

# The Five Stages of Business Growth

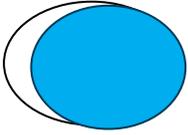
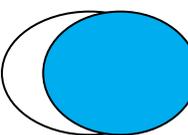
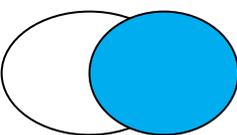
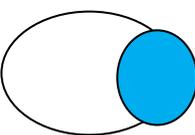
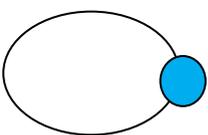
## Introduction

The survival rate of start-ups is approximately 10% (Forbes), and while this might vary over the first five years, the fact is that being an entrepreneur is challenging and sustainable long term success is rare. Accelerate Cape Town’s Innovation Programme aims to support the sustainability of innovation through the mentorship of start-ups.

The framework below is an adapted version of the Harvard Business Review’ Model of the Five Stages of Business Growth and is a useful start to understand the phases that a start-up goes through to grow. The model recognises that all business from conceptualisation to start up, and through to success, follow relatively similar paths. Though start-ups may vary in their offering, the industries in which they operate, the management culture, and skills levels, they all experience similar growth pains and processes.

## The Five Stages of Business Growth

Characteristics/ Stage	1 - Existence	2 - Survival	3 - Success	4 - Take-off	5 - Maturity
<b>Key description</b>	This is start-up. The focus is to move from idea to implementation. Owner does everything from idea to capital source to energy. Supervision, if any, is direct. Formal planning largely absent. Failure typically due to inability to attract customers despite excellent product plans.	As the business moves past start-up, cash flow remains critical – it is all about survival and generating cash for growth. Unless unsatisfied with marginal returns, businesses can stay in this mode (corner family shop – Mom and Pop). Management remains focused on the status quo and delegation is not considered. Little or no effort is put into innovation and can lead to stagnation and ultimate failure.	At this point in the cycle, the shift to professionalising the business without strangling the initiative and innovation is essential. Financial management and organization development issues become increasingly relevant and urgent. Management style becomes a fundamental determinant of likely growth to take-off stage. It is where many entrepreneurs become unstuck. Either the shift needs to take place or the business must pass on to others so the entrepreneur can begin a new venture.	If you opt to grow, the need to learn to ‘let go’ and effective delegation becomes increasingly relevant. Effective management practices and employee development critical. Ability to manage change both internally and to accommodate external change becomes a key determinant. It can no longer be ‘business as before’ - this is a pivotal time... Recognizing own limitations is crucial. Success has a dangerous way of leading to complacency and this recognition is critical for appropriate and effective expansion.	Effective utilisation and management of increasing financial resources becomes a key focus area for a maturing company. Equally important is the development of an aligned and engaging company culture. The need for simultaneous focus and agility need to be achieved. Professionalisation without stifling innovation and customer response becomes ever more critical

<b>Diagram representation</b>					
<b>Key business Focus Areas</b>	<ul style="list-style-type: none"> <li>Idea potential</li> <li>Cash availability</li> <li>Market access</li> <li>Customer base</li> <li>Survival</li> </ul>	<ul style="list-style-type: none"> <li>Cash generation</li> <li>Specific delegation</li> <li>Skills enhancement</li> <li>Customer feedback</li> <li>Initial innovation</li> <li>Business plans</li> </ul>	<ul style="list-style-type: none"> <li>Cash flow</li> <li>Broader delegation</li> <li>Skills development</li> <li>Performance management</li> <li>Market analysis</li> <li>Financial gearing</li> </ul>	<ul style="list-style-type: none"> <li>Cash management</li> <li>Management competency</li> <li>Performance systems</li> <li>Broad policy and procedures</li> <li>Revision of 'historical heroes'</li> <li>Company resilience</li> <li>Change management</li> </ul>	<ul style="list-style-type: none"> <li>Financial and cash management</li> <li>Ongoing management competency</li> <li>Performance systems improvement</li> <li>Create company icons</li> <li>Manage change proactively</li> <li>Collaboration horizontally across company</li> </ul>
<b>Organisational focus</b>	<ul style="list-style-type: none"> <li>Define and attract customer base</li> </ul>	<ul style="list-style-type: none"> <li>Staff selection</li> <li>Customer input and reaction</li> <li>Basic system development</li> <li>Broad policy formulation</li> </ul>	<ul style="list-style-type: none"> <li>Team development</li> <li>Enhanced system development</li> <li>Feedback real time</li> </ul>	<ul style="list-style-type: none"> <li>Team alignment and maintenance</li> <li>System review and optimisation</li> <li>Improved feedback and reaction</li> </ul>	<ul style="list-style-type: none"> <li>Team review and ongoing alignment</li> <li>Implement succession planning</li> <li>Regular review of culture yard sticks and feedback</li> </ul>
<b>Individual/Leadership focus</b>	<ul style="list-style-type: none"> <li>Jack-of-all trades</li> <li>None or direct supervision</li> <li>Find customers willing to spend money on product or service</li> <li>Reward and recognition</li> </ul>	<ul style="list-style-type: none"> <li>Minimal supervision</li> <li>Ability to express ideas</li> <li>Develop and communicate a vision</li> <li>Engage and empower through minimal delegation</li> <li>Reward and recognition</li> </ul>	<ul style="list-style-type: none"> <li>Personal insights</li> <li>Situational leadership</li> <li>Company culture</li> <li>Skills analysis and improvement</li> <li>Employee engagement skills</li> <li>Reward and recognition</li> <li>Do deeds match statements of intent?</li> </ul>	<ul style="list-style-type: none"> <li>Personal enhancement</li> <li>Levels of leadership skills development</li> <li>Succession planning</li> <li>On-the-level communications</li> <li>360 reviews for performance enhancement</li> <li>Reward and recognition</li> </ul>	<ul style="list-style-type: none"> <li>Personal enhancement</li> <li>Levels of leadership skills development ongoing</li> <li>On-the-level communication culture</li> <li>360 reviews for performance enhancement ongoing</li> <li>Reward and recognition</li> </ul>