Adolescence

During the Adolescent stage of the organizational lifecycle, the company is reborn. This second birth is an emotional time where the company must find a life apart from that provided by its founder. This critical transition is much like the rebirth a teenager goes through to establish independence from their parents.

The Adolescent company teeters on the brink of both success and disaster. So long as the Adolescent company does well, investors and the Board regard the Founder as a genius with a golden touch. However, when the infrastructure collapses, sales slow down, costs mushroom or profits decline, the finger pointing begins in earnest. The Founder, accustomed to the magic of adoration, is instantly transformed into a goat who is no longer up to the task of leadership.

Adolescence is an especially stormy time characterized by internal conflicts and turf wars. Everyone seems at odds with everything. Sales fall short or exceed production's estimates, quality is not up to customer expectations, and old timers plot against the new hires.   Emotions are volatile and organizational morale traces a jagged line: ecstasy in one quarter, depression and dejection in another. Throughout the organization, people are busy tracking the real and imagined injustices they have suffered, which they nurse with great care. The Founder's safe conduct through this tempest is by no means guaranteed. If these conflicts are not resolved, Adolescent companies can find themselves in Premature Aging that can lead to the early departure of entrepreneurial leadership, or the professional managers leading to pathologies called Divorce or Premature Aging.

Why is the transition from Go-Go to Adolescence so difficult? There are three principal challenges:

1. Decentralization of authority.
2. Change in leadership from entrepreneurship to professional management.
3. Goal displacement.

Decentralization of Authority

In moving to Adolescence, a Go-Go must transform itself from an absolute monarchy to a constitutional monarchy. It is rare that a king voluntarily yields his absolute powers. Such changes are (usually) accompanied by revolutions. The revolution erupts not just because the king loves power and does not want to relinquish it, but also because he has developed behaviors that are no longer be relevant, and he has trouble changing his behavior to fit the new environment.

Founders generally know that they need help managing their Adolescent organizations.   They, and their families, are painfully aware that there is not enough hours in the day for them to still manage their organization as a one-person show.   They want to decentralize, but fear loss of control and/or major mistakes. It is also often true that the people already in-place lack some of the skills and experience needed to succeed with their decentralized responsibilities. One careful step at a time, the leaders of Adolescent organizations must learn to develop their people and decentralize control. Often Founders dole out new levels of responsibility only to re-centralize authority at the first sign of trouble. This tendency can quickly become abnormal if the behavior persists despite having capable employees.

Most founders struggle to make this difficult leadership transition. In despair, they often bring in professional managers from the outside to take over the responsibility for decentralization, so that they can return to work they enjoy. Struggling Founders who do not do this voluntarily may find themselves pressured to bring in a replacement that is better suited to the new leadership role. If the Founder still owns enough stock, they can survive by getting promoted to CEO and Chairman, while a more professional manager comes in to run the company. Founders sometimes bring in new leaders only to then sabotage the new regime by refusing to relinquish meaningful control. It also does not work for the Founder to turn their back on the company and abdicate control to the new regime.

Change in Leadership-From Entrepreneurship to Professional Management

Bringing in a professional manager changes the leadership of the company. The new manager must be a real leader, not another gopher brought in to carry out the Founder's instructions. Their job is to take over from the Founder and drive the company to become more thoughtful and less intuitive in the way it manages itself. The Adolescent company must become opportunity-driving rather than opportunity-driven. The new leader's most critical job is to ensure that the processes, procedures, policies, structures, systems, goals and compensation needed to support long-term growth and allow effective decentralization are put in place. This new leadership requires a careful touch. An over-emphasis on control can bring the Adolescent organization to its knees and stagnate growth. The organization must learn how to balance control while continuing to nourish its entrepreneurial spirit.

The new leader says "No! No! No!" to a company used to hearing only "Go! Go! Go!" from its Founder. It doesn't take long for the Founder and everyone else to discover that the new "hired guns" are not like them. The common reaction from a Founder is “This guy is not like me.” “If I had run the company the way he does, we never would have gotten this far." Such logic can start a revolving-door syndrome where the professional managers get fired because they "don't fit in." The Founder searches and searches for "someone like me," who at the same time “can do the things I cannot do”. They are looking in vain for someone that does not exist: a pilot who can fly a submarine. What they must realize is that for this critical transition, Adolescent companies don't need leaders like their Founders; they need new people that are different and can complement the Founders' style.

When the new “professional” managers come in they usually inherit a situation that is somewhat chaotic and disorganized. Everyone and his brother report to the Founder for one reason or another. The compensation system is a patchwork of special deals. Important processes, procedures and policies are poorly documented. In the absence of documents, this key information exists in the brains of the people that have been with the company the longest. These old-timers therefore have substantial power. Into this environment, enter the new managers charged with "professionalizing" the organization. Their efforts to introduce change are seen as direct attacks on the existing seats of power. New incentive systems that remove personal bias in favor of objective rewards based strictly on performance arouse opposition from the old-timers who risk losing their special deals. In defense, the old power structure bypasses the new chain of command, going directly to the Founder to complain about the new bosses.

1. "They are ruining morale."
2. "She doesn't understand how this company works."
3. "He is going to destroy this company."
4. And the ultimate blow: "He doesn't do it as well as you do."

The new managers face opposition everywhere they turn. Whom does the Founder support? Probably not the new guys. Instead, they stick with the old-timers who carry the same scars and are loyal to the Founder. If this happens, the new guys are forced to resort to bringing in their own supporters to outflank the "old boys". Sides are chosen and guerrilla wars prevail, creating a we-versus-they culture. Often, the Board of Directors gets caught in the middle.

The power struggles are exacerbated by the behavior of the Founder who is the first to violate the new policies and procedures. The old-timers watch this "game." When the Founder sets the example with the first violation, they assume that all the new rules are subject to violation. Guess who gets called on the carpet to explain why the new budgets, rules, and policies are not being followed? Of course it's the professional manager. Such treatment is enough to cause the new leaders to develop a strong persecution complex, as well as intense dislike for the Founder and her buddies. The professional manager sees herself in a no-win situation and begins to wonder why she accepted the job in the first place. She feels impotent, exhausted, disliked, and completely unrecognized for her contributions.

In some companies, the opposite leadership situation exists. The Founder, the Board and most key employees agree that a transfer of leadership is absolutely necessary. The new leaders come in and immediately take over complete control. The Founder is forced to abdicate the throne and is relegated to the back seat. Because Adolescent companies usually have no systematic way to make decisions or make course corrections, this can lead to a dangerous situation where the new managers go on shopping sprees: buying new people, hardware, software, and consultants all in the name of "professionalizing" the organization. While some controls are undoubtedly needed, the revenues of the Adolescent may not support such profligate spending. If this happens, the Founders feel the pain of having their company hijacked and headed for disaster. They are prevented from getting involved and forced to just sit in the back seat and watch their companies get ruined.

The pain of raising an organization in Adolescence is very real and often prolonged.

Displacement of Goals

A further complication is the need to transition to a new set of goals. In early Adolescence, company goals as well as the management information and compensation systems all generally reinforce the Go-Go's emphasis on growth and sales. In Adolescence, the company must change from the Go-Go's "more-is-better" goals to "better-is-more" goals. Profitability emerges as the most important goal for the organization. Instead of working harder, the Adolescent company must learn to work smarter. Growth and new sales are desired only to the extent that they also have higher profitability. Adolescent companies can end up reducing revenues for a period of time as the company pulls back from low margin business.

This significant switch in goals must be implemented through a complete overhaul of the structures, management information, resource allocation and reward systems of the Adolescent organization. This transition looks easy on paper, but in reality it is very difficult. Almost everyone in an Adolescent company wants the business to run more smoothly, but they do not see the problem as their own department. "My department's fine. Go work on sales, that's where the problems are."

Problems of Adolescence

Normal problems

Heated conflicts. Low morale.
We/They infighting between newcomers and old timers.
Temporary loss of vision and confusion of goals.
Founder's acceptance of organizational sovereignty.
Incentive systems rewarding wrong behavior.
Yo-yo delegation of authority.
Board of Directors' attempt to exert controls.
Love-hate relationship between the organization and its entrepreneurial leadership.
Founder struggles to change leadership style.
Entrepreneuring roles monopolized by Founder.
Infrastructure under upgrades and reconstruction.
Insufficient delegation and decentralization.
Lack of profit-based scheme.
Rising profits, flat sales.
Reduced emphasis on sales.

Abnormal problems

Permanent loss of trust or respect.
Loss of key personnel.
Internal issues cause consistent loss of market focus.
Founder's removal.
Inability to migrate compensation to profit-based system.
Organizational paralysis during endless power shifts.
Board's dismissal of the entrepreneurial leader.
Founder's refusal to change, or delegate control to others better suited to the task.
Unchanging, dysfunctional leadership style.
Inability to decentralize to others.
Imposition of excessive and expensive controls.
Profit responsibility delegated without capability to manage it.
Excessive salaries to retain employees.
Rising profits, falling sales.
Reduced investment in entrepreneurial development.

Pathologies of Adolescence: Divorce or Premature Aging

The major Adolescent changes in decentralization and the need for a new leadership and new goals collectively results in conflict, with a capital "C". This conflict exists between;

- Old-timers and newcomers.
- Founders, Professional Manager(s) and the Board.
- Founders and their long time employees.
- What is best for the company versus what some individuals see is best for them.

To deal with this conflict, the energy that used to be focused externally is now turned almost totally inward and is consumed by endless turf wars and in fighting. Both management and employees gravitate into factions for, and factions against, almost every important project, system, or person. Over time this pain will result in unwanted turnover;

- "It's not fun anymore."
- "We've forgotten why we're here. We're only fighting."
- "I wish I was back working with clients and products."

Adolescent pathologies occur when the fighting gets so bad that one party suffers irreparable damage to their trust and respect and can no longer effectively serve the company. The other parties finally decide that the only way to move forward is to eliminate the opposition. The most painful pathologies occur when the breakups involve family—spouses, parents, children, and other relatives. When the lawyers are called in, close families break up, and people stop talking to each other.

If the Founder regains control, they sack the professional managers. This is called a Divorce and generally causes the company to slip back into the Go-Go stage or Founder's Trap, become an Unfulfilled Entrepreneur. If the more powerful, better-organized faction turns out to be the Professional Managers (often in alliance with the Board of Directors), the Founder is squeezed out. When the entrepreneurs leave (many of them will leave with the Founder) and the numbers people take over, the company usually becomes more efficient, but less effective. After awhile, growth stalls and the company degrades into Premature Aging. The optimal solution is for both parties to resolve their differences and work together. Intervention by an external consultant to precipitate this reconciliation process is often needed.

Prescription for Adolescent Success

To succeed in Infancy and Go-Go, companies must remain loose and flexible, ready to change direction and grasp emerging opportunities at a moment's notice. To succeed in Adolescence, companies must improve their controls. The "house-of-cards" infrastructure must be replaced with a scalable solution that can support the current and future growth of the company. The challenge is to implement these controls in a way that does not smother the entrepreneurial spirit. This is a delicate balancing act because too much flexibility will also prevent the Adolescent company from reaching Prime. To speed up the development of their infrastructure, many Adolescent companies opt to automate their processes, procedures and controls. Although automation can be great, it can also get the Adolescent company into more trouble if the effort is focused on automating what is , instead of what should be . Many times, we have had to insist that our clients delay their automation projects because they were heading down a path that was simply going to allow them to make mistakes faster. If this happens it will institutionalize the wrong power structure and make it more difficult to achieve the goals of the future. These systems can make it very difficult to change the Adolescent organizational structure. Like a badly set broken arm; the automation needs to be broken again before it can be fixed properly.

Throughout the Infant and Go-Go stage, most Founders monopolize the Entrepreneuring and Integrating functions in the company including marketing, new product development, business development, capitalization, and the recruiting of key employees. In the Adolescent stage, the organization must institutionalize these functions and relieve itself from over-dependency on the Founder. Creating a structure that is organized around these functions, instead of people, is an important first step. It is also crucial that a company “constitution” is created that institutionalizes the governance functions for the company and clearly articulates the roles, responsibilities and decision-making authorities of the Board, the Senior Management Team and any other decision-making bodies. Next is the tricky task of building the Founder's trust and respect for the new structure and the ability of the people to properly execute their responsibilities. If people with the needed abilities and experience cannot be found inside the company, new talent must be brought in. The best approach is to have the Founder, the board, and the employees experience quick successes that clearly demonstrate their ability to make good decisions together. This approach helps the Founder realize that they can relinquish some of the reins of control. At the same time, these successes show the employees that they are not dependent on the Founder.

Articulating a clear and compelling mission that is understood and shared by all is also crucial. Up to this point, only the Founder understands the company's mission. If he has bothered to write it down, it probably exists as cryptic notes on the back of an envelope. To succeed, the rest of the Adolescent organization needs to understand and share that dream.

To help ensure rapid and healthy transitions through Adolescence, most Founders bring in a new “professional” manager. When is the right time to pass the baton? Do it when the company is doing well, don't wait until things turn for the worse. For the transition in leadership to be most effective, Founders must be prepared to invest substantial time. To do it right takes time and lots of thinking and talking away from the firing line. To be most effective the process must also follow the correct sequence of events.

Good management is not a marathon race. It is a relay race.

When a company implements the infrastructure that it needs to support its current and projected growth, and has institutionalized its entrepreneurial activities and is no longer dependent on its Founder for success, it enters Prime.

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