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THE ROLE OF LIFE CYCLES IN STRATEGIC PLANNING FOR ORGANIZATIONAL GROWTH

The article thoroughly investigates the concept of life cycles within the realms of products, industries, and organizations, highlighting the interconnectedness of life cycle stages with organizational strategies for prosperity. It delves into how the characteristics of industries, organizations, and products evolve according to their life cycle phase, offering insights into the dynamic nature of their development and the strategic responses required for effective management and growth.

Keywords: *strategy, life cycle, life cycle stage, organization development, interconnection*

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РОЛЬ ЖИЗНЕННЫХ ЦИКЛОВ В СТРАТЕГИЧЕСКОМ ПЛАНИРОВАНИИ ОРГАНИЗАЦИОННОГО РОСТА

В статье подробно исследуется концепция жизненных циклов в сфере продуктов, отраслей и организаций, подчеркивая взаимосвязь этапов жизненного цикла с организационными стратегиями процветания. Авторы углубляются в то, как характеристики отраслей, организаций и продуктов развиваются в зависимости от фазы их жизненного цикла, предлагая понимание динамического характера их развития и стратегических ответов, необходимых для эффективного управления и роста.

Ключевые слова: *стратегия, жизненный цикл, этап жизненного цикла, развитие организации, взаимосвязь*

The life cycle model is a key tool for outlining the evolution of any economic system. Using this model to guide an organization's development helps establish a solid foundation for selecting the most suitable transformation direction. It aids in crafting effective strategies for growth, ensuring the coherent and purposeful implementation of changes.

The theory of the organizational life cycle posits that a company progresses through various stages during its existence, similar to living organisms. This framework is crucial for understanding organizational changes over time and informs a wide range of management decisions. It's particularly relevant to the product life cycle, sales strategies, and market dynamics, where recognizing the market life cycle can be vital for an organization's success.

The relationship between the life cycles of markets, organizations, and products is well acknowledged but not extensively detailed in literature. Research highlights the organizational life cycle, especially Adizes's model, which categorizes these cycles into growth and aging phases. Current management theories on life cycles mainly follow two perspectives: organic, focusing on organizational evolution, and material, emphasizing resource utilization.

The organic approach views organizational development as a natural process aiming to align more closely with the external environment through evolving organizational characteristics. It analogizes organizational life cycles to human stages: birth, growth, maturity, and decline, focusing on

adapting to external conditions. Yet, this approach is generally passive and doesn't specifically address internal systemic or social crises within the organization.

The material approach contrasts with the organic by actively influencing the external environment through strategic resource management. It suggests an organization's life cycle is tied to the life cycle of its resources and products. By innovating in technology, product offerings, and operations, organizations in growth or maturity can extend their life cycle by entering a "renewal" phase.

The product life cycle traces a product's journey from its market introduction to its withdrawal. This concept visualizes sales volume and profit changes over time, identifying stages like introduction, growth, maturity, and decline. However, research indicates a lack of concrete evidence supporting a universal four-phase cycle for all products or predictable phase transitions, challenging the theory's applicability across different products.

Companies typically manage a variety of products across different markets, employing a "product portfolio" approach. This strategy involves having products at various life cycle stages to ensure steady production, sales continuity, and consistent profit, while minimizing risks associated with new product launches. Tools like the BCG and McKinsey matrices aid in balancing these portfolios. For firms with multiple offerings, portfolio positioning is crucial; however, for those with a single product or service, its life cycle stage dictates the organization's phase. Overall, a product's life cycle significantly influences the broader portfolio's management.

The lifecycle stage of a company's product portfolio plays a crucial role in shaping its strategic direction, considering both the range of products and their market share. For instance, in a company with a diverse product lineup, different products might be at various lifecycle stages. Suppose 5 % of products are new launches (inception phase), 20 % are experiencing growth, and 30 % are at maturity or stagnation. In such scenarios, crafting effective strategies involves tailoring them to the specific lifecycle stage of each product, prioritizing those in the growth or maturity phase for future-focused planning.

The relationship between a life cycle stage and strategic approach also applies at the organizational/industry level, affecting market dynamics differently. In mature markets, high entry barriers exist, while in stagnating industries, identifying growth niches becomes crucial due to decreasing consumer interest and increasing substitute products. Strategies shift towards improving product quality, service, and competitive pricing, with mergers and acquisitions becoming more common to maintain or enhance market position. It's important to tailor strategies to the specific life cycle stage, whether focusing on product development, organizational growth, or industry challenges.

Industry characteristics evolve through its life cycle stages:

Inception Stage: High growth rate, minimal sales, small market share, limited product variety, funding shortages, few competitors, fluctuating market shares, low customer loyalty, and minimal entry barriers. Marketing focuses on product introduction and trial.

During the growth stage, industries see a high growth rate and a surge in sales volume, leading to an increase in market share. The product range begins to expand, profits rise, and the number of competitors grows quickly. Market shares become more stable, customer loyalty improves to a moderate level, and entry barriers remain low. Marketing efforts focus on significantly boosting market

At the maturity stage, the growth rate stabilizes, and sales reach their peak with a large market share. The product range remains constant, profits are high, and the market is dominated by established competitors, pushing smaller ones out. Market shares solidify, customer loyalty strengthens, but market entry becomes challenging. Marketing efforts aim to maintain market share and optimize profits.

During the stagnation stage, growth slows, and sales decline, leading to smaller market shares and a reduced product range. Profits decrease as funding diminishes, and the number of competitors falls, though market shares among remaining players may become more concentrated. Customer

loyalty remains high, but the market becomes less attractive to new entrants. Marketing efforts focus on cutting costs and maximizing short-term returns.

Analyzing how characteristics of products, organizations, and industries evolve through different life cycle stages helps in tailoring strategies specifically for them. This approach eliminates unsuitable strategies, focusing on the most fitting application conditions. Strategy selection is influenced by several factors, where each strategy's applicability is determined by distinct features and limitations. For instance, a low-cost strategy gains importance in highly competitive pricing environments, significant buyer price sensitivity, and industries producing standardized products.

The success of competitive strategies is influenced by an organization's adaptability to external environments, its intent to mold these environments, and the scale of its potential market. The choice of strategy often reflects the size of the target market segment, with a narrower focus leading to a more personalized approach to meet consumer needs. However, each strategy comes with inherent limitations and external constraints that affect their applicability, indicating there's no one-size-fits-all solution for organizational development.

Strategies to enhance competitiveness include cost leadership (offering lower prices than competitors), differentiation (creating unique products), and focus (targeting specific buyer groups). Cost leadership is crucial in markets with strong price competition and standard products. Differentiation thrives where product variation is valued, and customer needs differ. Focus strategy is best for segments with growth potential and minimal competitor focus, allowing companies with specialized skills to excel and defend against competitors through customer loyalty to their unique service or product offering [1].

The strategic direction an organization takes is heavily influenced by its developmental stage and the industry context. New entrants might focus on establishing new ventures, forming joint enterprises, or acquiring existing entities. Established organizations might pursue strategies of broad or niche differentiation, leveraging technological advantages, or forming mergers and strategic alliances to complement their capabilities.

The search for theoretical or methodological guidance on strategy selection based on an organization's life cycle stage yielded no direct results. However, the investigation confirmed a link between an organization's developmental phase and the applicability of certain strategies. Utilizing I. Adizes's model of organizational evolution, suggestions were made for strategic choices corresponding to different life cycle stages.

The development stages of an organization, as per I. Adizes, guide strategic choices from inception through stabilization. Initially, in the Nursing stage, organizations focus on innovation and risk-taking to bring ideas to life. As they move to Infancy, emphasis shifts to production and consumer needs without a clear structure. Childhood introduces operational productivity and the need for diversification to address liquidity challenges. In Youth, professional management and structural changes occur, calling for diversification and differentiation strategies. Bloom sees the organization mature with a clear structure, aiming for cost leadership and further diversification. Finally, in Stabilization, growth slows, prioritizing market share maintenance over expansion [2].

In the Aristocratism stage, organizations formalize activities and control systems, relying on significant financial resources and forming traditions and external formalities. Innovation is high, with acquisitions and new products. Strategies include differentiation, integration, cost leadership, and cost reduction. Early bureaucratization introduces structural conflicts and consumer dissatisfaction, leading to personnel changes without improving structures. The strategy focuses on reductions. Late bureaucratization sees internal focus, procedural adherence, and resistance to change, requiring reduction and liquidation strategies. Death occurs from neglecting consumer interests, leading to product reduction and organizational demise unless sustained by monopoly or government support.

Strategic planning in the face of an unpredictable external environment involves considering a range of factors, categorized as related, unrelated, controlled, and uncontrolled. The interaction between strategies and uncontrolled factors can lead to various outcomes, making it crucial to assess the impact, particularly when implementing innovative or risk-oriented strategies or operating in a dynamic external environment.

The evaluation of a strategy depends on the outcomes achieved by implementing it under particular circumstances. Strategic project effectiveness, is grounded in cash flow theory. This theory emphasizes considering the timing aspect when choosing the most advantageous project. It recognizes that results and costs, spread over time, hold varying significance. Investments, including capital expenditures, and operational costs may be allocated across timeframes in diverse manners.

Typically, it's believed that considering the timing aspect is necessary when evaluating projects spanning multiple years. Yet, in market conditions and uncertain economies, such as transition economies, economic dynamics become far more pronounced. The uncertainty surrounding analyzed processes notably intensifies. Key performance metrics for appraising the efficacy of long-term projects include economic impact (net present value), profitability index, internal rate of return, and investment payback period.

Risk and uncertainty factors take precedence when evaluating qualitative criteria. As the scale, duration, geographic scope, and technological complexity of an investment project increase, along with the instability surrounding its implementation, the significance of qualitative factors in project assessment grows. Conversely, the reliance on quantitative criteria diminishes due to insufficient reliable data and the limited ability to forecast them accurately. Consequently, the necessity for selecting and prioritizing based on quantitative criteria for precise mathematical calculation decreases. In times of high instability and unpredictability, particularly during transition phases in the domestic economy and uncertainty regarding environmental factors' influence on strategy implementation, prioritizing the consideration of uncertainty factors becomes paramount.

Utilizing the theory of optimal decision-making under uncertainty enables the conversion of qualitative factors into quantitative metrics, facilitating future comparisons of investment projects and selection of the most favorable option. Consequently, there's a requirement for a thorough examination of time, uncertainty, and risk factors. Addressing this challenge involves developing methodologies, principles, and techniques for selecting efficient projects that consider these factors comprehensively.

Below is the outlined methodology for strategic planning under indefinite environmental conditions, incorporating the temporal factor:

1. Rationale for Considering Time and Uncertainty:

Justifying the importance of factoring in time and uncertainty when assessing strategies, particularly under a profitability-focused approach.

2. Step-by-Step Adjustment Mechanism:

Implementing a systematic process for adjusting and evaluating strategic decisions incrementally. This mechanism ensures ongoing assessment and adaptation to changing circumstances.

3. Algorithm for Comprehensive Strategy Evaluation:

Developing an algorithm that comprehensively evaluates strategy efficiency metrics while considering uncertainty and time factors. This algorithm facilitates a holistic assessment, enabling decision-makers to account for the dynamic nature of the environment.

This methodology provides a structured approach to strategic planning, integrating temporal considerations and uncertainty management to enhance decision-making effectiveness.

When setting tasks in uncertain conditions, it's essential to recognize that multiple solutions exist for each time interval. This scenario is particularly common in unstable and transitional economies, as well as in innovative projects where strategies are implemented. To address this complexity and consider all potential solutions, the development of a step-by-step adjustment mechanism and an

evaluation framework for strategic decision effectiveness is imperative. The methodology for managing multi-step processes under uncertainty has been explored in various studies. Leveraging such methodologies, we will devise a mechanism to iteratively adjust and assess strategic decisions' effectiveness amid uncertainty (Table).

A mechanism to iteratively adjust and assess strategic decisions' effectiveness amid uncertainty

Stage Features	Note
1. Indicators of effectiveness	Quantitative performance indicators encompass several key metrics: 1.Incremental profit, revenue, or cost reduction achieved through the implementation of a new business strategy within an established market. 2.Profitability of capital investments and overall profit generated upon commercializing the strategy in a new market or introducing a new product.
2. Numerous factors contribute to shaping the selected performance indicators.	The principle of decision-making optimality depends on various conditions: 1.Complete uncertainty: When nothing is known about the probability of environmental factors. 2.Known probability: When the probability of environmental factors' influence is understood. 3.Risk exclusion: When the objective is to eliminate any risk. 4.Risk allowance: When some level of risk is permissible. 5.Single or limited implementation: When the solution is executed once or only a few times. 6.Repetitive implementation: When the decision is recurrent or executed numerous times.
3.The calculation horizon is established.	The maximum calculation horizon for strategy implementation is contingent upon the stability of the external environment, industry, and the nature of the strategy.
4. The calculation interval is defined.	The calculation interval, also known as the calculation stage, constitutes a portion of the calculation horizon. It can be defined as a year, quarter, or month. The selection of the calculation stage is based on the assumption that during this time period, the influence and the array of external and internal factors will remain constant. If it is anticipated that these factors will remain unchanged throughout the calculation horizon, then the calculation stage is equivalent to the calculation horizon.
5. At each stage of calculation, the prevailing set of factors, is categorized into controlled (managed) and uncontrolled (unmanaged) factors.	Controlled factors encompass parameters such as product technological specifications, product types, and production volumes. On the other hand, uncontrolled factors from the external environment include variables like product prices, demand levels, the introduction of analogues or substitutes, and the emergence of new competitors. The impact of both controlled and uncontrolled factors on performance indicators is assessed for each calculation stage.
6. An efficiency matrix is constructed for each calculation stage.	
7. A plethora of selection criteria for determining the optimal solution is established.	Principles and criteria for selecting the optimal solution under conditions of uncertainty include principles of optimism, pessimism, guaranteed results, guaranteed losses, as well as criteria such as the Savage criterion, Bayes-Laplace criterion, and others. The most appropriate criterion for each stage is identified based on the specific context and objectives.
8. The effect is assessed at each stage, and its consolidation into a single moment in time is conducted.	
9. The impact is evaluated at each stage, and then it's consolidated into a singular point in time.	
10. The adaptation element enables the adjustment of strategic decisions at each subsequent evaluation stage, based on changes occurring in the preceding stages.	

It becomes clear that as an organization progresses through its development cycle, management must select from a specific array of strategies and adapt their approach as the organization evolves. This necessitates a new strategy selection and application method, integrating indicators for systematic organizational growth.

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