



Life Cycle Stages

Infancy

Infancy begins the moment financial risk has been undertaken and the Founder quits her paying job, signs the loan documents or promises 40% of the company to outside investors.

Infant organizations are necessarily action-oriented and opportunity-driven. The focus instantly changes from ideas to action. The time for talking is over. It is time to get to work and produce results (sales and cash). Like a real baby, Infant organizations need two things to survive: 1) periodic infusion of milk (operating capital), and 2) the unconditional love of their parents (Founder(s)).

Like a newborn baby learning to walk, performance in Infant organizations is inconsistent. Unexpected crises appear with little notice. Because Infant organizations lack systems, it's easy for them to get into trouble. Moving from one crisis to the next is normal. The Founder and all employees constantly test the limits of their endurance for work, stress and confusion. Employees are often attracted to Infant companies for reasons that go far beyond money; and their loyalty to the team often extends beyond the struggling Infant's ability to pay them. They end up working seven days a week and sleeping under their desks but still there is not enough time and talent to do everything that must be done.

Lack of activity and stress can be a sign of an Infant in trouble.

When you don't know what you're doing, it is difficult to delegate. Most Infant Founders are unable to spread the work effort for critical tasks. This lack of delegation is an important control for the Infant organization. Systems and information are usually very scarce so the only way a Founder can control many outcomes is to do the work themselves. Once a task becomes routine, it can then be handed off to others. Being a one-person show makes the Infant organization highly dependent on its Founder. If the Founder is injured or killed, the company often dies too.

Like newborn babies that need to be fed every two hours, most Infant organizations consume large amounts of food (cash) with very little to show for it (sales). Cash for Infants come from external sources (investors and bankers) and internally generated sales. Infants that are not properly capitalized from external sources create the cash they need by chasing any and all sales opportunities uncovered. This approach to funding can create problems if the company is repetitively forced into accepting work that distracts them developing their core business. Sometimes it turns out that this "distraction" really is the core business.

Sales are useful for cash generation purposes, but their real value to the Infant organization is the market's validation of their new product or service. Ideas from demanding prospective beta testers and customers are needed by the Infant to complete the development of their innovative new products or services. Failing to sell to key accounts is an abnormal problem that will quickly lead to cash starvation, lack of continued interest from financial backers and the emotional collapse of the Founder.

Problems of Infancy

Normal problems

Customers experience problems with the product or service.

Struggle to complete product or service.

Chasing sales to generate cash that are not related to core business.

Initial product or service concept fails and is replaced by another.

Few procedures, rules, policies, or systems.

Founder and others make mistakes.

Management by crisis.

Hands-on leaders deeply involved in day-to-day sales and operations.

Lack of managerial depth.

1-person show. No delegation.

Fast decision-making, some details missed.

Benevolent dictatorship.

Investors look over the shoulder of the Founder and management team.

Founder's commitment tested.

Work life put stress on family and home life.

Negative cash flow.

Under capitalized, or over-capitalized.

Abnormal problems

Product or service is rushed into the market before it is ready.

Caught up an "excess perfection" syndrome making endless product improvements without market validation.

Unable to close reference accounts and obtain key footholds in marketplace.

Unable to respond to product failure and develop more successful approach.

Rigid set procedures, rules, policies and systems.

No tolerance for error.

Repeating same mistakes over and over.

Leaders out of touch with day-to-day reality.

Can't attract needed talent in key positions.

Control spread over too many people.

Slow decisions, paralysis by over-analysis.

Dictatorship. Founder not listening; arrogant.

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Unsupportive investors and board.

Founder's control is taken away.

Non-supportive spouse and family.

Unsustainable negative cash flow.

Funds spent on non-mission critical marketing, equipment and facilities.

Pathologies of Infant Organizations: Infant Mortality

Infant mortality occurs if the company is unable to continue to fund its negative cash flow, makes a mistake that results in an irreparable loss of liquidity, or if crucial founders lose their commitment and interest in their baby. A prolonged Infancy can also create mortality when the Founders finally realize that after years of struggle they have very little to show for all their hard work and suffering, and decide to hang it up.

Prescription For Infant Success

Companies in their Infancy require a strong arm to keep them on course. What is needed is a Founder that can galvanize and unite the efforts of his/her employees by providing clarity, certainty and security in the face of overwhelming uncertainty and lack of clarity. Infant companies do not progress swiftly without leadership that is strong, decisive, and fair.

Infant companies need more sales, more production, more improvements, more effort and more focus. Everyone in an infant company must be action-oriented and driven by an unquenchable thirst for results. The Founder must lead by example and be involved in the minute details because they often know more about their products, markets, and customers than anybody else. Infancy is not a time to work on decentralization of authority or consensus decision-making. It is crucial that Founders make every major decision until the company stabilizes itself with repeat sales to key accounts, positive cash flow, and increasing demand. The Infant needs autocratic, centralized decision-making, however, this same leadership style will inhibit the healthy development of a Go-Go company.

Infant organizations can also benefit from judicious use of people outside the organization that are capable of accomplishing crucial tasks such as selling to key customers, raising capital or recruiting key talent. Staffing the board with friends and relatives is a good idea only if they can also take on meaningful work. Founders who give away too much equity in their Infant companies may live to regret their generosity when they get to Adolescence and lose control or find their ownership positions severely diluted.

Well-intended investors and advisors may counsel Infant organizations to spend more time analyzing and predicting their financial needs, improving sales forecasting and projecting staffing requirements. While it is important for a Go-Go organization to develop these skills, attempts to transform an Infant organization into a more structured and predictable organization are premature and often harmful.

When an Infant company finally establishes its products or services with key "reference" accounts in the marketplace, and begins to enjoy strong demand, consistent sales growth and a healthy cash flow from sales, the organization transitions into the next stage of its lifecycle: Go-Go.

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