



The “S” Curve

by Willing Phillips

Causality and Viscosity: Concepts For Understanding Your Organization

One of the most widespread assumptions humans make about the world around them is the linkage between cause and effect. This enables us to explore and understand galaxies, organizations and people. Stuff does not just happen spontaneously. There are always antecedent causes and by discovering these we gain increased understanding and more control. When you know that bacteria causes disease, you can control the disease by controlling the bacteria.

A second assumption is how hysteresis mediates cause and effect relationships. Hysteresis is any delay between the cause and the effect. It describes the viscosity or friction in the system. Put water in the freezer and it takes time to freeze. Announce a new strategic plan and it takes time to go into effect. See a change in the economy and it may take a business years to react.

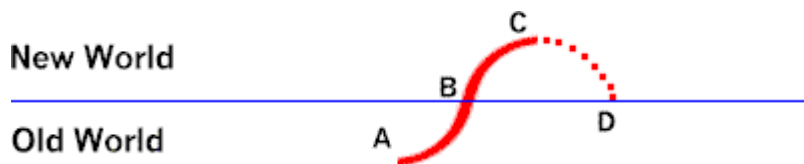
When an organization is young, it does not always respond well or fully to its environment (customers, competitors, regulators, technology, etc.). There is a lag as the organization 'gets its act together'. This shows up as slow growth, errors and confused focus. With time and experience the organization learns how to get in sync with its environment. At this time the hysteresis shrinks and the organization grows. Just when the organization thinks it has things figured out, change creeps back in often as a result of the organization's success.

For example, a business grows to multiple locations and these multiple locations become a change that now impacts the organization with communication delays and coordination problems. Even if the business and markets are stable, success is likely to attract competitors. The business that learned to set prices based on cost plus or what the market would bear now finds itself competing with businesses that are satisfying the market at a lower price. This change demands a response. Yet the most likely response is to complain about the competitor, believe the competitors low prices will

put them out of business shortly and do nothing else. This failure to detect, then respect then respond to the change adds viscosity of hysteresis to the change process. It shows up in declining performance, market share, growth and profits. This delaying of detection, respect and response is the underlying force that creates the "S" Curve.

The "S" curve depicts a paradox of growth. A paradox which sets a trap for the unwary.

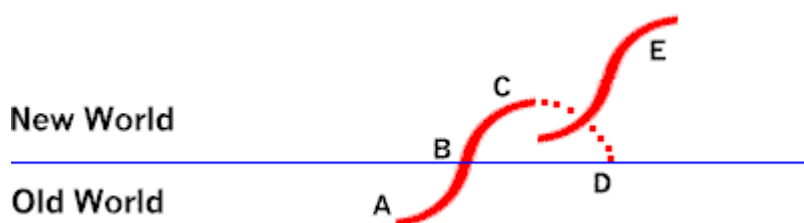
The dynamics of the "S" curve are as follows. In the beginning of growth (A) the growth is slow because that which is growing is unsure of itself and its relationship to the environment which supports it. When this relationship matures, the growth is fast (B).



The very phenomena of growth now leads the growing entity into a new world which has new operating principles, new problems and new opportunities. The skills and knowledge which led to the growth (B) are now inappropriate for continued growth (success) (C). But the growing entity finds it difficult to let go of the old skills, concepts and knowledge which led to its former success (B).

Like the successful fish which learned to move out of the water onto land, it must give up its old ways in order to further succeed on land. Failure to do so leads to decline (D).

Transition to a new set of knowledge and skills is necessary for further success. This transition requires letting go of the past and learning new ways. Although this is effective in enabling the transition, it is inefficient. This inefficiency shows up as confusion, frustration, demand for increased energy, time and other resources.



This inefficiency is symbolically shown as a descent from the top of the first growth curve at (C) to the second growth curve labeled (E). The hesitancy or fear of dropping down in order to go forward often prevents the transition which then leads to (D). While on the dotted line of decline towards (D), the natural strategy is to resist change and support the status quo.

The skilled organization detects change faster, respects it instead of dismissing or belittling it, and finally responds faster. It does not get stuck wondering if the change is real or dismissing it because it is different. This tightening of the Detection-Respect-

Response cycle enables the skilled organization to avoid the terrible price of not changing fast enough, soon enough or deep enough. As the DRR cycle increases in viscosity, it drains the organizations reserves. The business will have less money, less time, less energy and fewer of the right people to make the changes needed.

Ichak Adizes book "Corporate LifeCycles" expands the "S" curve concept into a series of five curves in the successful growth of any organization-corporate, non-profit or government. A parallel set of pathological or declining parts of the "S" curve are also described. REX has developed a methodology for assessing where your organization falls on this model the implications for the future of your organization.

Civilizations come to birth, and proceed to grow by successfully responding to successive challenges. They break down and go to pieces if and when a challenge confronts them which they fail to meet.

Arnold Toynbee

Michael Gurian in his book "*Love's Journey-The Seasons and Stages of Relationship*" has written a parallel description of the various stages and transitions in a marriage.

Richard Bolles' classic book on career change, [What Color Is Your Parachute?](#), now and it's supported printing, talks about the need of a parachute to get from the plateauing of 1S curve to the beginning of the next S curve. Just like jumping out of an airplane brings great uncertainty and fear and moving from one stable place, the airplane, so another stable place, the ground.

If you are preparing for a significant individual change they have not yet made the jump, I strongly encourage you to consider jumping out of an airplane with a parachute to give you a physical experience of what you will be going through mentally and psychologically as you make the transition.

Determining Inflection:

Knowing When Your Organization Needs to Rethink Itself

All organizations plateau. Operating the organization well causes it to plateau. Reaching a plateau is the normal, natural result of growth. Inflection is the point in an organization's life cycle where it begins to move from growing to aging; the point at which the graph of growth begins to bend.

Plateaus can be avoided by innovation, by rethinking your enterprise or business model. This requires energy and honesty and results in new ideas and the ability to assume higher levels of risk. Ultimately moving forward requires a careful examination of assumptions and letting go some of your closely held methods, products, or processes. Choosing what to keep and what to release is the essence of strategic thinking.

Innovating too early in your grow curve hampers growth. The growing organization needs focus not innovation. The aging or plateauing organization needs innovation. How do you tell when to innovate? Review the twelve pairs of statements below and distribute 100% between each item to reflect your view of your organization. For example:

60% 1. Building momentum

40% 1. Running by inertia

80% 2. Management in control of
system

20% 2. System in control of
management

You can distribute 100% any way you like for each romas long as the item totals 100%.

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|---|---|
| 1. Building momentum | 1. Running by inertia |
| 2. Management in control of system | 2. System in control of management |
| 3. Everything is permitted unless expressly forbidden. | 3. Everything is forbidden unless expressly permitted. |
| 4. Emphasis on content (what we do) | 4. Emphasis on package (how we do) |
| 5. "Get what we want" attitude | 5. "Want what we get" attitude |
| 6. Marketing and sales departments carry power. | 6. Power transferred to accounting and administration. |
| 7. Age of intuition | 7. Age of judgment |
| 8. Function more important than form | 8. Form more important than function |
| 9. Problems are opportunities. | 9. Opportunities are problems. |
| 10. People are kept for their contribution despite their personality. | 10. People are kept for their personality despite their contribution. |
| 11. Cash poor | 11. Cash heavy |
| 12. Success comes from seeking risk. | 12. Success comes from avoiding risk. |
| 13. Ask forgiveness after acting. | 13. Seek permission before acting. |
| 14. Results vary. | 14. Shortfalls are common. |
| 15. If I believe it , I see it. | 15. If I see it, I believe it. |

Although there are no hard and fast rules on how to evaluate your totals, when the right hand Aging column reaches 20% or more, the growth curve is beginning to plateau. 50%-50% probably means you are at the top of the plateau.

