

Not Sure if Your Company Is Ready to Sell? Consider the PAEI Model

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For most business owners, the chance to sell your enterprise is a once-in-a-lifetime opportunity. But if you take that offer too early or at the wrong stage of business development, the sale could result in a number of undesired outcomes: a low valuation, difficulty finding a buyer, management disputes, contract issues, and other legal problems.

Selling a business is like preparing a meal. It's crucial for a business owner to be able to recognize if their business is either under or overcooked before taking it to market.

Unfortunately, it's not as simple as using a meat thermometer. Instead, owners rely on systems such as the [PAEI Model](#), which Dr. Ichak Adizes developed in the 1970s to track business growth and stability. To this day, business owners use the model to understand their organizations' lifecycles through the lens of management dynamics.

How the PAEI Model Works

"PAEI" stands for four different yet common management personae that affect a business's short-term and long-term performance.

1. **Producers** are managers who are task-oriented and focused on tangible results. They demonstrate big-picture thinking with little regard to interpersonal or individual concerns.
2. **Administrators** are managers driven by procedure and planning, with a strong focus on routine and structure in order to maintain success.
3. **Entrepreneurs** are managers driven by dreams and future achievement. They're concerned less with day-to-day operations and more with a broad, long-lasting vision of the business.
4. **Integrators** are managers who work well with others. These individuals are adept at both considering and balancing the concerns of other managers and employees.

Each of these roles is important to business development, but each has its own time. The PAEI model lays out an arc of business growth, starting with "Courtship" (when an owner "flirts" with the business idea), which leads to "Infancy," "Go-Go," "Adolescence," "Prime," and ultimately stability.

Which Stage Is the Ideal Moment to Sell?

Every stage can spin off into a negative conclusion. For instance, Infancy can result in "Infant Mortality" when there's nothing left but a Producer. Adolescence, meanwhile, can result in "Divorce" (the owner and the company split), which may lead to

“Premature Aging” (the company peaks early without an entrepreneurial vision) and an “Unfulfilled Entrepreneur.”

To avoid the potential pitfalls during every stage of a business’ lifecycle, each one of the four management styles must be present. But not everyone comes to the foreground in every stage. Instead, a single management style or combination of styles takes dominance at certain points along the way.

For example, in Courtship, the very beginning stages of a new business, the **E**ntrepreneurial management style is required for crafting the initial big ideas and long-term goals that will sway investors and fund the enterprise into Infancy.

Once the money rolls in and the business reaches Infancy, it’s important for a **P**roducer to recognize how to responsibly use the startup funds to survive on a daily basis.

After some inevitable growing pains, a business reaches Adolescence with the help of an **A**dministrator, whose management style shifts the focus away from sales and revenue generation—and toward cost-cutting, boosting profits, and keeping the company lean. At this stage, an organizational structure is key in order to reach the Prime period of a lifecycle.

When the business is in its Prime—when profits are up, operations are running smoothly, and customer satisfaction is at an all-time high—that’s when it’s time to sell.

Yes, believe it or not, the best time to sell your business is usually right before it reaches the Stable stage.

While further growth can seem all but guaranteed at the Prime stage, according to the PAEI model, most companies begin to falter and precipitously lose value once they’ve become Stable. This is the period in which the **E**ntrepreneurial management style begins to fade, and the **A**dministrative and **I**ntegrator styles achieve dominance. In other words, the initial visionary is replaced by people who excel at bureaucracy and longevity.

In the realm of mergers and acquisitions, the Integrator is frequently the buyer. As a seller, it’s up to you to ensure the business has reached its Prime and that all the elements are in place for continued success—and to get out right before the business peaks and starts to lose value.

While the PAEI Model is not a guaranteed method of success, I believe it can provide rare insight into the business lifecycle. It presents a valuable framework for the roles and traits it takes to reach success and ultimately earn the highest possible sale price for your company.