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THE CORPORATE LIFECYCLE: STARTUPS

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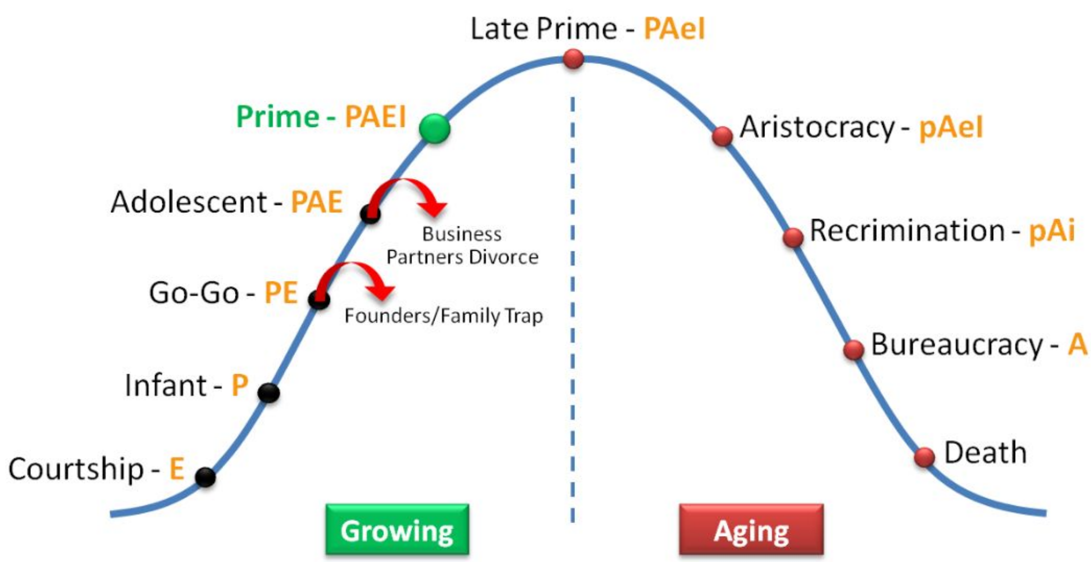
The Corporate Lifecycle: Startups

If you are looking to start a company or launch a new product, then this article is perfect for you. Our previous blog centered around the basics of the Corporate Lifecycle, a common developmental trend that organizations go through. In this article, we will dive into the first three stages of development for the Corporate Lifecycle model: Courtship, Infancy and Go-Go.

Discover the key characteristics of each stage and the steps necessary to move from one developmental stage to the next.



Adapted from: Adizes: Corporate Lifecycles (Englewood Cliffs, NJ: Prentice Hall, 1988)

Stage One: Courtship

Courtship is where a new idea is birthed and is driven by entrepreneurship. This might come from an individual leader, a team or simply from feedback from a customer.

Typically, at this point, there is no actual product or service yet, and the customer base is largely unknown.

Lack of a Business Strategy

There's this mentality that just because your idea is great, you'll be successful. Because of this, many entrepreneurs focus solely on getting their ideas out there and hoping that someone will be interested. But in order to be successful, you need more than just an idea. You need a vision.

If we look at crowdfunding sites like Indiegogo, many of the projects present not only an idea, but a vision. Filled with visuals, stories and goals, these entrepreneurs illustrate their ability to plan long-term and execute a plan. This sets a direction, which increases the likelihood of:

- Finding early adopters to build momentum
- Attracting people who will fund your idea
- Recruiting people to build your core team

Key to Success: Build Credibility

Although it's possible to be successful in the Courtship phase without a business strategy, having one helps to build credibility. Credibility is your golden ticket. Especially as an up-and-coming business, it's important to start off on the right foot and establish yourself. This means having a clear understanding of the marketplace — who's your target audience, who's the competition, etc. — and fulfilling the needs of your audience.

Some questions you may want to ask yourself or your potential client-base are:

- Is there potential for this idea to take hold?
- What is the potential of this product?
- Are people interested?
- What are other people doing?

The combination of a vision and building credibility to get buy-in will help to transition you into the next phase of the Corporate Lifecycle: Infancy.

Stage Two: Infancy

If you can get people to buy into your vision, your product or service, you will enter the Infancy stage. It's time to start making things happen.

This stage can often feel chaotic because money is constantly on the mind. Production, in which we mean sales and revenue, is emphasized in this phase. You invest in research and development, marking, employee cost and work towards recouping for that initial investment.

Money on the Mind

Sales validate your idea. Due to high level of investment to get the product off the ground, businesses typically burn through money quickly. As a result, a sense of desperation to make money can develop as a company looks to shore up its cash flow issues.

Common pitfalls young companies fall into include:

- Overly discounting products or services

- Selling to a broad, undefined customer base, which drive up your cost to acquire new business
- Selling to customers who aren't a good fit to your product or business, which can create negative customer sentiment, which increase customer churn rate (losing customers).

Key to Success: Flexibility

In order to work through Infancy, you need to be flexible about the direction of your business. This doesn't mean accepting every offer that comes your way or completely changing your values and culture, but rather looking for strategic opportunities to grow.

Unlike the money mindset, rather than simply reacting to the market, you are engaging with it. As a result of this your idea may evolve and branch out to markets you didn't initially intend on reaching. For example, Play-Doh began as a wallpaper cleaner that didn't stain walls and can be reused. But when it was discovered what school children were using the non-toxic cleaner for arts and craft, Kutol Products rebranded the product as Play-Doh®, and we now have those colorful, squishy molding materials. But all of this was because of Kutol Products' ability to be flexible.

Now, not everyone is as lucky as Kutol Products and can repurpose their products or ideas, but we can take this idea of flexibility and apply it to our strategies. This involves determining metrics and testing out strategies to see what is most effective.

When developing a strategy, here are some things to keep in mind:

- Identify "Go-No-Go" metrics, which are metrics that tells you if your strategy will be successful
- Don't get too emotionally invested in a strategy. Be prepared to pivot and try new things if you're not gaining traction in the marketplace.
- Stick to your metrics; the infancy stage is full of emotional investments. Metrics help you guide you through this phase.

Stage Three: Go-Go

This is where demand for your product or service starts to really pick up. Here, you're actively driving revenue and sales.

In this stage, the entrepreneurship of your business starts taking shape.

Spreading Yourself too Thin

During Go-Go, everyone does everything in order to do any required job to get the product out the door and make customers happy. Many times, what companies find is that in order to get a deal done, they have to start solving for customer problems that they didn't originally anticipate. They may do a complete redesign of their product or pivot their product and enter into a new marketplace.

Similar to Infancy, it's easy for things to go spiraling downwards in this stage. While the a successful Infancy state results from flexibility, The Founder's Trap is the result of too much flexibility and straying too far away from what made them attractive in the first place. Flexibility works when you're trying to find your market fit, but in the Go-Go stage, you're on the verge of scaling your business, and too much flexibility can be the enemy of that venture.

Key to Success: Develop a Process

In order to be successful in the Go-Go stage, there's a need to develop a process and structure. This means more focus on creating an efficient way of doing things. While this may feel sacrilegious for owners because they have gotten this far due to their flexible, entrepreneur spirit, processes are necessary for scaling. These structures help to define roles and responsibilities, and develop a stronger management structure that becomes your foundation and support system. Once this is established, focus on refining your service or product to achieve efficiency gains.

Moving forward, it is important leaders in the Go-Go stage nurture the entrepreneurial spirit that got them to this point. In doing so, the potential to grow the business can be exponential.

In the our next article, we'll dive into the the next stages of the Corporate Lifecycle, which discusses the peak of organizational success.