

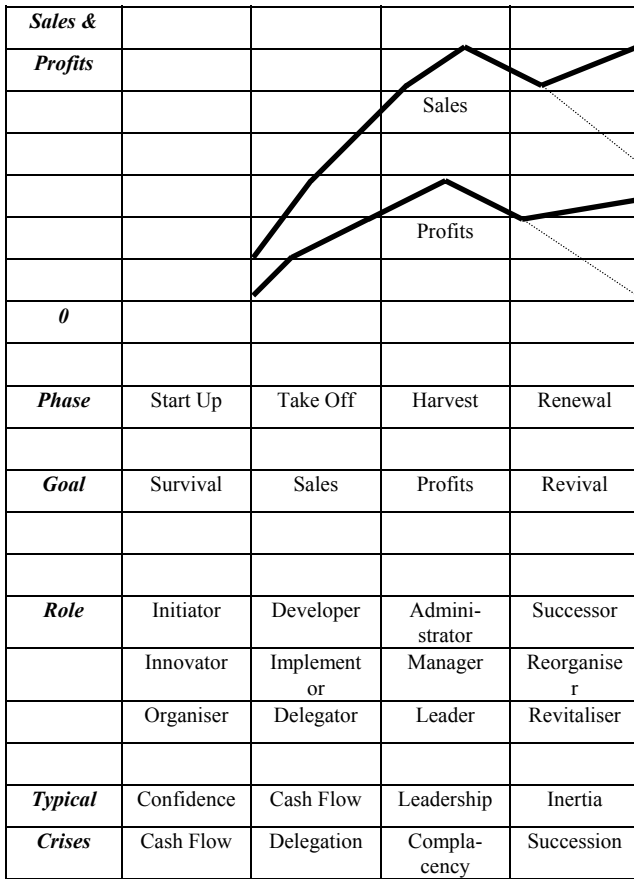
THE BUSINESS LIFE CYCLE

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The Mission of the Business Enterprise Centre is to foster, develop and support small business by providing relevant, accurate and professional information and assistance to those intending to start a small business or those existing small businesses that need support. This information and assistance is offered free of charge on the explicit understanding that::

- ◆ The information supplied is intended to provide general guidance and direction on all aspects of small business.
- ◆ The Centre is not engaged in rendering legal, accounting, financial or other professional advice.
- ◆ The information is not intended to replace professional advice and at all times the Centre, its officers and employees recommend that if legal, accounting or other expert advice is required, clients seek professional advice before committing funds to any business venture.
- ◆ The Centre its officers or employees are not responsible for the results of any action or action taken on the basis of information supplied or omitted.

The Business Life Cycle



Most businesses go through a very similar life cycle. It is important to understand these phases because if you recognise that what is happening in your business life is normal, and that there are strategies for dealing with each issue so that they do not become problems, as well as planning for future requirements.

If we look at these phases now, we can identify the issues that you will have to allocate funding and time for. Many of the phases will require some extra training so you can rise to the new challenges. A good business plan must recognise your ongoing training needs.

START-UP PHASE

In the start-up phase you will probably be nervous and lacking in confidence. Your decisions may be erratic and inconsistent. After all, it takes practice and training to do things well.

Your new business will almost certainly have a cash flow crisis as your set-up costs and unexpected expenses cause a huge drain on your possibly meagre resources.

The main goal for this phase is to survive and stay in business. You need to be a good initiator, innovator and organiser. You are translating your good idea into reality, which means generating energy, excitement, innovation and plain hard work.

You have to be able to sell your ideas to the bank manager, your staff and your clients, while you develop

a business that is providing something that is much better than anything else in the marketplace.

TAKE OFF PHASE

You will recognise this by a sharp increase in sales. The important thing to do now is to make the most of the competitive advantage you have. You will probably make fairly major investments in more staff and the resources necessary to support the increased sales volume. This extra investment may aggravate any lingering cash flow problem, but after a long period of losses your business finally starts to show a modest profit. By now it may also have become too big for you to manage on your own.

Overwork and stress may be leaving their mark on you. You may have a delegation crisis on your hands if you haven't made the change over from being an owner-operator to that of owner-manager. Now you have to learn to develop and implement management policies that will enable staff to work while you are away.

Learning how to delegate responsibility while retaining control is critical to the success of this phase. You may need additional training in all aspects of Human Resource Development.

HARVEST PHASE

Eventually the rapid growth in sales evens out and you will enter the Harvest Phase. This will probably last for some years and your dominant goal will be to make profits.

Internal management issues like cost control and efficiency will take more of your time. You may get further away from the hands on running of your business and not see as much of your clients or your staff. You will learn to become an effective administrator, manager and leader.

You may become so bogged down with paper work, and day to day detail that you don't see new innovative things to do. You may become bored or complacent.

RENEWAL PHASE

This usually coincides with the loss of the competitive edge. Sales start dropping and it is very hard to look at new ways of doing things. It is easy to blame others for the loss of profit eg. the government, when in fact, it is more usually boredom, inertia and lack of new ideas and skills.

At this stage you will have to decide whether you wish to revitalise the business, sell it or pass it on to member of the family who can give it new life.