THE CORPORATE LIFECYCLE: THE GOLDEN AGE

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In a previous whitepaper, we talked about startups moving towards a state of maturity by going through the phases of Courtship, Infancy, and Go-Go. In this paper, we will explore the next few phases of the Corporate Lifecycle, including Adolescent, Prime and Late Prime.

Adolescent

The Adolescent phase of the Corporate Lifecycle is characterized by a company, who is starting to turn a profit. Cash is coming in the door and you're become more efficient in how you deliver your products and/or services. In other words, you're productive, you have a vision, and you have a structure to support those two things.

Culture Clash

A common issue you find in Adolescent is culture clash. Essentially, the organization needs to start changing in order to grow. However, leading up to Adolescent, we often see business founders being involved in everything - driving quick results and flexibility to capture opportunities. Because structure can feel restricting for founders, there's a struggle to let go of the old approach. But as a result of this, an organization can encounter growing pains if they attempt to scale without a proper structure in place and can actually see more issues as they attempt to scale. Some of these problems include things like:

- Lack of accountability
- High reliance on founder
- Increased burnout rates
- Chaotic work environment

Failure to embrace structure can cause a business to revert back into previous development stages or fail altogether.

Key to Success: Efficiency

In order to be successful in Adolescent, efficiency is key, and having your hands in every aspect of the business is **not** efficient. If you're not focused, it's hard to grow. Because of this, it is essential to start developing role specifications and a process for this.

Be able to answer the following questions:

- What is our sales process?
- What are our verticals?
- What's our implementation process?
- How do we transition our employees from generalists to specialists?
- What specialties are required to implement our process?

By having people focus on specific aspect of the business, it frees up time to really hone in and develop efficiencies to increase margins. This structure will help to systematically build your team to prepare you for Prime, where you rally your team around an aligned vision, strategy and culture.

Prime

The next phase in the development for a company is Prime. This tends to be the ideal stage for a business to be in. One way to think of this phase is that an organization not only keeping what is great about it, but it is also becoming more profession in that process. The vision of the company is less driven by entrepreneurship and charism of the top leader and shifts towards a mission and strategy focus.

In this stage, there is a strong emphasis on production and revenue, entrepreneurship and vision, building structure and processes to handle growth. These are the four pillars of Prime, and when you have all four, you typically have a flexible, adaptable, fast-moving organization that can adapt quickly to market changes.

Shaping Behaviors

One of the most important aspect to Prime is that companies start providing a path for growth and development to employees. They are communicating to employees, "This is a place to grow and develop, and here is a pathway for you to do that."

Typically, there are two approaches to this:

Living out Values - Reinforcing values is a key way of getting people to buy into your culture and start living it out. An example of this is with a company we've worked with. This company prides itself the high quality products they provide for clients. Thus, they have inspectors on their lines to to examine and stamp their product with certain quality measures so that customers know exactly what they are receiving. One day, however, one of their plants ran out of a high quality product, so the supervisor suggested that they provide the next best quality item and stamp it with the premium label because "it is important that [they] get this out on time." This information soon spread and the VP of Operations stopped all production to get every realigned on their company values - including their value to do the right thing.

As a result of this, the customer who received the lower quality hides was called and informed by the supervisor about the incident, and that a new set of hides would be sent to them. This resulted in appreciation from the customer and helped to demonstrate that doing the right thing is a huge part in what makes the company successful - not only in providing quality hides and skins for their customers, but also in how customers are treated.

Metrics - Rewards is another way to get employees to buy into the organization. Now, do not mistaken this for "buying" people's loyalty. Instead, the rewards should be used to help reinforce a behavior you want for the organization. An example of this is Hubspot.

Hubspot is one of those organizations who invest in the growth and development of their employees. Because of this, they lay out clear benchmarks and benefits for their people. Not only do these goals help to provide the employees with motivation, but they also helps an employee develop in their job role.

And if you want to go the extra mile, get your people involved in this process! Dan Tyre from the Hubspot team, for example, motivates his sales team by allowing them to set their own goals. This helps to make the goals more personal to the employee, and thus the reward of competition more fulfilling.

Late Prime

With success, comes complacency, and complacency is the killer of Prime organizations. When companies become complacent, the first thing that tends to wane is the vision and entrepreneurship of an organization. The new ideas become less innovative, less creative and less new. Instead, organizations who move out of Prime into Late Prime focus on incremental improvements. The mentality is to refine and perfect their already established process. Nothing more. Nothing less. But as a result of this, over time, a company will slowly lose their competitive edge. However, because of how much money they make, it can be very difficult for them to want to focus on doing things new.

The Fall From Prime

With Late Prime, an organization can still be successful because of the process and structure they already have in place. However, it is the creativity that takes the the most toll. Let's look at Apple as an example.

Apple has consistently been an innovator in the tech industry. They disrupted the market with the iPod, they did it again with the iPad and yet again with the iPhone. When you think of Apple now, you think of a really strong brand; you think quality and top-notch design but do you think of new cutting edge products? They are good, solid products but not necessarily cutting edge. Each year they release a new iPhone and it is just a similar, slightly upgraded version of something they've already done, so they are no longer disrupting with vision, they are making incremental improvements. They are still wildly successful, one of the largest companies in the world, with an amazing product line but you can see how they are an aging company and for as big as they are, they might not be terribly worried about that. In most cases, aging companies are wildly successful and profitable. As you identify that you are losing your entrepreneurial edge, you can go back to your roots and start investing in new products and new ideas.

Key to Success: Innovation

To remain in Prime, companies should continue to be innovative and nurture that entrepreneur spirit. This is oftentimes a challenge because you've worked so hard to develop a fine-tune machine, so it's easy believe that you're not set for life. However, because things are consistently involving, your business needs to as well. Without continual innovation, a business can fall into Late Prime.

Some recommendations to remain or move back to Prime includes:

- Dedicate a percentage of your company to focus on innovation
- Invest in R&D
- Continue tying people back to the company vision and values
- Find the best ideas from employees and invest in implementing them

In conclusion, Prime is ideally the stage of development companies should spend as much time as possible in. Prime provides a balance of structure and creativity that not only brings in money, but gives an organization a competitive edge. While profitability can still occur in Late Prime, the staleness in creativity can slowly wear down the organization and lead it to the later half of the Corporate Lifecycle - Aristocracy, Recrimination, Bureaucracy and Death.

Continue to learn more about the lifecycle of organizations in future papers, where we will explore the downfall of organizations and what you can do to keep your company thriving.