

Managing the Organization at the Stage of Growth: An Overview

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Abstract

It is always become a dream of every entrepreneur to witness the growth of their venture. Growing venture is a signal of success. However, there is not easy to manage the growth of every venture in the organizational lifecycle. The ability to manage the stage of growth by entrepreneurs will determine whether the venture able to reach other phases in the lifecycle or not. There are many considerations need to take into account if the entrepreneurs want to achieve the ultimate stage in the lifecycle and off course so many sacrifice need to be done for that. Careful analyses of fourteen articles with different themes on organizational growth yield some insights on issues prevalent in the matter. Finally, this paper proposes an integrated model for the suggestions on how business venture could manage those growths. The suggestions are constructed based on insights drawn from the analyses of the articles. The suggested strategies may be used as a guide for any business ventures and may be useful tools for consultants to use in handling tasks relating to the managing of the stage of growth in the organizational lifecycle

Keywords: *organizational lifecycle, stage of growth, strategies*

INTRODUCTION

The first challenge for entrepreneurs who wish to grow their organizations is to understand what phase of the *organizational life cycle* their venture is in. The organizational life cycle is the life cycle of an organization from its creation to its termination. It also refers to the expected sequence of advancements experienced by an organization, as opposed to a randomized occurrence of events. Marek Matejun and Zdeněk Mikolášzdenek (2018) found that, the relevance of a biological life cycle relating to the growth of an organization was discovered by organizational

researchers many years ago. This was apparent as organizations had a distinct conception, periods of expansion and eventually, termination.

Boeker & Wiltbank (2005), Donald, John, Shawn (2003), Dodge & Robbins (1992), Hansen & Hamilton (2011) agreed that, organizational lifecycle is similar to human lifecycle. Like other human and other living things, the organization creates, develops and changes. It goes through the growth, crises and eventually dies. There are many ways to describe the organizational development. Thus this paper will look into that matter by discussing the strategies of managing the stage of growth in any business ventures.

Stages in organizational lifecycle

Rahmanseresht & Yavari (2017), Sloan, Klingenberg & Rider (2013), Marek Matejun and Zdeněk Mikolášzenek (2018), Donald, John, Shawn (2003) claimed that, generally, there are five stages to an organization's life cycle. They are existence, survival, maturity, renewal and decline.

Stage 1: Existence

This first stage in the lifecycle of any organization is also commonly known as the birth or entrepreneurial stage, "existence" signifies the start of an organization's expansion. The main importance is centered around the acknowledgement of having an adequate number of customers to keep the organization or business active (Sloan, Klingenberg & Rider, 2013).

Stage 2: Survival

Sloan, Klingenberg & Rider (2013) mentioned that, at this stage, organizations look to pursue growth, establish a framework and develop their capabilities. There is a focus on regularly setting targets for the organization, with the main aim being to generate sufficient revenue for survival and expansion. Some organizations enjoy adequate growth to be able to enter the next stage, whilst others are unsuccessful in achieving this and consequently fail to survive (Zdeněk Mikolášzenek, 2018).

Stage 3: Maturity

This stage signifies the organization entering a more formal hierarchy of management (hierarchical organization). A frequent problem encountered at this stage would be those associated with "Red Tape". Organizations look to safeguard their growth as opposed to focusing on expansion. Rahmanseresht, & Yavari (2017) found that, at this stage, the Top and middle level management specialize in different tasks, such as planning and routine work respectively.

Stage 4: Renewal

According to Barbero, Casillas, & Feldman (2011), the success organization will pursue the following stage which is the renewal. In this stage, the organizations experience a renewal in their structure of management, from a hierarchical to a matrix style, which encourages creativity and flexibility.

Stage 5: Decline

This stage initiates the death of an organization. The decline is identified by the focus on political agenda and authority within an organization, whereby individuals start to become preoccupied with personal objectives, instead of focusing on the objectives of the organization itself (Barbero, Casillas, & Feldman, 2011). They claimed that, the stage slowly destroys the functionality and feasibility of the entire organization and this will be the end of any business venture.

Strategies to manage the stage of Growth

Past researchers have outline and proposed nine (9) useful strategies to overcome and possible pitfalls in managing the stage of growth. It is highly recommended to entrepreneurs of new venture to alert on these strategies and to the existing business entrepreneurs who are facing with the stage of growth, these strategies need to be taken into consideration to facilitate the growth of their venture.

Define the growth objectives.

It is crucial for entrepreneur to understand the purpose of the growth and expansion. The understanding or having knowledge on the purpose or objective of growth may help the entrepreneurs to clearly manage various important activities that need to be taken into consideration when growing such as the decision on the necessary capital to finance growth, cash flow management, assets liquidity management, expansion speed control, inventory management, growth purpose whether for profit or merely for growth in market share, the receivable collection management as well as the management team competencies (Gupta, Guha & Krishnaswami, 2013).

Do a growth diagnosis of the company.

Fundamentally this is about analyzing how entrepreneurs manage their company and how to gain more control over the aspects of their business that affect their cash flow. Generally, a comprehensive growth diagnosis includes an analysis of

their sales, overhead, receivables, inventory and assets (Gupta, Guha & Krishnaswami, 2013).

At this stage, it is crucial for entrepreneurs to assess whether their inventory and capital assets are absorbing too much of their cash flow, if they do, they have to quickly take the necessary steps to tightly control them. Rahmanseresht,& Yavari (2017) agreed that this will help those entrepreneurs to correctly define their refinancing requirements and help them to avoid future liquidity problems.

Ensure your growth is sustainable.

In the growth of stage, the entrepreneurs need to be certain that their company is not undergoing seasonal or one-time-only growth. Rahmanseresht,& Yavari (2017) said that, the growth may take longer time and they need to maintain and manage the growth so that the venture or business could climb healthily in the lifecycle to the peak of victory.

Prepare a growth strategy.

Rahmanseresht,& Yavari (2017) claimed that, It is highly recommended to entrepreneurs to prepare a growth strategy. This strategy which will enable entrepreneurs to understand the risks and opportunities for their company is facing. Their strategy is a result of looking closely at internal resources, the market, the economy, competitors, marketing and distribution channels and demographics.

Forecast your cash requirements.

Merz, Weber & Laetz, (1994) and Wright & Stigliani, (2013) found that, in the growth stage also, it is crucial for entrepreneurs to forecast their cash requirements by doing an analysis of their cash inflow and outflow of the venture. This will enable them to determine future cash requirements. Knowing this, entrepreneurs could look at their current financial situation and assess if it is possible for them to make improvements. Entrepreneurs also may be able to get additional financing for working capital, restructure the venture's debt or convert unused assets into cash.

Analyze receivables and payables.

Furthermore, in the growth stage, entrepreneurs are required and highly recommended to analyze receivables and payables of their venture purposely to see how they can improve their liquidity problems. As for the receivables, Wright & Stigliani, (2013) suggested that, in order for the entrepreneurs to improve the way they manage their receivables, expert suggested that they should frequently check and monitor the clients' credit, follow the clear payment terms, use and follow the

right collection methods, resolve problems quickly, monitor the collection time and take the right means for substantially overdue accounts, such as freezing accounts and dormant accounts. Moreover, Rahmanseresht, & Yavari (2017) said that those entrepreneurs have to identify whether the credit policy they are implementing doesn't affect the cash flow. If it affects, they should think of ways of reducing the collection time. On the other hand, for payables, entrepreneurs need to check the amount of commercial credit they received from suppliers as well as the interest. Furthermore, entrepreneurs also need to be aware of the due date of paying the suppliers and thinking also about the terms or agreement with suppliers such as the methods of payment, the possibility of getting extension for the commercial credit they have made with those suppliers.

Control costs.

At this growth stage also, it is mandatory for the entrepreneurs to control costs through cautious planning (Levi & Lichtenstein, 2010). They said that entrepreneurs should consider using a severe streamlining system that addresses venture overhead such as the rent, equipment, human resources, office supplies, and many more. In order to sustain the growth stage and climb to the upper ladder of the lifecycle, they need to be sure they have set concrete goals for cost-cutting, assign somebody accountable and secure employee buy-in to help reduce costs. Be particularly careful about maintaining cost controls during growth spurts where businesses often splurge with spending. According to Merz, Weber & Laetz, (1994) and Wright & Stigliani, (2013), if entrepreneurs successfully in controlling the cost, they will success in managing the stage of growth.

Control debt.

Blackburn, Hart & Wainwright (2013) in the research titled "Small business performance: business, strategy and owner-manager characteristics" claimed that, in order to sustain in the growth stage and climb up to the next stage, the entrepreneurs must be able to control the venture's debt to ensure that the lenders will continue to consider their ventures as a viable client and give them the financing that they need to meet their needs. Experts always remind us that the high-growth companies can be risky for financial institutions. Thus, if they are, it is highly recommended for entrepreneurs to look for alternatives to conventional debt financing (Gupta, Guha & Krishnaswami, 2013). As an example, entrepreneurs could try to negotiate for better payment schedules with suppliers, or look at leasing instead of buying assets (Boeker & Wiltbank, 2005).

Refinance.

Levie, J., & Lichtenstein, B. B. (2010), Merz, G. R., Weber, P. B., & Laetz, V. B. (1994) and Wright, M., & Stigliani, I. (2013) mentioned and suggested that, after analyzing the venture, the entrepreneurs will be better able to examine their payment procedures. According to Rahmanseresht, & Yavari (2017) in their research titled "Relationship Life Cycle of Organizational and Leadership Styles" found that refinancing can help reduce their monthly payments by rescheduling the debts and spreading their payments over a longer period. It is important to notice here that, a refinancing application is very similar to a financing application. In both cases, the lender establishes certain debt repayment conditions, which entrepreneurs must be able to fulfill. If they failed to demonstrate their repayment ability, the lender cannot assume the risk alone (Barbero, Casillas, & Feldman, 2011).

CONCLUSION

Knowledge on organizational life cycle is an important for entrepreneurs because of its premise and its prescription. The knowledge premise is that requirements, opportunities, and threats both inside and outside the business firm will vary depending on the stage of development in which the firm finds itself. For example, threats in the start-up stage differ from those in the maturity stage. As the firm moves through the developmental stages, changes in the nature and number of requirements, opportunities, and threats exert pressure for change on the business. Based on the above discussions, we noticed that every business organizations move from one stage to another because the fit between the organization and its environment is so inadequate that either the organization's efficiency and/or effectiveness is seriously impaired or the organization's survival is threatened. The awareness on the strategies needed to manage the stages of growth in the lifecycle prescription is that the firm's managers must change the goals, strategies, and strategy implementation devices to fit the new set of issues. Thus, different stages of the company's life cycle require alterations in the firm's objectives, strategies, managerial processes (planning, organizing, staffing, directing, controlling), technology, culture, and decision-making. Five growth stages are observable: birth, growth, maturity, decline, and revival. They traced changes in the organizational structure and managerial processes as the business proceeds through the growth stages. At birth, the firms exhibited a very simple organizational structure with authority centralized at the top of the hierarchy. As the firms grew, they adapted more sophisticated structures and decentralized authority to middle- and lower-level managers. At maturity, the firms demonstrated significantly more concern for internal efficiency and installed more control mechanisms and processes. Therefore, if the

entrepreneurs able to manage the stage of growth of every stages in the lifecycle, it will be able to sustain the market and surely maintain profitable.

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