

LIFECYCLE MODEL THEORIES IN PRACTICE – A MANAGEMENT TOOL FOR SMALL AND MEDIUM ENTERPRISES

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Summary: The importance of the evaluation and assessment of small and medium enterprises (SMEs) increased significantly in the past few years, resulted by the continuous change of the macro environment of the enterprises. In order to show an increasing tendency, companies shall pay attention for these changes and they shall adjust their economic activities to the changed circumstances. The movement of the enterprises on their economic growth path is determined by several factors, one of them is the internal conditions of the given company, which develops the company's life. In our research, we used the corporate lifecycle model of Adizes as the main analytical method, which was supplemented by so-called economic medical records, as a practical tool, by which the SMEs may determine to explore their lifecycle stage, its main features and the signs of evolution or revolution. These analyses may help to form successful change management tools and to establish new strategy if needed.

Keywords: lifecycle, lifecycle models, small and medium enterprises, strategy, change

1. INTRODUCTION

The main purpose of the literary review is to collect and analyse the most important literature sources connected to this topic, and, in addition, to determine the theoretical background of the researches. Under the present circumstances it is very complicated to follow the path of economic growth; therefore, it is a key objective to find those factors and tools, which may help to recognize the different stages of the corporate life. The main purpose of our research was to explore the differences between the different lifecycle theories, their positive and negative features. Nevertheless, we should underline, that economic growth is not the only strategic objective for the enterprises.

2. LIFECYCLE MODELS

Lifecycle models describe the different stages of corporate life. Every company grows and develops according to a natural lifecycle, facing predictable problems at each stage along their way. "All organizations, like all living organisms, have a lifecycle and undergo very predictable and repetitive patterns of behaviour as they grow and develop. At each new stage of development, an organization is faced with a unique set of challenges. How well or poorly can the management answer these challenges, it establishes the future (success or failure) of their organization" (Adizes, 1992). The life of organizations show a cyclic process, as Szirmai (2002) emphasised, the life of a company or organization is a set of new challenges, which may be solved successfully or unsuccessfully. These answers will determine the growth path of the companies.

Life of the enterprises may be considered as a process, a cycle or set of cycles. According to Jávör (1993) it is better to consider lifecycles, as the companies' life is not a permanent developing process but rather a cycle, where the periods of stagnation, increase and decrease change periodically. In our opinion, this aspect is closer to the reality, so we used this theory in our research work.

These models undisputedly may help to define the exact place of the enterprises in the lifecycle phases; moreover, these lifecycle models show the different problems of the different stages, which may give practical help to the enterprises by presenting a so-called medical record for the company executives.

In table 1 and 2 we collected and compared the main lifecycle models in order to show their similarities and differences.

Table 1: Comparison of different lifecycle models in the view of corporate growth (1)

Stages	Model of Adizes	Model of Timmons	Model of Hisrich and Peters	Model of Greiner
Stages of growth	1. Courtship 2. Infancy 3. Go-go	1. Pre-start up (incubation stage) 2. Start up and survival 3. Early growth	→ similarities with Timmons model, but more details in incubation stage	1. Growth through creativity 2. Growth through direction
Rebirth and maturity	3. Adolescence 4. Prime	4. Maturity 5. Stability-Harvest	→ similarities with Timmons model	5. Growth through delegation 6. Growth through coordination 7. Growth through collaboration
Decline	8. Stable 9. Aristocracy 10. Early bureaucracy 11. Bureaucracy 12. Death	--	--	--

Source: own construction based on Zsupanekné (2011)

Lifecycle models show the life stages of the enterprises and organizations as a sequence of different stages, which are based on each other. These models not only determine the general features of the different stages, but also take the different operational and managing problems of each stage into consideration, the methods that help the enterprises to handle the transition periods more easily. The examined models show differences in their stages, namely in their main features, their number and their details.

The model of Adizes gives the different stages of the lifecycle compared to the human life stages. Its most important feature is that it gives the most serious problems and threats, which may endanger the enterprise of that age. In addition, the model of Adizes refers to the possible death of the enterprises.

The model of Timmons does not follow the classic life stages and does not give too much details of the lifecycle, and does not deal with the declining stage or the death of the enterprises. (Timmons, 1990)

Hisrich and Peters use the same characteristics as the Timmons-model, but they supplemented the pre-start up stage (i.e. incubation period) with more details. (Hisrich, 1991)

In *Greiner's model* there are different stages (like in Adizes' model) but it deals with only the company's growth and omits the declining or death stages. (Greiner, 1998)

Table 2: Comparison of different lifecycle models in the view of corporate growth (2)

Stages	Model of Jávör	Model of Kocziszky	Model of Szerb	Model of Salamonné
Stages of growth	1. Preparations 2. Formation 3. Market obtaining	1. Foundation 2. Growing stage	Synthesized models	
Rebirth and maturity	4. Slow growth 5. Preparations for breakaway 6. Accumulation 7. Signs of crisis 8. Consolidation 9. Diversification in profession 10. Diversification of capital 11. Formation of organisational network 12. Formation of political relations or network	3. Differentiation 4. Consolidation	--	--
Decline	--	--	--	--

Source: own construction based on Zsupanekné (2011)

The model of Jávör analyses the lifecycle in a very detailed way. The main concept of this model is to determine the as much stages as possible, and to pay attention for the different organizational problems of the different phases, and refers to the different signs of possible crises, which may endanger the growing process of the enterprises.

Kocziszky, in his model, call attention to that the length of each stages are influenced both by internal factors – decisions of the managers and owners – and external factors – e.g. macro environment of the companies. (Kocziszky, 1994)

Of course, many other authors have dealt with the analysis of corporate lifecycles, but in accordance with the extent and objectives of our research, the examined models may be considered sufficient.

MEDICAL RECORD

Medical record is used to describe the systematic documentation of the patients' medical history and care while staying in the hospital. The very first of the present type of medical record was introduced in the United States, in the beginning of the 20th century at the Mayo Clinic. Medical record has been in use since ancient times, but, their format was rather diary-like, showing the data and facts in time-series format.

The format of the medical record is determined by unwritten rules, some of them are generally used in different medical professions, other rules are more specialized in accordance with the local traditions of different hospitals or departments. A patient's individual medical record identifies the patient and contains information regarding the patient's case history. The medical record in every case should include the following data:

- the patient's personal data,
- the patient's case history,
- the patient's status according to his/her physical examination,
- the patient's medical history in chronological order since birth,
- the results of all examinations taken,
- the epicrisis, i.e. the summary of the patient's full case history.

The main objective of our research was to show how to apply the theoretical aspects of Adizes lifecycle model in practice; therefore, we prepared the medical record of a Hungarian construction enterprise for its different lifecycle stages, in which the most important characteristics and symptoms of the different stages were shown.

As it is well known, all living organisms have lifecycles, their main characteristics, life processes and behaviours may change with time. These features may be predicted, thus, the possible problems and threats may be treated or – in case of business organizations – managed. During the long history of medical science, several diagnostic methods and therapies were developed for the treatment of living organisms, this processes may be adapted for other organizations.

If the organization's lifecycles and the characteristics of the different stages periodic and/or can be predicted, the management will know what is the present stage of life of the enterprise, thus they can react precisely and make the needed actions for avoiding the problems and the possible threats. Table 3 shows a general medical record for the Prime stage.

Table 3: General medical record of „Prime” stage

Name:	Age: Prime
<u>Personal data:</u> - organizational structure; - functional systems; - balanced creativity at institutional level; - successful performance; - planning; - growing business; - separation of new organizations (at infancy stage) from the enterprise	<u>Symptoms, complaints:</u> - lack of well-trained professionals; - internal conflicts; - self-complacency.
<u>Immune system:</u> - permanent growing; - excellent performance.	<u>Missing symptoms:</u>
<u>Temperature:</u> - dynamic operation	<u>Therapy:</u> - rules and for encouraging activities; - decentralization; - encouraging entrepreneurship.

Source: own survey

According to the Adizes lifecycle model, each stage has the specific features and preferences for behaviour, resource allocation and leadership motives. The specific motives are necessary and inevitable in the given stage, but they may refer to abnormal function in another stage. In this paper, because of the limited extent of the paper – the medical record is presented only for the “Prime” stage of the selected enterprise, which is examined according to the model of Adizes.

In Adizes’ opinion (Adizes, 1992), the “Prime” stage is the most successful and favourable phase of the corporate lifecycle, when an organization is in its equilibrium position both in self-control and flexibility.

Table 4 illustrates the personal medical record of the examined construction company’s Prime age.

Table 4: Medical record of „Prime” stage

	Name: Construction company	Age: Prime (1997-2003)	
EVOLUTION	<u>Personal data:</u> <ul style="list-style-type: none"> - equilibrium status (control: flexibility); - successful performance; - growing business; - increasing revenues 	<u>Symptoms, complaints:</u> <ul style="list-style-type: none"> - difficulties in distribution of available capital; - centralized decision-making; - 2004: market saturation. 	REVOLUTION
	<u>Immune system:</u> <ul style="list-style-type: none"> - permanent growing (market expansion); - incentives system for project managers; - quality assurance (ISO 9001, ISO 9002) 	<u>Missing symptoms:</u> <ul style="list-style-type: none"> - separation of new organizations (at infancy stage) from the enterprise - no complaints about the lack of cash (result of the company’s activities) 	
	<u>Temperature:</u> <ul style="list-style-type: none"> - mild fever/fever (“golden age”) 	<u>Therapy:</u> <ul style="list-style-type: none"> - co-ordination between works undertaken, current assets and suppliers; - conservation, staying in the same stage. 	

Source: own survey

The examined construction company spent the longest period of its life in the Prime stage. An incentive system was introduced, quality management certificates were obtained during this stage, As a result of the professional knowledge, experiences and motivation of the leaders, the company could successfully react the changes of the market, thus both their revenue and market share increased.

The power and responsibility became balanced, the organizational structure was corrected. The number of employees increased to 300 persons, which was essential for the realization of the investments projects they applied successfully.

The lack of capital has not occurred, as the company had good connections and working relationship with different banks.

The company has got the ISO 9001 and ISO 9002 certificates, which certifies the permanent good quality of work and technology and, in addition, it could improve the competitiveness of the company.

The internal decisions also stimulated the growing process. An incentive system was introduced for the project managers. The leadership style was conscious; the brainstorming and ad-hoc decisions were not typical. The company could expand in the construction sector. In 2004, the cut of housing support caused a breakpoint of the company's growth, as it caused a significant decrease of the company's revenues. As a result of this breakpoint, new objectives, new strategy was determined for survival, namely, to survive the oversupply in the housing market.

The summarizing assessment of the medical records of the different lifecycle stages are has a significant importance for the company leaders, as by the help of these models the evolution and revolution features of the different stages could be recognized.

While the features of evolution may help the company to remain in the given stage or to step into the next developmental stage, the so-called revolutionary features may bring turbulent changes with negative impacts. The management of the revolutionary stages will basically determine the further development process of the company.

SUMMARY

In this paper on the case of the examined construction company, we identified the evolution and revolution stages of its corporate lifecycle. The results of our examinations showed that the different development stages are not separated sharply, but a transition period may be observed, while some of the features of the former stage will survive as residuum in the new stage. The formalized functioning could only be established gradually. The leaders of the company did not give up their power easily, so the centralised decisions were typical even in the Prime stage. Unfortunately, the company declared bankruptcy by 2009, which came into force in July, 2009. In our opinion, by the help of corporate lifecycle analysis the examined enterprise could have recognized the warning signs, and the liquidization process could have been avoided by establishing a new, appropriate strategy.

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