

MORE SUCCESS, LESS STRESS: THE ELUSIVE ALLURE OF “STAGE 2” FOR SMALL BUSINESSES

Up to 96% of small businesses become stagnant or go under, even though greater profits, stability and growth are right there, within reach. Why? And, more importantly, what can be done to prevent your company from suffering the same fate?

Five Stages of Business Growth

Stage 1: Entrepreneurial and Opportunistic,

Stage 2: Structured for Growth,

Stage 3: Financial Capital Infusion

Stage 4: Bureaucracy Building

Stage 5: Operational Division

93% to 96% of all companies in the U. S. start – and end in Stage 1.

This statistic is particularly sad because **Stage 2** is where the real profits are for privately held businesses. Owners are able to work **ON** the business instead of feeling trapped **IN** the day to day. **Stage 2** brings growth, stability, predictability, profitability, and peace of mind.

It doesn't matter how long they have been in operation; even 3rd and 4th generation companies are known to exist in Stage 1 for decades they never move on to enjoy the many benefits of Stage 2.

The Big Move: From Tent-Dweller to House-Builder

What does it mean to move from Stage 1 to Stage 2? We call it the progression from Tent-Dweller to House-Builder.

Think of Stage 1 companies as a tent, and the owner as the tent pole. The owner digs deep, pushes hard, gets the tent pole up and the business is born and grows. Everything is in sight and the owner is in touch with everything that's going on.

As the tent gets bigger, the weight on the owner's shoulders increases. Sometimes, the owner takes his or her eye off the ball, gets sick, gets distracted... and the tent pole comes down. The business diminishes. The business' ability to grow and progress is limited to the owner's capacity to hold things up.

When the tent gets too big to hold up alone, it's owners have a choice: continue to struggle, to hold up the tent, or get on with the job of putting together something more permanent; building a house. Time to move to Stage 2: it's time to build that house. A Stage 2 company is a durable structure with a strong foundation, plenty of room for growth -- and a much greater resale value than the tent.

So Why Don't More Business Owners Move on to Stage 2?

We looked at the reasons so many companies never move out of Stage 1 and found a number of hurdles, all directly tied to the nature of the entrepreneur.

Hurdle #1: Asking for help.

Entrepreneurs are used to doing everything on their own. But moving effectively from Stage 1 to Stage 2 requires expert assistance.

Staying with the House-Builder analogy, think of how hard it would be to build a sound house without professional help laying out plans, putting up framing, installing plumbing, electricity, roofing and designing the interior.

Building a sound Stage 2 company is similarly complicated: it requires highly structured systems in sales, finance, marketing, operations, and human resources. Detailed business plans, both short- and long-term, are necessary blueprints for the company's success.

A business owner must first recognize the need for outside help and reach out for it before successfully progressing to Stage 2.

Hurdle #2: Leaving the "comfort zone."

Managing a Stage 2 company represents a major change for the business owner, who must move from working in the business to working on the business.

Our research has shown that about 1/4 of entrepreneurs are NOT up for learning these new skills. They are committed practitioners of their craft. They do not wish to study finance, sales, operations and marketing. They keep their heads down and do what they do well, and that's as far as they want to go.

Another 1/4 of entrepreneurs are ready, avid learners, always seeking ways to improve their skills and grow their companies.

The remaining 50% of entrepreneurs can go in either direction – and whether they move or not depends upon what type of problems arise, and what type of solutions present themselves. Conditions and personal ambition will influence whether they stay the course in Stage 1 or seek out the challenge of evolving to Stage 2.

Hurdle #3: Giving up control.

In order to get a new company off the ground, the owner must be resourceful, independent and innovative -- willing to jump on a problem and solve it, pitch in wherever needed, pick the ball up and run with it.

These hard-working entrepreneurs are justifiably proud and protective of the business they've built, and they know its ins and outs better than anybody.

Stage 2 requires that the owner step back and let others pitch in. It's hard to let go, but as the organization grows, the owner can no longer be hands on with everything.

Here's a caution: research shows that owners do not make this kind of 180 degree management shift on their own, without support and training.

Hurdle #4: Growing bored.

In general, Stage 2 companies are boring when compared to Stage 1 companies. This can be a challenge for entrepreneurs, who tend to be adrenaline junkies.

Stage 1 entrepreneurs enjoy solving problems, jumping in as heroes and saving the day. In Stage 2 companies, there aren't so many problems. The challenges are in building and implementing a high profit, glitch-free plan rather than putting out fires.

This is where discipline and commitment to becoming a Stage 2 owner are essential -- to keep from disrupting a plan just as it is taking hold.

Clear the Hurdles, Win the Race

Getting your company to the next level is a daunting proposition. It can be hard to make a 180-degree turn and abandon old, familiar, comfortable business practices.

Long-term success requires a new approach.

Stage 1 companies typically experience volatile up and down cycles. Owners end up putting all their energy into alternately pushing up revenues and then recovering as revenue falls off. Profit languishes and remains nearly flat.

In Stage 2 companies, the growth rate is stabilized to a steady upward climb, and the savings that result turn into profit growth at nearly the same pace.

As the old maxim goes, "Slow and steady wins the race." That's what Stage 2 is all about: smart, solid, predictable, steady growth.

If you're ready to take on the challenge of becoming a Stage 2 company, Strategy Leaders has a proprietary method that will help get the job done. We know the way.

**To talk more about the possibilities, call us at 203-952-0000,
or email us: info@strategyleaders.com**