Introduction to Stages
Understanding the real business cycle
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Introduction to Stages

Welcome to the Shirlaws Stages Toolkit

Running a business can be an emotional journey. Solid commercial business support is important, but financial reports can never tell the whole story of the business owner experience.

At times you will feel elated; at other times, frustrated or disillusioned. While these feelings go up and down, they can be controlled because every business grows along the same emotional journey.

The feelings that you as a business leader experience are quite normal, and importantly everyone who undertakes any venture will follow a similar emotional path. The only factor that differs is the speed at which we go forward along this path.

And since the decisions we make and the outcomes that result from those decisions are strongly influenced by how we feel, understanding our feelings and those of others and the effects they have on our business is a vital part of running a successful business.

The Stages Framework is a tool that helps us to do this.

What is in this document?

This document helps you start to use the Stages Framework in your business. You will use Stages to understand where you, your business, your colleagues and staff are on their business and career lifecycle.

Your knowledge of their location on Stages will inform you about the impact feelings are having in your business and the effects they have on behaviour, communication, decision making and ultimately the ability of your business to thrive and grow.

Feedback

Your feedback is welcome. Please email your comments and suggestions to James Brown jbrown@shirlawsgroup.com Please place Stages Toolkit in the subject line.
Stages and Shirlaws

How to use this document

Use this document to help you plot where you and your business are on the business life cycle represented by the Stages framework. Gain an understanding of how you, your management team and staff are feeling about the business. You can also gain insights into people's behaviour and attitude, and the impact feelings have on the performance of your business.

Knowing this information allows you to develop the appropriate strategy to make your journey through to advanced growth as smooth as possible.

This is a “feelings” process so take time to tap into your energy as you relive your journey from Day 1 to where you are now.

Terminology

In writing this guide, we have to introduce some terms that you may not be familiar with or whose meaning may not be totally clear to you, so we will define some of these up front.

**Framework**: A business tool that helps you make better decisions and manage your business for improved outcomes.

**Stages**: The consistent and trackable lifecycle that all businesses and business owners go through, measured by feelings.

**Context**: The purpose behind a decision, or filter for making a decision. For example, the context of Stages is Feelings, using awareness of feelings and their impact on business to make better decisions.

**Payback**: A Stage in the business lifecycle when the original business vision is realised, notable for its euphoric feeling

**Advanced Growth**: A Stage in the business lifecycle when the business has achieved sustainability, notable for its proud feeling

Shirlaws and Stages

Shirlaws is business coaching organisation dedicated to helping businesses grow and develop and to help business owners and managers achieve quality of life as well as commercial success.

Operating in many territories across the globe, Shirlaws has helped thousands of businesses of all types and sizes since it was founded in 1999.
Shirlaws philosophy is that it is always better to have a basic understanding of a topic first – learning from the experience of others rather than your own trial and error. We measure that understanding at 5 levels:

- **Concept**: You understand the basic principles.
- **Strategy**: You have a documented plan of how you address this area in your business.
- **Implementation**: You have a documented strategy and have started applying what you have learned.
- **Next Phase**: You have planning and mentoring capability in this area to transfer knowledge for the future.
- **Leverage**: The framework is seamlessly incorporated, allowing you to leverage this skill across your business and your life.

In our experience, businesses of all sizes find themselves stuck at the Strategy level, and then (later on) moving skills into levels 4 and 5. This creates an unsustainable habit of moving from Concept to unplanned Implementation, and missed opportunities.

This document covers Level 1 (Concept), and Level 2 (Strategy). It has been designed as an entry point to the Capability Toolkit, which is also supported by an evolving collection of videos, exercises, training courses and coaching documents. You are encouraged to check our website or speak with a Shirlaws coach regularly for the latest updates.

A notes section is included at the end where you can record any key learnings you want to share with your team, or questions you may want answered by your Shirlaws business coach or other toolkit materials.
When do I need Stages?

The Stages framework is used:

- As a diagnostic tool for businesses to help them identify strategic priorities. Knowing where you are and where you are going gives clarity to what you need to focus on to get there.
- As a communication and decision-making framework. Individuals at different stages can respond to circumstances differently, and understanding Stages helps manage all the individuals in your team.

Specific Concerns Stages Targets

The Stages framework is most valuable when a business is experiencing:

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<thead>
<tr>
<th>Commercial (-)</th>
<th>Cultural (-)</th>
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<tr>
<td></td>
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<tr>
<td>Uncertainty about where to best invest for maximum returns</td>
<td>Prolonged periods of fraticness, frustration, stress or disillusionment</td>
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<tr>
<td>Accelerated growth in terms of revenue or staff numbers</td>
<td>Troubled communication</td>
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<tr>
<td>Long periods without a clear strategic direction</td>
<td>Unclear decision-making, which affect motivation among the team</td>
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<td>A key member of the management team is leaving or changing role</td>
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Benefits of Using Stages

When you attack, plan and invest in a framework for your business, you need to be able to identify the commercial and cultural outcomes that will be created in your business.

Commercial outcomes are the ‘hard’ side of business, results that can be quantified by numbers, facts, and figures.

Cultural outcomes are based on the ‘soft’ side of the business, and include intangible benefits such as feelings, emotions, and behaviours.
Some examples of commercial and cultural outcomes from implementing the Stages framework in a business may include:

<table>
<thead>
<tr>
<th>Commercial (+)</th>
<th>Cultural (+)</th>
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<tr>
<td>• A better informed strategy</td>
<td>• Longer periods of relaxed good times</td>
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<tr>
<td>• Increased productivity from all team members</td>
<td>• Increased motivation and job satisfaction</td>
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<tr>
<td>• Improved efficiency and profitability</td>
<td>• Improved communications throughout the business</td>
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<tr>
<td>• A management training and development plan</td>
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<tr>
<td>• Structured succession for owners and key team members</td>
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What is Stages?

The Stages framework is a diagrammatic model which illustrates the journey of a business through its lifecycle. This journey, which all businesses pass along, is not based on revenue, profit, or staff numbers, but rather the feelings that the business experiences.

All businesses, from solopreneurs to corporate boards, are run by people, and people are impacted by their feelings. Especially in small business, the feelings of the owner have an impact on daily communication and decision-making.

This framework is not timescaled – each business will travel along its lifecycle at a different rate. Some may complete the whole lifecycle in a few years. Others may take decades.

It is also important to bear in mind that Stages is a feelings model and feelings can not be measured and we all react to feelings in our own way. You may not recognise all of the stages that the model describes. This is either because you haven’t experienced them yet, or in your business you didn’t experience that feeling very deeply or you passed through that stage very quickly and it didn’t register.

Shirlaws have used this framework in thousands of businesses and it has been found to described the typical business lifecycle very accurately.

Stages also applies to the journey employees take within your business – which means that at any point in time, a business will have different people at different points along the journey.
A completed drawing of the Stages framework

Getting Started

Look at the diagram of the Stages Framework on the previous page. You can print or download this and use it to complete the exercise below.

The black line along the bottom represents Time – remembering that there is no scale on this axis, because every business progresses at its own rate.

The blue curve represents the growth of the business. Again there are no values associated with it, as it doesn’t specifically represent turnover, staff numbers, profits; it is just “growth”.

The two blue shaded columns represent Brick Walls. These are major decision points in the life cycle of the business; they are called brick walls because that is what they can feel like: an obstacle to continued growth.

In black, numbered 1 to 5 are the principal stages of development:

1. Start-up
2. Growth
3. Advanced Growth
4. Plateau
5. Decline
In red, are all the significant feelings that characterise this framework. These will be explained in more detail as we go through the exercise.

The Stages Framework

In explaining the framework, it is useful for you to track your personal business journey. This will make the discussion more relevant to you, and more rapidly support you to apply any key lessons.

You may not have experienced every stage in your current business, but you may have experienced or observed them in previous businesses you have worked in.

This framework applies to a business, beginning when the current owners began. If you are an employee, then relate the experience to your career within your current business.

1. Start-Up

At the start (left hand) side of the framework, you will see that the diagram begins (as your business did) on Day 1. How did you feel on the first day or week of your new venture? Excited? Yes of course or you wouldn’t have got the energy to get started!

So excited is the feeling written in red under the baseline at the beginning of the curve.

After the initial surge of excitement how else did you feel? Perhaps a little bit scared or apprehensive too? These emotions are our primary motivators and impart us with great energy. This causes a period of Frantic energy, where we were dashing around doing the many things that need to be done all at once to start a new business venture.

After a while, it could be months or even a year or two, it becomes evident that the business has the potential to succeed and the feelings of anxiety begin to fade. You begin feeling Confident. You have moved into the 1st Brick Wall.

Brick Walls are transition states in a business. The 1st Brick Wall is the transition between Start Up and Growth, a transition that requires Investment.

The size of your business vision will influence the size of your investment. For many businesses, this investment is typically an office, an employee, a piece of machinery or an investment in training or time – perhaps you were only working part time in the business at first and you moved into full time. For larger businesses, this may be expanding into another city or establishing franchise systems.

If you don’t invest at this stage, then the business will plateau or decline. You may have heard figures about the number of businesses that close in their early stages – almost all of these do so in this 1st Brick Wall. Not making the right investments means a business will eventually run out of money or energy.

This investment often creates a period of anxiety immediately afterwards until you realise that the investment is going to pay off.
2. Growth

Having made the right investments, your business will begin to receive a return on those investments. Again, this depends on the size of your vision and your investments, but the 1\(^{st}\) Brick Wall investments typically create a period of steady incremental growth.

The frantic feeling has gone, and the business becomes consistently profitable. This modest success creates a feeling described by most business owners as **Good Times** – the feeling is **Relaxed**: you aren’t overstretched but are making a reasonable living and enjoying the experience.

Businesses stay in Good Times by continuing to reinvest in business growth, creating momentum and further growth in the business.

While that ongoing reinvestment can be managed and forward-planned, eventually, energetically, you will want to reap the rewards of your hard work. The business will have achieved its initial vision; you, as the business owner (or employee) will have achieved the outcome you sought when you first started this business.

You go through **Payback**. Exactly what it looks like can differ depending on your initial vision. Most business owners experience a commercial payback – new cars, a bigger house. Sometimes it can be a cultural reward – industry recognition, a long family holiday. Whatever it looks like, the feeling during payback is **Euphoria**.

If you have reached this stage or beyond – congratulations!

Unfortunately the euphoria of payback doesn’t last. You may be temporarily distracted (moving into that new house or touring France) but the business has built its own growth momentum, and payback can trigger a further period of accelerated growth.

This usually requires a shift in the responsibilities and required skills of the business owner. You are now responsible for a big business and the skills and experience that you used to start up and grow the business need to grow as well.

This leads to a feeling of **Frustration** – you can no longer understand and control every aspect of the business as you did when you were just a small team and your technical expertise was critically important. If those skills and the strategic priorities that become important are not addressed, the frustration will grow into **Stress**.

And if the stress continues, you and the business will accelerate into the 2\(^{nd}\) Brick Wall.

While the 1\(^{st}\) Brick Wall is a confident feeling, the 2\(^{nd}\) Brick Wall is more difficult. Only successful businesses make it this far, but by this stage the business doesn’t feel successful.

The stress has taken its toll and you feel exhausted. Good times are now "the good old days”, and you can’t go back in time!

The 2nd Brick Wall is a feeling of **Disillusion** – despite the growth and success, many business owners give up at this stage, close their doors or sell the business for a bargain price. They may know that they are throwing away years of work and a successful business, but they don’t know how to get out of the 2nd Brick Wall.
For those that do persevere, or prioritise and reinvest accordingly, the business owners enter a phase of **Research** in an attempt to move the business forward. Many ideas are tried, the owner becomes **Re-Energised**, and eventually exits the 2nd brick Wall in one of three ways.

3. Advanced Growth (below)  4. Plateau  5. Decline

**Plateau**

Sometimes a business will stagnate to the point where Advanced Growth is no longer possible, stabilising in a plateau before eventually declining.

This route is also a common choice among owners, especially professional partnerships, who are nearing retirement. Costs are reduced, only the best clients are retained, the business coasts along towards retirement. It will eventually run out of energy and decline, by which time the business has limited or no value.

**Decline**

Businesses that don’t properly restructure and invest during the 2nd Brick Wall, but persevere, will decline. Key clients, suppliers, and staff will leave, and the business will eventually close.

Again, this can be a legitimate choice for some businesses. Investment for the future is stopped, and the various business assets are split up and sold.
Advanced Growth

Shirlaws works with businesses that are in or are choosing to head towards Advanced Growth. These businesses have all achieved all five of the Advanced Growth pillars:

- **Product** – Advanced growth always requires extension into new product areas. Part of the work to get through the second brick wall is to strengthen internal systems to productise and innovate on an on-going basis in order to adapt to changing markets and achieve a sustainable business.

- **Channels** – growth tends to slow or stall prior to/during the second brick wall because the marketplace that previously served the business so well has become less attractive (either saturated or new competition). The business needs to develop multiple routes to market ensuring a consistent flow of clients and revenue.

- **Functionality** (Strategic Resources) – a functional internal structure ensures the right people are doing the right jobs at the right times. This is most critical at this stage (second brick wall) because enough capacity has to be created in the senior team to spend in strategy activity (Black) to make sure the right choices are made and assets are built to access advanced growth.

- **Management Systems** (capability) – that track capability and source-based performance indicators so that strategy is a constant evolution rather than an intermittent process. As the business identifies new revenue strategies (products and channels) it will need to build new capability. This with functionality is the core management system building block to ensure the business is able to reinvent itself successfully.

- **Asset Drivers** – When a business has developed an asset system it has gained the ability to leverage core capabilities to the level where they can be packaged into assets that underpin new businesses. This unlocks a transition from running a single P&L business prior to the 2nd brick wall, to running a portfolio of businesses which are extensions of core assets into new markets - the prerequisite for advanced growth and enhanced value. Defining the asset drivers that impact the equity value of the business, working on the multiple not just the profit.

They have built a business that will now survive and thrive beyond their direct involvement – how does that feel? The description we hear from businesses around the world, is Proud. It’s a humble pride from having moved through the lifecycle, faced the challenges, and lived to tell the tale.

While there are twenty different areas of your business you can address, these five pillars are a great starting point for choosing strategy at any stage.

**Diagnostic Exercise – Owners and Employees**

Where are you on the Stages framework?

Where are each of your employees? Are they in a similar location, or different – and if they’re different then what impact is that having on internal communication?

Having identified your current location and its relevance to your strategy, the ‘Implementing Stages in your business’ document and the other tools, documents and videos in your Stages toolkit can help you to turn that new knowledge into sustainable and profitable business outcomes. Outcomes that feel great!
How do I use Stages in my Business

There are several key benefits from applying the Stages framework in your business. These are explained in more detail in the “Implementing Stages in your business” document. Briefly, they include:

**Communicating where you are**

As a result of your reading this framework document, you now have an understanding of the impact feelings have on you and, as a consequence, your business. Perhaps most importantly, you will be aware that some feelings (such as frustration or disillusionment) are natural elements of a business’ lifecycle and they can be addressed.

Sharing this awareness with your team will help them move from a potential space of blame (“My job frustrates me”) to a space of taking responsibility (“This is a common feeling that others have experience. What can I do to move through it?”).

**Communication and Decision-making in different divisions, different partners, and between different team members**

Once you and your team have an understanding of how Stages affects them, they will begin to appreciate how individuals in different stages of the lifecycle interact and make their decisions.

Consider a team whose Partner is in Good Times. How might they view the communication coming from a different team with a Partner in Stress? How might the interaction between the teams improve when they have a better understanding of each other?

**Understanding clients**

Similarly, understanding how clients make their decisions can help your client-facing staff add value to those relationships. This can be applied to sales roles – a potential client in Disillusionment requires small pieces of information for easy decisions, whereas a potential client in Good Times will be able to research and process more information.

Stages is also practical for improving client relationships over time, by continuing to provide them information is a way that best suits the stage they happen to be in at any particular time.
Notes