CORPORATE LIFE CYCLE AS AN INSTRUMENT OF ITS GROWTH MANAGEMENT

Horbunova A.V., PhD in Economics, associate professor, Buhai V.Z., PhD in Economics, senior research scientist
Zaporizhzhia national university, Zaporizhzhia, Ukraine
bugai_v_z@ukr.net

The key problem facing all enterprises is that of survival. Corporate life cycle theory is an important tool for the survival and development of business entities based on value changes affected by external and internal environment shifts. It gets an enterprise to rethink its existing values, organization itself, production process, scale of production, business structure, mechanism of adaptation to environmental changes, resources acquisition, flexibility and manageability formation, as well as of personnel and external stakeholders systems` relationship. Understanding the specifics of the main corporate life cycle stages allows to avoid numerous mistakes in its development and predict typical growth problems. Awareness of the mentioned specificity makes an enterprise to think about the management system before the problems take place. Life cycle analysis enable problems structuring faced by an entrepreneur or a manager.

Adaptation of the biological cycle concept in management led to the formation of corporate life cycle theory developed in the studies of I. Adizes, L. Greiner, K. Cameron, R. Kahn, D. Katz, J. Kimberly, R. Queen, F. Lieden, D. Miller, B. Scott, W. Torbert, P. Friezen. Ukrainian scholars like Y.S.Primush, S.V. Koryagina, T. Malajeva, S. Dovbnya, Y.S. Shembel, A.M. Shtangret, O.I Kopylyuk, O.Y. Kuz`min, O.G. Mel`nik and others also conduct research in the field.

According to this theory, the life cycle is the period when an enterprise essentially changes its values and attitudes, graduating several successive stages of its development, which determine the peculiarities of managerial tools corresponding to the period of enterprise performance. It should be noted that changes in value orientations and objectives based on external and internal business environment changes are the main reasons of enterprise cyclical development. The changing external environment factors make enterprise to adopt to these changes, rethink the existing values, organization itself, production process, system of staff and external stakeholders' relationship.

A range of issues associated with the corporate life cycle is quite wide: number of stages, causes of cycles, changes in the various business characteristics during life cycle`s stages, stages` sequence and duration, opportunity to diagnose a particular life cycle stage, application of managerial mechanisms at different stages of its development, etc.

Researchers like T. Y. Bazarov, T. Zheleznyak, J. Kimberly, D. Miller, B. Scott, P. Friesen, when building the model of corporate life cycle, characterize in general its position at certain stages of growth. They describe scale of production, business structure adjustments, rate of return and other aspects of activities.

In other models, scholars use a specific criterion as the basis of division into stages of growth, namely:

- Corporate growth is considered as one affected by the particularities of business structure and its changes (L. Greiner, D. Katz and R. Kahn);
- Corporate growth is closely related to the group cohesion. The model describes natural sequence of stages to pass through, specifies the mentality that determines each of them (W. Torbert);
- Corporate growth depending on each stage`s functional problems - the problem of adaptation to the environment, resources acquisition, goals achievement and patterns of behavior promotion (F. Lieden);
- Concentration on two key parameters of corporate life: flexibility and manageability (I. Adizes);
- Enterprise graduates through stages of its life cycle. Different emphasis and tasks at different stages cause various performance criteria (R. Queen and K. Cameron) [1; 2].

Larry Greiner was one of the first who proposed own theory of corporate life cycle. He substantiated that an enterprise which operates in an industry consistently goes through five phases of growth: growth through creativity, growth through direction, growth through delegation, growth through coordination and control, growth through cooperation [3].

The characteristics of corporate life cycle phases by L. Greiner are presented in Table 1.

According to the scholar, each stage of corporate growth has two phases: evolutionary development and revolutionary development. In the period of evolutionary development, enterprise evolves continuously, without significant leaps, in contrast to revolutionary development, when enterprise suffers internal conflicts caused by tasks and management style disparities. This initially leads to output drop and deteriorating financial position. The management is charged at the stage of revolutionary business growth to choose and implement quickly new managerial tools.

Analysis of corporate growth stages by L. Greiner indicates the following limitations of the model:

- firstly, the size of an organization is the determining parameter of its growth: small enterprises` strategy does not require significant increase in its size, and they do not face some stages and crises;
- secondly, the model does not describe the development of an enterprise but of its management system;
- thirdly, the author himself did not determine what is the final crisis of the fifth stage of evolution.

Table 1 *Characteristics of corporate life cycle phases by L. Greiner*

Life cycle phases	Stage details
Growth through creativity	Own product design and market boundaries identification. Rapid business growth. Leadership crisis. Growing employees number. Formalized management structure. The owner sets rules, priorities and principles of work. The expediency of hiring a professional manager.
Growth through direction	Stable sales growth, expansion of management, more compound organizational structure of an enterprise. Centralized management. The crisis of autonomy. The need to approve decisions with top-management. Managers cannot make decisions on their own, which impedes business development.
Growth through delegation	Responsibility is given to the middle managers. Capturing new markets, product assortment expansion. Profit centers and bonuses are used to motivate employees. Acquiring outside enterprises that can be lined up with enterprise units structure. Crisis of control. Autonomy of employees lead to decisions not approved by the top management. Introduction of more rigid forms of control and reporting.
Growth through coordination and control	Sales growth. All decisions are consistent to corporate mission and general goals of management. The risk of any mistake is minimal. Strengthening control in big business. Decentralized divisions are merged into product groups (producing homogeneous group of products). Formal planning procedures are introduced and intensively improved. The number of top managers is being increased. Increase of control. Every product group is treated as an investment center. The border crisis. Lower overall innovativeness, flexibility and speed of decision-making.

Growth through cooperation	The focus is on solving problems through team action, staff experts at headquarters are reduced in number, formal management systems are simplified, increased number of discussions in the form of open conferences, educational programs are used to train managers at an enterprise. Project and consulting teams` formation, training programs. Creation of information management systems. Economic rewards are geared more to team performance.

Source: compiled by [1]

The model of I. Adizes is widely spread in science and practice. It includes the following stages: courtship, infancy, go-go, adolescence, prime, stability, aristocracy, recrimination, bureaucracy, death [4]. The model develops the theory of L. Greiner and complements its methodology of diagnosing various problems and their elimination.
Professor I. Adizes believed that every corporate life cycle stage ends with a crisis, and it is necessary to consistently solve the problems that arise, caused by business growth, competition, technologies and environment changes. He noted that corporate crisis are the result of predictable problems, which can be divided into three groups:
1) typical problems of adolescence (or "disease of adolescence");
2) abnormal problems;
3) pathologies that the company cannot solve by itself.
The scholar noted that if an organization does not solve regular problems, they become abnormal and eventually turn into pathology. The aging phase begins. Besides, if an enterprise ignores negative changes during its downturn, or management failures, it can lead to its death. An enterprise loses its ability to provide effective business and market share; it may become bankrupt and pass to the stage of death. However, I. Adizes points out that after the downturn phase, there are two ways of growth: recovery or bankruptcy.
Corporate priority values for different life cycle stages are presented in Table 2.

***Table 2** Corporate priority values in the context of I. Adizes` life cycle model*

Stages	Organization	Management	Staff	Capital	Consumers	Policy
Courtship	++	++	++	+	++	-
Go-go	-	-	-	-	+++	-
Infancy	-	+++	-	-	++	-
Adolescence	++	++	-	-	++	-
Prime	+	++	+	+++	++	-
Stability	+	+++	+	+	+	-
Aristocracy	+	+	+	++	-	-
Recrimination	-	-	-	++	-	-
Bureaucracy	-	-	-	-	-	+++

Source: compiled by [4-7] Note: +++ – the most priority values; ++ – quite priority values; + – priority values; - – absence of priority values.

Deteriorating key financial indicators represent one of the first symptoms of corporate aging, which indicates pathological problems at the early stages of aging (stability, aristocracy).
Profit orientation prevails throughout the downturn. Due to the predominance of investor interests in comparison with the consumers' interests, the return on investment gradually plays increasingly more important role than the return on sales. At the aristocracy stage, the return on investment becomes a priority goal. Indicators of the return on sales and turnover lose their significance.
The corporate future of an organization, which loses its competitive advantages, depends mainly on investors. Thus, indicators like the return on equity, financial soundness, liquidity and solvency, which often have inadequate values, are of key importance to measure entrepreneurial activity at the recrimination stage.
The main financial task at the final stage of a life cycle (bureaucracy) is to receive disbursement to artificially support corporate performance.
Table 3 illustrates the priority values at the growth and ageing stages.
In order to recover, an enterprise needs to make radical changes in all fields of its activity. To cope with the crisis, it is not enough to cut business costs and jobs. There has to be a comprehensive program of business growth. If an enterprise is able to provide restructuring and modernization, then it can survive and continue to exist [8].
Solving complex tasks during the recovery stage is possible by the newly appointed managers' team. However, according to I. Adizes, new top management helps an enterprise to skip aging, only if it changes the system (organizational structure, remuneration system, information system, etc.) [4]. To increase business flexibility, it is important to motivate managers and staff initiatives. It is possible to launch new units. The development of new products makes it necessary to upgrade technology and equipment. During the recovery period, the problem of employee adaptation to organizational changes is a topical issue. There has to be employees' loyalty to management activities, commitment to long-term goals and preparation to deal with temporary difficulties. The main purposes of this period are business recovery and bailout.

***Table 3** Priority financial indicators at the corporate growth and ageing stages*

Stages	Investment	Liquidity and solvency	Turnover	Return on sales	Return on equity	Financial soundness
Courtship	+++	-	-	-	-	-
Go-go	-	+	-	-	-	-
Infancy	-	+	+++	-	-	-
Adolescence	-	+	++	+++	-	-
Prime	-	+	+	++	+	-
Stability	-	-	+	+	++	++
Aristocracy	-	-	-	-	-	+++
Recrimination	-	+	-	-	+++	+
Bureaucracy	+++	-	-	-	+	-

Source: compiled by [1; 4; 5]
Note: +++ – the most priority values; ++ – quite priority values; + – priority values; - – absence of priority values.

CONCLUSIONS

The life cycle concept gives the opportunity to structure problems that an entrepreneur, an owner or a manager face. The life cycle models allow to predict development and critical situations, therefore, they enable their thorough preparation. These models describe in detail what is going on within an enterprise, thus revealing principles, natural phenomena and deviations, which help managers to focus on the problem solution.

Despite the differences in life cycle models, it is obvious that business characteristics vary at different life cycle stages, which requires application of various management methods. Studying corporate life cycle allows to consider business entity as a dynamic, but not static institution and to approve timeliness in decision-making aimed at its growth.

REFERENCES

1. Filonovich S.R. Application of life cycle models in organizational diagnostics. *Sociological studies*, 2005. № 4. P. 53–64.

2. Filonovich S.R., Kushelevich Y.I. Theories of life cycle by I. Adizes in Russian context. *Социологические исследования*. 1996. № 10. P. 63-71.

3. Corporate growth stages by L. Geiner. URL: http://powerbranding.ru/biznes-analiz/olc-models/greiner-theory/

4. Adizes I. Managing Corporate Lifecycles: пер. с англ. СПб. : Питер, 2007. 384 p.

5. Dorogan N.D. Capital structure and corporate life cycle. *Journal «Izvestiâ Sankt-Peterburgskogo gosudarstvennogo èkonomičeskogo universiteta»*, 2014. № 3. P. 87–90.

6. Ivashkovskaja I. Corporate life cycle: financier's view. *Corporate management*, 2006. № 11. URL: http://www. zhuk.net/archive/printyk.asp?aid=7306.

7. Orlov A. Application of corporate life cycle theory to optimize personnel management processes. *Modern management: problems of theory and practice*: proceedings of post-graduate students. Moscow, 2007. P. 119–123.

8. Shirokova G.V., Merkurjeva I.S., Serova O.Y. The peculiarities of Russian companies` life cycles formation (empirical analysis). *Russian journal of management*, 2006. V. 4. № 3. P. 3–26.