



Prime

Prime is the optimal position on the lifecycle, where the organization finally achieves a balance between control and flexibility. Prime is actually not a single point on the lifecycle curve. Instead, it is best represented by a segment of the curve that includes both growing and aging conditions. This is because flexibility and self-control are incompatible and there is no stable equilibrium. Sometimes the Prime organization is more flexible than controllable, and sometimes it's not flexible enough.

These are the characteristics of an organization in Prime:

- The organization is guided by the vision of its reason for being. There is a clear purpose and people know what they will do, and will not do, "they walk their talk".
- The company operates in a focused, energized and predictable manner.
- Stretch goals are set, aligned and consistently achieved.
- There is an enterprise-wide focus on customers and earning their long-term satisfaction. There is a high degree of customer loyalty. At the same time, the organization knows when and how to say "no" to the market. It is disciplined enough to protect itself.
- Priorities are clear. The organization knows what to do, and what not to do. It enjoys a certain composure and peace of mind when making tough decisions.
- The entrepreneurial spirit is fully institutionalized. Evidence of organizational fertility abound. This creativity repeatedly produces controlled, profitable innovation.
- Organizational structures work well. Opposing forces are balanced. There is alignment between vision, strategy, structure, information, resource allocation and rewards. A company in Prime is continuously realigning these subsystems.
- The infrastructure provides reliable support.
- The governance process is institutionalized. People know and understand where and how decisions are made.
- Decision-making is done in an environment of healthy, constructive conflict. Points of view are considered, but there are no hard feelings if one's recommendations are not heeded. Differences of opinion rarely deteriorate into personality clashes or turf wars.
- There is intra- and inter-organizational integration and cohesion with clients, suppliers, investors, and the community. This internal cohesion enables the Prime organization to devote much of its energy externally.
- People enjoy working at the company. Few willingly leave and there is a backlog of people applying for positions at all levels.

Prime – page 2

- They embrace change. Prime companies work hard to adapt to changes in markets and technology so that they can gain share from weaker competitors.
- They enjoy consistent, above average growth in both sales and profits.

Problems of Prime

Senior management of companies in Prime engages in a continuous struggle to maintain the delicate balance between flexibility and control. It takes very little to push a company in either direction. When administrators gain the upper hand, the company's balance swings in the direction of excessive control, and the company sacrifices flexibility. When entrepreneurs gain the upper hand, the company grows more flexible but loses control.

Prime companies often don't have enough good people to run all their business units. The other key issue they face is complacency. Prime is a temporary condition, not a permanent destination. Once you get there, the principal leadership challenge is to stay there. " Since everything is fine, why change?" This attitude is the first step into decline.

The greatest problem of Prime is staying in Prime.

A company cannot simply reach Prime, sit back, and rest. Management must proactively work to promote activities that retard aging and sustain the vitality of Prime. Vladimir Horowitz, one of the world's best-known pianists, once said: "If I do not practice a day, I notice the difference in my playing. If I do not practice a week, my wife notices the difference, and if I do not practice a month, the audience notices the difference."

Normal problems

Insufficient managerial depth.

Abnormal problems

Insufficient decentralization.

Desire to maintain the status quo.

Signs of disintegration.

Signs of decreased entrepreneurial activity.

Reliance on what has worked in the past.

Sense of security, no sense of urgency.

Order for the sake of order.

Increasing time spent in the office, behind the desk.

Pathologies of Prime

Any sign of aging is a pathology in a Prime organization. This aging will naturally occur unless management actively and continuously works to keep the organization young. There are also no "normal" problems in aging, every problem is pathologic and if allowed to continue will accelerate the decline of the organization.

Prescription for Success

The slide into aging is subtle. The emergence of an attitude of complacency is the first step into decline. Since the company is doing so well, it is easy to slip into a mindset to maintain the status quo. To remain in Prime, management must be proactively working to refuel momentum by nurturing a portfolio of Infant, Go-Go and Adolescent business units ensuring that entrepreneurship thrives. When a Prime organization loses its ability to embrace change and nourish new growth, organizational vitality levels off and aging begins.

On the lifecycle curve, Prime is not at the top of the curve. This is because the curve depicts the vitality of an organization. When a company first starts to age, it is still producing the desired results as measured by short-term sales and profitability. Aging is having a negative effect on the company, but this effect is not yet reflected in sales or profitability. Therefore, the lifecycle curve is still rising, however the rate of change is slowing so the rising curve is starting to level off. If Prime organizations don't refuel their momentum, if they keep harvesting their momentum rather than nourishing it, the curve will reverse direction and the company moves into aging.

After Prime, movement along the lifecycle is a gradual process of deterioration. Unlike the growing side of the curve, there are no major transitional events in aging companies. The only differences between the lifecycle positions of Stable, Aristocracy, Early Bureaucracy and Bureaucracy is a question of the degree to which aging problems pervade the organization.

from *Managing Corporate Life Cycles, 2nd Edition* by Dr. Ichak Adizes.
Published by the Adizes Institute. © 2004, Ichak Adizes.