



Tom Aranow

Businesses Age Too

It's all too clear to us that we age quickly and that age brings changes in our abilities. As the years pass we just can't do all of the same things we once could.

Businesses age too, but unlike people who generally face the facts and adjust to the common aches and pains of aging, many businesses refuse to accept the inevitable and work hard to ignore the signs of maturity in their businesses and their markets.

People who study businesses understand that businesses evolve and transition through predictable phases. In the first phase, a new idea, product or service may experience dramatic and rapid growth, making their owner operators giddy and confident. In the next, the skill sets required to run the company change. Structure, processes and management skills are required to take advantage of soaring sales and limited competition. Then, as the company's successes build others notice. Competitors quickly jump into the same business and produce similar products or services. The result is that clients and customers who were once dependent on the young and innovative company now have several choices as to where to shop.

Pressure on pricing will follow. The company that originally introduced the product or service may still have significant prestige and name recognition and may still be the marketplace leader, but as the market matures, there are a variety of players all attempting to capture the same customers with products that are almost indistinguishable from each other. What may have appeared as customer loyalty eventually gives way to buyers who focus on price.

Like the first arthritic pain in an aging knee, the first signs of business or market maturity may be in the need to reduce prices to cope with competition. The second, like an aching back, is the need to invest greater resources in sales and marketing. Maintaining a visible presence and identity above the clutter of similar ads and marketing messages isn't easy and begins to consume dollars that were once destined for the bottom line. Finally, unless management is focused on change and the development of new products, services and business models, there may be an inevitable transition to a terminally mature market and business in which everyone in the market stops growing and companies begin to "trade off" or periodically exchange the same customers.

Sadly, for business owners who've experienced the thrill of success, it's often difficult to give up the tried and true strategies that once made them proud and successful. Over the years I have had several clients who have initially told me that they would rather close their doors than abandon the products, services and ways of doing business that were the foundations of their early success. It's clear they have fond memories of the times in which their companies were stronger, younger and standing tall. But those are memories and not the future. In *The World is Flat*, by Thomas Friedman, the author quotes noted business expert Michael Hammer in a statement we find to be wise and true:

"When memories exceed dreams the end is near. The hallmark of a truly successful organization is the willingness to abandon what made it a success."

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