



Life Cycle Stages

Aristocracy

As organizations enter Aristocracy they characteristically:

- Are cash rich and have very strong financial statements.
- Have reduced expectations for growth.
- Demonstrate little interest in conquering new markets, technologies, and frontiers.
- Focus on past achievements rather than future visions.
- Are suspicious of change.
- Reward those who do what they are told to do and punish those who do not.
- Are interested in reducing their risks.
- Invest much more on control systems, benefits, and facilities than they do on R & D.
- Form dominates function in the organizational climate. More emphasis is placed on how things are done, than what was done.
- Value uniformity, consistency and formality in dress, decorum, and behavior.
- Employ individuals who are concerned about the company's vitality, but are willing to abide by a "don't make waves" operating motto.
- Engender only negligible innovation with internal efforts.
- Acquire other products or companies for new products, markets, and entrepreneurship to feed into their distribution channels and operating systems.
- May be takeover targets themselves.

The effects of the steady decline in flexibility, which began in Prime, start to become more obvious in Aristocracy. Because it has neglected to pursue long-term opportunities, the company's focus becomes increasingly short-term. For the most part, its goals are financially-oriented and low-risk.

With less of a long-term view, the climate in an Aristocratic organization is relatively stale. What counts is not what people do, but how they behave. Working within the system, supporting the status quo and not making waves, are the most important contributions. The actual accomplishments of its leaders, or lack of same, are becoming less and less important.

Aristocratic organizations exhibit a very characteristic set of behaviors. How people dress, where they meet, the facilities they own, how they speak to each other, handle conflict and make decisions are remarkably different from the other stages on the lifecycle.

Dress Code: In an Infant company, if you can do the work, you can wear your clothes inside out. By the time the company is a Go-Go, people start wearing suits and sport coats with ties,

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but there is no hard-and-fast dress code. Prime companies require their people to be professional in the way they look and the way they act. By the time the organization reaches Aristocracy, only the requirement to look professional remains. The conservative uniformity of the Aristocratic culture is reflected in a conservative uniformity of dress. Everyone dresses as if going to a wedding or a funeral.

Meeting Rooms: In the boardroom of a typical Aristocracy, you will find a huge, highly polished, dark wood table surrounded by matching plush chairs. The carpet is thick. Lighting is subdued, and the windows are heavily draped. From the paneled walls, a larger-than-life portrait of the unsmiling Founder looks down on the room, as if warning everyone to remember his or her place. Ornate works of art cover the other walls. The roar of silence in the room is deafening. When an outsider comes into the room, the dim lights, the uniformly dark suits, the somber portrait of the Founder collectively scream "Don't make waves!" How can they possibly tell corporate leadership, "Hey, guys, we are losing market share."

Facilities: Opulent meeting rooms are just a part of the Aristocracy's investment in facilities. In the absence of low-risk investments to fund growth and research, Aristocracies invest in their facilities. They commonly build huge edifices that reinforce their exalted position in the marketplace. Just the square footage of the dramatic entrances and imposing empty corridors could adequately serve the space needs of several Infant companies. The president's suite, with its exotic wood paneling, private Italian marble bathroom, liquor cabinet, executive dining room, and adjoining secretary's office, probably cost more than the company paid for all its facilities back when it was a Go-Go.

How They Address Each Other: People in Infant and Go-Go organizations address one another by first names or nicknames. The names people use for one another in an Adolescent company are not fit for print. When an organization reaches Prime, both first and last names are commonly used. By the time the organization has reached Aristocracy, people speak to each other almost exclusively with last names. It's Mr. Smith and Ms. Jones. They may be Bob and Mary inside their offices, but in meetings, they address each other formally.

Verbal and Written Communications: In Aristocracy form is more important than content, the medium is the message. People speak slowly and softly, and overuse visual aids and written handouts. Extensive notes are taken that read like a trial transcript. During meetings, people hedge, using endless strings of double negatives and qualifiers. "It seems that, under certain circumstances it may be assumed, however, on the other hand, and not necessarily so, we might conclude that..." One leaves wondering what the person was really trying to say. If privately you ask someone to explain what the person was saying, he might tell you, "They said we are losing market share." "Well, why didn't they just come out and say that", you ask? They won't because that is not the way Aristocracies handle problems.

Dealing with Problems and Conflicts: The way managers of an Aristocracy deal with problems and conflicts is well illustrated in the film, *The Garden of the Finzi-Continis*. This 1971 classic examines the behavior of an aristocratic Italian-Jewish family just prior to World War II. When the Italian Fascists started to persecute Jews, the Finzi-Continis refused to believe that anything serious could happen to them. "We've been here for a long time," they said. "We are one of the most distinguished families in Italy." So they continued to play tennis behind the high walls of their estate, and eat in their chandeliered dining rooms, pretending that it was business as usual. While individually each member of the family was terrified, as a group life went on as always. Enchanted with their past, they were paralyzed to deal with their future. The

group dynamics overpowered individual fears. The Aristocratic corporation behaves similarly. Hidden in their opulent high-rises, the managers of Aristocracies are individually worried about the company and their future. In meetings, however, none of them would think of assertively voicing their apprehensions. When a consultant confronts management and points to the threats, they are prone to reply, "Don't worry, we've been here long enough. They need us. We have a name, tradition, and know-how." Privately they may agree with the consultant, but publicly they will not support him.

In this way, leaders of Aristocratic company's collectively deny the current reality. While it is losing market share and increasingly incapable of competing, managers maintain their business-as-usual attitude. They feel obliged to sustain the company's track record. "We must distribute dividends. We cannot afford to disappoint the widows and orphans who trust us." To maintain this performance, Aristocracies generally increase growth and increase profits by raising prices and cutting costs. The constant price increases threatens customer loyalty and the Aristocratic company starts to become vulnerable. If it continues to raise prices, it is effectively throwing gasoline on its own fire.

Weak Decision Making: Leaders of Aristocratic organizations, whether in government or business, behave as if they have a great deal of control over their organizations. In private, they know that they can do very little, but in public they act as if they can do a lot. The truth is that there are so many committees that need to agree, and so many, many interests that need to be appeased, that it is almost impossible to implement any significant changes in an Aristocracy. Their leaders are limited to only what politics allow them to do. As their companies continue to age, this inability to have a real impact gets even worse.

Mergers and Acquisitions in Aristocracy

Aristocracies are also unique in the nature of their merger and acquisition activity. Aristocratic organizations are cash-heavy. Their financial statements are strong and highly liquid. The prevailing sense of organization-wide complacency overpowers the aspirations of any aggressive individuals. People have learned the hazards of proposing risk-taking endeavors. As a result, internal business units make few demands on this cash. Instead of organic growth, the company uses its cash to grow by acquisition.

When they go shopping, what kind of companies do Aristocracies buy? Not Infants, "They're too young and risky!" Not Adolescents, "They have too many problems!" Not Primes, "They're too expensive!" Aristocracies normally buy Go-Go companies. Go-Gos with their new technologies in growing markets are very attractive, and the Go-Gos, tired of trying to get organized and having to grow using their own limited resources, are receptive. They believe the Aristocracy will make their lives easier because it is bigger, richer, and more organized. Unfortunately, what the Go-Go generally finds out is that every time they want to make a move, they have to submit a 50 page business plan to a committee and spend countless hours defending their projections to accountants that don't understand their business. By the time the Aristocracy gets around to making up its mind, the opportunity has passed and the Go-Go is too late into the market. It doesn't take long for key managers of the Go-Go to realize that the only thing you get from kicking an elephant is a sore foot, so they leave. They may be required to hang around by an employment contract, but even if they are still in place, emotionally they have left and are just biding their time.

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Cash-heavy Aristocracies are not always the acquirers. They are sometimes the takeover targets. What kinds of companies find Aristocracies attractive? You guessed it, Go-Gos. This is particularly true of Go-Gos that are well regarded by the financial markets and therefore have access to large amounts of capital. With the combination of money, the burning desire to grow, and the arrogance of their self-belief, Go-Gos have limitless appetites. When a Go-Go acquires an Aristocratic organization, it is like a small snake swallowing a large gopher. Digestion generally takes a very long time. The Go-Go often becomes overwhelmed by the problems of the Aristocratic organization. They discover that after taking the cash, what remains is only an aging Aristocracy that is racing towards bankruptcy. To correct this problem, Go-Go management may introduce sudden and forceful waves of change that often paralyze the Aristocrats, making the situation even more difficult. While it is choking trying to digest its latest prey, the Go-Go may sacrifice its own internal development and put both companies in jeopardy.

The Silence Before the Storm

The product lines of companies in the advanced stages of Aristocracy are out-of-date. The clients know it, the sales people know it, and even the senior executives know it (privately). Yet the problems of the future are not yet pressing. The company is still liquid and profitable. Management holds endless meetings discussing the situation but nothing much happens. Everyone seems to be waiting for someone else to do something. Taking action now means making waves and becoming embroiled in political fights that may not be necessary. Who knows? Government policies might change, the competition could go broke, or our customers might change their tastes. Maybe these problems will all go away. It could happen.

Gradually the stale atmosphere of the Aristocracy is replaced with an impending sense of doom. Some companies try to lift morale by awarding gold medals for obscure achievements or by holding seminars in resort hotels where most of the time is spent vacationing, not working. Others deal with the overpowering sense of impending calamity by getting busy building even more elaborate facilities that are not needed. In an effort to save their necks, many people leave. Lacking attractive opportunities, those who cannot leave, accuse the deserters of disloyalty.

Desperate over continually declining market share, revenues, and profits, the Aristocratic organization enters Recrimination. This is not a gradual transition. It is quick and forceful. The Aristocracy has been covering its problems with price increases and acquisitions for a long time. The organization has expended all the goodwill it has so painstakingly accumulated from its Infancy. The artificial facelifts and price increases stop working because they are not a substitute for providing real new value and satisfying new market needs. The day of reckoning arrives when the financial reports finally reveal the true weakness of the company. The truth spreads rapidly. The company incurs the scorn of Wall Street. Stock prices drop like a rock, key accounts bolt to the competition and bankers won't return phone calls. When this happens, the gloves come off. Knives are drawn, and the fight for survival begins.

Caution! You are entering Recrimination.

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