

LIFE STAGES OF A BUSINESS

JASON FURNESS

There are six distinct life stages of a business. At each stage, the activities you must focus on, the pressures you face, and the risks you take vary dramatically.

Why think of business as having stages of life?

Most of us understand that we have passed through stages in our lives thus far from being a helpless infant who is totally dependent on others for survival, through our childhood and into adulthood.

As we grow our capabilities evolve, our needs change and so do our skills. We develop new skills and discard those skills which we have outgrown.

Our business also moves through stages similar to the stages of life. At each stage there are activities that must be undertaken, the returns are different and the risks also change as the business progresses.

One key distinction between the life of a business and the life of a person is that a business does not move through these stages chronologically like a person. A business moves through these stages as it grows, it may move through stages very quickly or very slowly. A business can move backwards through the stages. Likewise a business can remain stuck in any one of these stages.

Baby

The creation of a new venture is the second most exciting stage of running a business (the most exciting for me is the successful sale of that same business for a Tattslotto-like return). When we are creating a new business we are focused on dreams. We are excited by possibilities and thrilled with the variety of activities. Our passion is the strength of the baby business. We are banking (literally) that our passion can take us forward and overcome any weaknesses we have in skills. We invest funds,



Milan Jurek photo.

“The process of bringing a business to maturity is a contest between the will power and resourcefulness of the owner and the forces in the market that sit poised to prey on any new enterprise.” Jason Furness.

time and our passion upfront before any return is generated.

A baby business needs to do one thing, that one thing is to grow! The owners must be generating sales and cash in order to feed the baby business's growth. Every cent that comes in is consumed in paying bills, buying stock and marketing, etc. all in the name of supporting continued growth.

A baby business is vulnerable to a wane in passion and any external shocks that can damage its fragile cash flow. Thriving babies grow rapidly and must be protected from severe shocks. Everything relies upon our efforts to make it happen

Child

The baby becomes the child. The basic investment has been made and the baby has grown somewhat. Cash is being generated but is still being consumed rapidly. There is still a cash drain on the owners as they are not paying themselves a commercially competitive salary for the hours they put in.

The child business is learning rapidly...and needs to. Basic systems and approaches have been discovered. Many more actions need to be tried and many will fail, so the key is to keep trying until methods and mechanisms are found that do work. The child still consumes cash in

order to fund its continued growth. A critical mass of consistent sales has not yet been established. We may have a few staff, but all the decision making still remains with us.

“Avoiding the circle of exhaustion is the key to breaking through.”
Jason Furness.

The child is more resilient than the baby but still needs to be carefully nurtured and avoid sudden shocks that damage cash flow. Waning passion of the owners is especially dangerous here as we are heavily committed to the business by now.

Teenager

As a teenager, the business is close to a critical mass to be able to sustain itself. The business is break-even on funds and the owners are drawing a reasonable if not totally competitive wage.

As a teenage business, we are now in the phase of hard work. We are not yet comfortable, but we can see that the basic direction and activity is correct and that we

are not far from breaking through to having a successful business. We are starting to see that all the midnight feeds and wiping of noses look like producing a well-rounded mature business.

The business still revolves around us. We take all the late-night phone calls and work every Saturday as we cannot afford to pay staff the penalty rates. We can see signs of hope.

There are still shocks to be guarded against, and the business can still consume vast amounts of cash (food) incredibly quickly.

Young adult

As the business enters adulthood, the basic processes have been well established and the business is now at a break-even situation. The business is well developed but has not yet begun to generate consistent large cash inflows that can be invested in other asset-creating activities. We are ‘getting by’. We have an established base of customers, our equipment or shop is well provided for, and we can pay ourselves a reasonable wage. Sometimes (rarely) we can even take a weekend off.

We still work long hours, late nights and completing a BAS statement before 10pm the day before it’s due is a dream.

Our challenge is to survive this young adulthood stage and come out the other side as fast as possible.

In young adulthood the business has grown to our capacity. That is, the capacity to manage it ourselves. What I mean by this is that we are still controlling everything in the business and if we can manage it by working 16 hour days with a mobile phone in each ear then that is what we will do.

We are taking enough of a wage to build our home and raise our family but are not making a commercially sensible return on the funds invested, or the hours we still put in. We do not see the family except when we take a holiday and we need to get more sleep.

“Change is not only likely, it’s inevitable.”
Barbara Sher.

The great danger of the young adulthood is that like a young adult, we can keep pushing ourselves beyond limits that are sensible or sustainable. We work long hours that, if sustained, will damage our health. We can take on too



**QUALITY
MAKES THE
DIFFERENCE**

**Visit our new
website**

www.mlaholdings.com.au



131 MLA
6 5 2

much work personally that leads to worry and poor customer service.

If you stay in the young adulthood stage for too long, you become trapped in the 'cycle of exhaustion' where dragging yourself out of bed is a miserable chore. All your energy is consumed keeping the wheels spinning. You are too busy to work on the business and scramble from one job to the other each day without a plan or system.

The passion that you had when you began has gone and you are just plain tired. Sometimes you question your own abilities and wonder if you are better off working for someone else and letting them have all of these headaches.

The best way to survive young adulthood with your health and income intact is to grow through this stage as rapidly as possible by learning how to grow profits and sales without working longer hours.

Maturity

As a mature business we have benefited from the hard work and long hours of our youthful stages, but have learnt to grow through those strategies and implement a more mature approach to our business.

We have implemented systems to allow us to plan and predict future sales by being in control of our marketing approach. We have the systems to be able to deliver a consistent and superior service every time. We know how much money we make each week and cash flow is predictable.



Ivan Vicencio photo.

life stages of a business

stage	returns	activity
old age	declining	regenerate
MATURITY	CASH MACHINE	LEVERAGE OR EXPAND
young adult	get by	breakthrough or exhaustion
teenager	break even	work hard
child	cash drain	learn fast
baby	investment	dream

People within our business have defined roles and are competent to execute them with minimal daily input from us.

The key to this stage is to have learnt to leverage ourselves out of the daily business to such a degree that we can actively pursue profitable business growth without working ridiculous hours.

We can actively look to expand our business (if that is what you wish to do), or we can enjoy the rewards of surplus cash flow to use on lifestyle or to invest in other income-producing assets (eg. real estate).

This is the phase of business life that we all dreamt of back when we were a baby business. We must still be vigilant for economic or competitive shock, but are well placed to withstand them for long enough to give ourselves time to adapt to the changes. Our challenge in this stage is to keep executing our systems brilliantly so as to maximise the time frame our business stays in this mature stage.

This is the time to sell the business if you are looking to exit your ownership of the business as part of your plan.

Old age

Unlike us, a business does not have to enter the stage of old age. A business that does enter old age is experiencing declines in cash flow. Key staff may have left and new people have been unable to maintain previous standards in performance. Technology may have overtaken the business's capacity to compete. Customers may

talk amongst themselves about service having gone downhill.

This business is particularly vulnerable to inflexible thinking on the part of the owner. The riskiest path for the owner to pursue is to keep persisting with practices that are no longer working.

**“When you are going through Hell, don't stop!”
Winston Churchill.**

The action you must take if your business is in the old age stage is to reinvent the business. Question all of the practices and processes and reconnect with what constitutes value in the eyes of the customer. This is a stage where you deliberately take the business back to an earlier stage for a period of time and recommence the growth cycle as a young adult or teenager.

Where are you?

Look through the stages of growth and see where you think your business is. Are you stuck in the cycle of exhaustion? Are you a teenager? Has your business moved into old age?

What do you have to do to progress to the next stage?

Jason Furness is the CEO of TheManufacturingMentor.com. For more information call 1300 226 121, email Jason@TheManufacturingMentor.com or visit www.TheManufacturingMentor.com. mhd