emotional intelligence at work

Falling off the business life cycle?

Businesses are generally recognised as moving through different stages. This is usually referred to as the "business life cycle", though it isn't actually a cycle—businesses don't aim to go back to the beginning every few years!

Inevitably, there are plenty of differing, and conflicting, models—for example:

three stages : startup — growth — advanced growth or decline
[Darren Shirlaw and others]

four stages : startup (emerging) — survival (growing) — prosperity (expanding) — maturity (transitioning)
[Perkins Accounting]

five stages : birth — growth — maturity — decline — death
[widely accepted culturally]

seven stages : seed — startup — growth — established — expansion — decline — exit
[Darrell Zahorsky and others]

And, of course, there are many others.

We believe that it is most helpful to focus on models that are useful rather than theoretically right (though what is useful is likely to be practically right!). As many as seven stages, for example, does seem to be making things unduly complicated. And, whilst there are situations where it is necessary to plan to wind down a business, our basic approach is one which delivers growth rolling forward.

We have found three simple stages are the minimum needed to plan the development of a business successfully. These simple stages we call:

startup — growth — maturity

Each stage is fundamentally different from the others. Each has its own:

- purpose
- outcomes
- activities
- pitfalls
- opportunities,

and each requires different mindsets (approaches and attitudes) in all those that run the business.

The stresses of transition

However, this structure is not sufficient to manage progress. Because the three simple stages are so different in character, there is always turbulence at the two transitions (from startup to growth and from growth to maturity). At worst, the turbulence is so great that it can destroy the business. At best, it requires insight, understanding and skill to manage the transitions if they are to have minimum impact on the day to day servicing of customers.

Naturally, the second transition is far more complex than the first, simply because the business is far larger and more complicated. But the first transition can be tough too, and failure to manage it simply results in the business being stuck in startup, or failing altogether.

The key point is that *neither transition is instantaneous*—each is, in fact, a stage in itself which needs careful management because there are choppy waters there which the business hasn't encountered before.

So, we see the stages of the business lifecycle as:

startup — *transition 1* — growth — *transition 2* — maturity

Many iterations of this progression—long and short—can occur both simultaneously and consecutively in a business, like wheels within wheels. The progression can apply to:

- individual parts of the business, whether organised by geography, market
- individual ventures
- individual people's involvement in the business.

We argue that, for example, if a business takes over another, the resultant operation is in startup, even if parts continue in growth or maturity. If a retail chain opens a new store, that store starts in start up, even if the manager drafted in is in maturity. In seasonal markets, every season starts in startup.

Why it is challenging to transition into maturity

Many businesses are somewhere in the growth stage. We argue that a business should aim to get out of this stage—into maturity—as soon as it can, as this is where profitability can be significantly enhanced.

The issue is that little consideration is given (or needed) in startup to creating the firm foundations on which the business can develop. Once the business starts growing, everyone finds it so distracting servicing clients, getting more clients and developing products that insufficient consideration is still given to creating good foundations—only now the business increasingly needs these foundations to be in place if it is to be efficient and effective. Usually, what is done is done after the need has arisen and in an uncoordinated, hand to mouth way. As a result, even as the business is increasingly successful on paper, so that success is achieved with increasing stress and difficulty.

Eventually it will be the failure to create good foundations on which the business can grow and thrive that will cause it to collapse.

It is also possible for a business to be "stuck in growth": to be outwardly successful and capable of moving into maturity but not actually doing it. This requires an approach focussing more on emotional intelligence, and can achieve startling results for the time and resources invested (this idea is developed in the paper *On being stuck*). Otherwise, at least nine things need to be in place if the business is to reach the second transition stage and move through it into maturity. Typically, a business is strong in some of these areas but has overlooked others. They are described in the paper *Moving into maturity*.

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