Gos tend to be younger organizations, so they can provide the innovation and freshness an Aristocratic organization needs. Not to mention, Go-Gos have a tendency to be

chaotic because they're driven to simply get off the ground, Aristocrat organization can assist in providing a direction and structure to build on their success.

Acquiring an Adolescent Business

Adolescent companies in are just learning to scale. Within Aristocracy, you tend you have very sound policies, procedures and processes, which is exactly what an Adolescent company needs. Features of Adolescent, that will benefit Aristocratic organizations includes:

- An evolving structure that exists and can be refined
- Early signs of a scalable business, making it a less risky investment

Unlike a Go-Go companies, Adolescent companies do not require as much up-keeping. In fact, Aristocratic companies will typically acquire an Adolescent company, but not touch them. They will let the Adolescent organization grow and develop independently, without fully integrating them into the business, until they reach a state of greater maturity. There may be some small integrations, such as business systems and accounting platforms, but by and large, if you buy an innovative company, you want to make sure what you're buying is the innovation.

While acquiring a Go-Go or Adolescent company can help an organization in the Aristocratic stage, this isn't always guaranteed. Oftentimes, where Aristocracies mess up is when they're attracted to the innovation of a Go-Go or Adolescent company but try to apply their more rigid structure or approach to the newly acquired organization. This forced and quick integration literally squeezes the life out of Go-Gos and Adolescent companies by trying to make them something they're not. As a result, all the money you invested goes right out the window.

Microsoft and Apple

An interesting example of a company that has really altered their strategy over the years is Microsoft. Back in the early 2000's, they were the largest tech company in the world. They made their money off licensing their software and operating system.

Around the mid-2000's, you could feel their innovation waning. New Windows updates weren't that innovative and were full of bugs. The innovation they did come up with were panned by the tech community, but because they had such a strangle hold on the market, they were still able to make money and be profitable.

Then, [Apple started gaining steam](#). For the early parts of the 2000's, Apple was a company in their Prime Stage. They were innovating with products like the iPod, iPad and iPhone that drove considerable growth. By 2010, they had overtaken Microsoft as the largest tech company in the world.

What do you see with Apple now? Like Microsoft, [their innovation is waning](#). While they are releasing new products, they are just new versions of the same product: prettier phone cases,

Apple accessories and an updated iPhone or iPad. [Since Tim Cook took over Apple as CEO in 2011](#), the newest innovation is the iWatch. However, that hasn't taken hold quite the same way the iPod did in the early 2000's.

At this time, it was easy to forget about Microsoft. However, we cannot downplay [Microsoft's importance in the marketplace](#). Groups as early as 2013, were predicting that Microsoft would overtake Apple by 2016/2017. But that didn't happen. What you start seeing, however, are some pretty interesting acquisitions by Microsoft.

Microsoft on the Rise?

In 2000, [Microsoft acquired](#) Visio Corporation. aQuantive in 2007. Skype in 2011. Nokia in 2013. LinkedIn in 2016. What's similar about all these organizations? They were innovators, and Microsoft was purchasing their innovation.

Instead of Microsoft creating their own web-based communication platform, they purchased Skype and leveraged an existing technology to break into that market space. They had very little presence in social media, but then with LinkedIn, they are suddenly on the map.

Whether or not you agree with their strategy, but this has been their approach. If you think LinkedIn, Skype or Nokia, you don't associate them as Microsoft companies, but they are. This is an intentional strategy for Microsoft to increase their access to technology and their customer bases within those platforms and grow in that fashion. You don't have to necessarily become more innovative, you can purchase innovation. Just remember that this requires patience and security, knowing and allowing these companies to flourish and do what they're best at doing.

All in all, the most strategic companies in the world today are growing their business through similar approaches that Microsoft is using. At the point where they are starting to lose profit share and their innovation and entrepreneurial spirit, they look at acquiring companies to maintain their competitive edge. Companies employing this strategy are viewing these acquisition as strategic investment, rather than businesses to bring into the fold.