

Ensuring adaptability of a company using life cycle theory

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Abstract. The urgent practical importance of organizational transformations in the post-industrial society, with insufficient elaboration of the life cycle theory ensuring adaptability of companies, has predetermined the line of the investigation. The authors have identified critical functioning points and specified criteria predetermining adaptability of a company with consideration for the cyclicity of its development. The usability of practical methods for the management system development elaborated on the basis of these criteria and considering the mutual interdependence of the company's basic components, the condition of its internal and external environment is shown by the example of three industrial plants.

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Introduction

Under increasing strategic uncertainties, active influencing of the society and political forces on the market conditions and scantiness of resources, any company can only exist providing a high adaptability to variable external circumstances and attaining dynamical equilibrium with them. Throughout half a century, some scientists have drawn up a concept of the life cycle theory in their works, which theory makes it possible to maintain a certain level of a company's adaptability to a dynamic environment [1, 2, 3 and others].

The purpose of this article is to demonstrate a selection of directions for the development of a business entity and management system components corresponding to specific CLC stages and ensuring the company adaptability.

The life cycle theory considers companies as living bodies that carry out their activities getting through similar stages of the life cycle demonstrating predictable and recurrent behavior patterns at each of them. Researchers distinguish a different number of stages and provide characteristics of each of them emphasizing that a company's success is defined by the ability of managers to control transition from one stage to another [4].

It is the article authors' opinion that the practicality of the theory basic postulates is possible on condition of its modernization, in particular, optimization of the number of the distinguished life cycle stages and the key interconnected components of the management system subject to be modified when the company passes through critical points of its activities. The number of stages may be specified on the basis of the existing CLC models whose comparative analysis is shown in Table 1.

Table 1. Comparative analysis of company life cycle models

6	existence, survival	success-liberation, success-growth, upswing	resource maturity		[10]
5	beginning, survival	growth, expansion	maturity		[11]
5	prototype testing, production model	production increase, natural growth	strategic development		[12]
5	creativity	directive management development, commercialization, growth	delegation, coordination	cooperation	[13]
5	conceptualization		stabilization		[14]
5	birth	growth	maturity, revival	destruction	[15]
5	existence	survival	success, revival	decline	[16]
4	pioneer phase		differentiation, integration phases	associative phase	[17]
4	entrepreneurship	collectivity	formalization	structure development	[18]
3	struggle for an autonomy	prompt growth		delay	[19]
3	stage of simple systems	structure development stage	steady stage		[20]
3	birth	youth	maturity		[21]
3	beginning	rapid growth	maturity		[22]
3	birth or early growth		midlife, organizational maturity		[23]
Number of Stages	Stage Name in CLC Models				Source
4	babyhood	growth	maturity	aging	the authors of the article
10	courtship, babyhood	give-give, youth	prosperity, late prosperity	aristocraticism, salem city, bureaucratization, death	[5, 6]
8	imaginations, investments, determinations, experiments	productivity predestination, free choice of structure	basic community	liberal behaviors	[7]
7	start-up company	expansion	professionalization, consolidation, diversification, integration	destruction	[8]
6	future ideology formation	selection of "main transfer patterns," personnel recruitment	organizational identity formation	conservation, predictability	[9]

As it appears from the table, four stages are distinguished best of all: babyhood, growth, maturity

and aging. In the course of its business activities, a company passes through the critical points designated in Figure 1 as "A", "B" and "C", in which change of a current stage occurs.

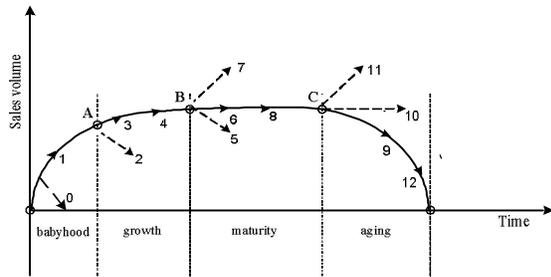


Figure 1. Graph of a company life cycle

In terms of models, it makes sense to consider the stages "birth" and "death" as a starting point and an ending point having no alternative of development. At the point "A", the crisis is caused by unpreparedness of the company founders to carry out management activities. At the point "B", the controllability crisis is due to unwillingness of the top management, which has achieved success owing to a rigorous style of leadership and concentration of powers, to part with the overall authority and responsibility, and due to a lack of adequate mechanisms for controlling and coordinating activities of subdivisions. At the point "C", the "excessive restriction" crisis is determined by the necessity of reviving organizational sustainability. At the critical points "B" and "C", business entities, while adapting to various changes, are in a position to terminate the existing regularity and go through the growth and maturity stages from scratch.

The initial stage in the company development represents Direction 1 where the market share held by the business entity does not exceed 10%. If during further operation there occurs a decline in volumes of products sold, then the business dies in babyhood (Direction 0). Following successful overcoming the point "A" (the market share threshold of 10%) and maintaining the growth trend, the business entity comes out to the growth stage (Direction 3) and, in case of any reduction in sales dynamics, to the extraordinary stage being aging (Direction 2).

With a dynamic growth after passing the critical point "B", Directions 4 and 7 are implemented. Availability of the inner potential and a favorable external environment enables the company to come out to the growth stage even after completion of the maturity stage (Direction 11).

When the volumes of products sold have stabilized (after overcoming the critical point "B"),

the business entity comes out to the maturity stage (Direction 6). The maturity stage continuation (Direction 8) is possible with stable dynamics of sales and where there is an inner or outer potential (passing the point "C") – the maturity stage extension (Direction 10). Upon overcoming the growth and maturity stages respectively, where there is no inner and outer potential, transition to Directions 5 and 9 occurs. The aging process continuation (Direction 12) is inevitable in case of a continuous decline in sales revenue, and where the business entity has no inner and outer potential.

Repeated overcoming of the critical points is unavoidable, so to ensure company adaptability, it is required to carry out competent management of changes achieving their less traumatic perception by the stakeholders. At the same time, it is important to identify not only current CLC stage, but also factors affecting selection of further operation at the critical points of the life cycle curve (Table 2).

Table 2. Selection of a company life cycle stage

Market Share	Sales Dynamics	Implementable CLC Stage	External Environment	Control Object	Required CLC Stage
less than 10%	negative	babyhood	neutral	no potential	discontinuation of activities in babyhood
less than 10%	positive	babyhood	favorable	availability of minimum potential	further passing of babyhood stage
10%	negative	babyhood	neutral	no potential	changing babyhood stage for aging stage
10%	positive	babyhood	favorable	availability of high potential	changing babyhood stage for growth stage
more than 10%	positive	growth	favorable	availability of high potential	growth stage continuation
more than 10%	stable	growth	unfavorable	no required potential	changing growth stage for extraordinary aging stage
more than 10%	stable	growth	unfavorable	decline in potential	transition to maturity stage
more than 10%	stable	growth	favorable	growth of potential	growth stage resumption
more than 10%	stable	maturity	neutral	availability of stable potential	maturity stage continuation
more than 10%	negative	maturity	unfavorable	decline in potential	transition to aging stage
more than 10%	negative	maturity	neutral	availability of stable potential	maturity stage extension
more than 10%	positive	maturity	favorable	improvement of potential	growth stage resumption
less than 10%	negative	aging	unfavorable	no potential	aging stage continuation

It is important not to miss the symptoms of development or decline in order to adjust the relevant components of the business entity management system in a timely and efficient manner. The composition of these components (strategy, structure, culture and managerial personnel) is specified and presented in Table 3 on the basis of the foregoing CLC models.

Table 3. Composition of management system basic components

Authors of CLC Models	Management System Components Distinguished by Researchers	Components Distinguished by the Article Authors
I. Adizes	structure, management style, leadership	STRUCTURE
R. Bruce, B. Scott	structure, management style	
J. Galbraith	structure, personnel, motivation, centralization, leadership	
F. Glasl, B. Lievegoed	culture, personnel	
L. Greiner	structure, motivation, management style	PERSONNEL
A. Downs	structure, strategy, personnel	
R. Kazanyan	structure	
R. Kahn, D. Katz	structure	
J. Kimberly	structure, personnel	STRATEGY
R. Quinn, P. Cameron	structure, leadership, culture	
V. Lewis, N. Churchill	management style, structure, strategy	
D.L. Lester, J. Parnell, A. Carraher	strategy, structure, management style	
G. Lippitt, W. Schmidt	structure	CULTURE
D. Miller, P. Frizen	personnel, centralization, management style	
T. Mitchell, K. Summer, K. Smith	personnel, structure, motivation	

The other components of the management system distinguished by some model authors should be attributed to the above listed elements, in particular, management style and leadership – to culture, concentration – to structure and motivation – to personnel. The interdependence between the basic components of the corporate management system and the life cycle stages (Table 4) makes it possible to have regard to the procedure developed by the authors of this article [24].

Table 4. Compliance of management system basic components with company life cycle stages

Life Cycle Stage	Management System Components			
	Strategy	Structure	Organizational culture	Managerial personnel
Babyhood	growth	autonomous	ad hoc	enthusiast
Growth	growth	expansion	marketable	attainer
Maturity	stabilization	balanced	clannish	defender
Agmg	reduction	compaction	bureaucratic	bureaucrat

The above procedure has passed expert tests at three large industrial plants. The conducted research allowed formulating specific recommendations for reorganization of the management system.

At the first plant out of those mentioned above, a growth stage is detected, and a guidance is given for preserving this stage, to which only one of the management system components corresponds, i.e. growth strategy. The other components shall be subjected to modifications: the balanced structure – to expansion, the bureaucratic culture is modified into market culture, and the managerial personnel characterized as a "bureaucrat" is refocused on the type of "achiever". Managers-achievers are qualified to create conditions for implementation of set targets providing employees with freedom of action when they perform assigned tasks and ensuring a rightful remuneration in accordance with efforts exerted.

At the second plant, it is only possible to maintain the current CLC stage (maturity). The

existing balanced structure is in line with this stage, and the other components of the management system are recommended to be modified: the previously declared strategy (growth) is to be changed for stabilization, the bureaucratic culture is to be transferred into clannish culture, and the focus of the managerial personnel is to be transferred from "bureaucrat" to "defender". The principal objectives of a group of "defenders" include looking after team members, support of their standing interest in work and rendering of necessary assistance.

The third plant is in a position to return from maturity to the growth stage, to which the existing market culture corresponds. The stabilization strategy should be replaced with the growth strategy; the balanced structure should be refocused on expansion, and the managerial personnel should be aimed at performing functions corresponding to the type of "achiever". A group of "achievers" shall have a high sense of purpose, a focus on intensive continuous learning and professional growth accompanied by improvement of material remuneration.

The recommendations accepted by the management have contributed to the development of the concrete businesses based on the line of operation selected by them in accordance with the current life cycle stage and afforded to improve the ability to deliver good results by companies acting as adaptive systems operating in a highly dynamic environment.

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