



Organizational Life Cycle for Small Business: An Overview of Birth Stage

By: Dr Salwa Muda & Dr Asma' Rashidah Idris

Life cycle stage is defined as a 'unique configuration of variables related to the organisational context and structure' (Hanks et al. 1993). Variety of organisational life cycle (OLC) models with different number of stages have been proposed by the researchers, ranges from three stages (Lippitt & Schmidt 1967), four stages (Kazanjian 1988; Quinn & Cameron 1983), five stages (Churchill & Lewis 1983; Galbraith 1982; Greiner 1972; Miller & Friesen 1984) to ten stages (Adizes 1979). Although the number of stages varies among the life cycle models, the models are typified by almost similar characteristics, strategies and challenges that the organisations face in each stage. Generally, the organisations evolve from birth (existence, entrepreneurial, conception and development), followed by survival (commercialisation, go-go), growth (delegation and coordination, success) and finally maturity (stability, collaboration).

The first stage of the life cycle is known as birth. Organisational researchers propose different names of the birth stage in their OLC models. Birth stage is known as creativity (Greiner 1972), courtship and infant (Adizes 1979), proof of prototype principle (Galbraith 1982), existence (Churchill & Lewis 1983), entrepreneurial (Quinn & Cameron 1983), birth (Miller & Friesen 1984) and conception and development (Kazanjian 1988).

Birth stage is crucial for the organisations considering the aim to be a viable enterprise with struggling efforts in developing new products or services that can attract potential customers. Obtaining customers' acceptance of products and services becomes the main agenda. Besides, this stage witnesses the need to develop external support from other parties such as the government agencies. This situation is more challenging for small businesses due to the lack of access to financial resources and formal systems. SMEs depend on their own savings and funds from family and friends in the early stages of operations, thus only firms with sufficient and manageable financial and non-financial resources can sustain their businesses and move to the next stage in the business life cycle.

The ability of the small business to remain in the industry and move to the next level are highly dependent on how the owner, who also acts as manager, handles the business in the early stage. Technical and entrepreneurship knowledge, great ideas and perseverance in pursuing their big dream to build a business despite the long working hours and risky decisions are important criteria for the owner in bringing the business as a viable entity (Greiner 1972; Kazanjian 1988). Small businesses may have a small group of targeted customers and focus on only one single product or service. However, the owner plays a huge responsibility in bringing the business ideas into actualisation by ensuring the smooth implementation of strategies in producing products and services, obtaining customers and securing sufficient finance (Adizes 1979; Churchill & Lewis 1983). Even though a small business has less employees as compared to the larger counterparts, it is crucial for the owner to be selective in hiring, directing and supervising the employees in order to form a reliable team of workforce. Centralised management approach is practised in small organisations, where the information, strategies and decisions made are informed directly by the owners to the employees mostly by indirect communication approach due to the less frequent formal meetings conducted (Adizes 1972; Churchill & Lewis 1983; Kazanjian 1988).

Birth stage of small business is also characterised by lack of structural capital such as proper information system, formal planning, control activities and process and procedures (Churchill & Lewis, 1983). This could be due to the small size and limited operations of SMEs that do not require huge internal structure and infrastructure. It shows that the business is highly dependent on the instructions and rationalisation from the owners in every business affair to achieve the early-stage objectives. In addition, other than the connection with customers, the business establishes strong relationships with family members, financial institutions, suppliers and local competitors. These dependencies are due to the financial needs, moral support from families, building good credit reputation with suppliers and enhancing the opportunities in the industry.

Overall, in the birth stage of SMEs, the owner is the most responsible person in directing the business operation and in building connections with stakeholders. The owner plays a major role in ensuring the viability of the business by focusing on marketing the product and services, obtaining customers and securing the sufficient financial resources. It is important for the owner to understand the current situation of their business, problems that occurred as well as the changes that need to be implemented in order to move to other stages and sustain as the industry player.

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