

The Stages (Phases, Milestones) of Business Ownership

Defining the Stages of a business is not new. However, many of the descriptions have traditionally been presented from the large corporate point of view, which does not reflect the reality faced by small businesses. We were first introduced to the 9 Stages years ago by John Heenan and Mort Murphy of Ireland. Ever since then our view of business hasn't been the same.

The 9 stages of business focus on the impact that the life of the business has on the life of the owners/managers. There are additional stages in the small business lifecycle because of this. The following table gives the stages of a small business lifecycle.

1. Concept – This is definitely one of the most enjoyable stages. There is great fun and great enthusiasm. This is all about creating the vision.

2. Start-up – Trying to turn the vision into reality. The biggest challenges are trying to source funds and get it all together.

3. Survival – Outside funds have dried up. The business must quickly start generating cash by bringing in paying clients. Quiet desperation sets in – “I never knew it was going to be this tough”

4. False Stability – The business is generating enough cash to survive. The owner is paying the bills. Everything in the business depends on the owner. However, s/he is so relieved to have survived that s/he breathes a deep sigh of relief. The challenge is the business is about the owner, if they stop the business stops. The conundrum they find themselves in is hiring another person to take their business to the next level and having the revenues to pay them

5. Growth – Gaining Momentum– Business is thriving and sales are increasing. The owner is a “Hands-on” manager. S/he is drawing an income; however, s/he has no time to enjoy life. Owner realizes we need to put in systems and processes to stabilize the business.

6. Expansion – Growth Beyond Capacity – Both sales and the business expand. The owner operates on a basis of management by “walking around”. Owner has a great standard of living. But if s/he is away for a week, the whole place is in turmoil. The owner is exasperated because of conflict of having to be in the business and not having the time to enjoy the lifestyle created. Quiet desperation undermines owner's confidence, and they feel s/he can't get out from under it.

7. Entrepreneurial Euphoria – You're on a high, systems are in place, the next successors are being picked. The major responsibilities are making sure the processes and procedures are being followed. The challenge is will management follow “the plan.” They still think about the business when taking time off.

8. Maturity – Enjoying the fruits of your labor – Owners have full-time management in place. Life is now rosy. They can enjoy the fruits of their labor. They can finally give themselves permission to do what they love to do in the business or take time off if s/he wants. Owner can now do what s/he wants with the business: sell, franchise, relax or retire –not worry about the day to day running of the business. His/her only responsibility is to provide vision to the business. Free at last to do what s/he loves to do.

9. Succession – Owner has successfully passed on the business to the next set of owners and is completely free of the business and has the wealth to enjoy the lifestyle s/he wants!

What Stage are you IN? What Stage do you want to be in?