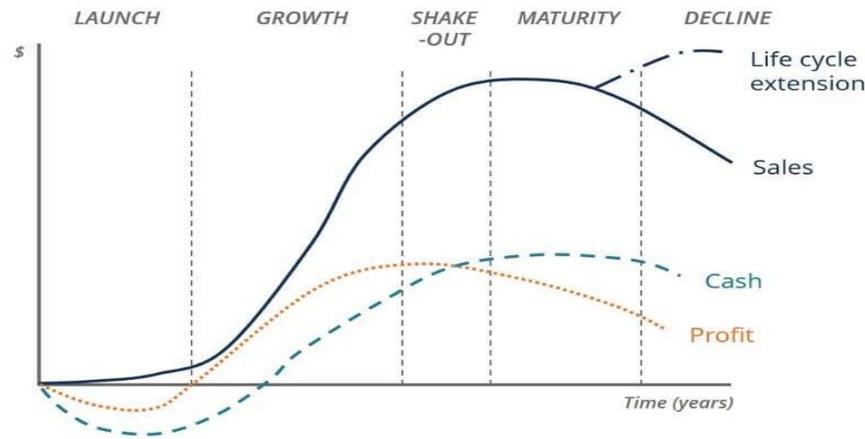


**BUSINESS CYCLE AND STAGES OF GROWTH**



News, Views, Solutions from Summit Systems February 2020



**STAGES OF BUSINESS GROWTH – TO GROW OR NOT TO GROW**

The vast majority of businesses in NZ simply exist from day to day without any serious thought or consideration as to whether they are coming or going.

Most of them do not engage with a full range of business professionals and try to avoid them like the plague. Lawyers are usually called upon when it is too late. Accountants are once or twice per year and Business Consultants or Coaches are something that is costly and of zero financial benefit. Marketing gurus are not for real because we know how to advertise and advertising is marketing.

Fanciful talk about MBA principles is a complete waste of time and no benefit is seen in business studies. On the contrary, it is our belief that there is a need for basic business principles to be taught as a serious training course for all clients. This is something that we will need to give further attention to in 2020.

Most managers spend more time complaining about compliance than they spend in giving serious thought and time to forward planning. Before we talk about helping clients grow their business we need to define the various stages of business growth.

We are not going to give you a mini MBA but we will talk about the cycles of business as they are relevant to our discussions. There are five stages of growth that every business or company goes through.

The first stage or novice stage is usually husband and wife team and it is an extension of two individuals working in a cooperative relationship. This is the **development stage**. It can also be called the **question mark stage**.

The second stage is some helpers and working out what direction to take if any. This is called the **problem child** stage if you do the MBA. It can also be called the serious start up stage.

The third stage is called the growth stage and it often depends on the energy and hours dedicated to the good cause. This can become the **rising star** stage. It is often associated with spurts of growth and occasional stalls.

It often follows as stage four that there is a serious growth stage or **cash cow** if you are about to do an MBA. This is the expansion stage and it is fraught with problems and difficulties because most of the players have never been down these tracks before. They fall into failure like once per month at minimum and they do not know what do to or how to tackle the problems.

Summit Manager Name \_\_\_\_\_

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Philippians 4:6-7, "Be anxious for nothing, but in everything by prayer and supplication, with thanksgiving, let your requests be made known to God and the peace of God, which surpasses all understanding, will guard your hearts and minds through Christ Jesus."

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## 2.

They do not understand the Pareto Principles and nor do they wish to even think about them. Worse still they fall for the 30% rule and think that they are clever and find it impossible to believe that they just signed off the “death certificate” for their business.

The next thing is that they make more mistakes and it is a “bridge too far” and they cannot deliver the failing enterprise and it quickly goes from the **maturity stage** to terminal.

Only in rare cases will the business resurrect and start over again at one of the stages of the cycle. This means that about 15% of businesses fail per year and if you wait for 6-7 years you get a “complete clean out”. Many of the trip wires are avoidable and either the business owner does not wish to listen to good advice or the Accountant simply does not know or does not know how to communicate in a sufficient and adequate manner.

The first likely stall and fall is when the business is not told to provide for advance taxation and manages to get through year one and then embarks on year two with neither catch up tax being paid nor advance provisional. Halfway through year two the alarm bells sound and then there are lots of accusations and bemoaning of the situation often now out of control and the business is in crisis and will likely fail in less than three years.

Another taxation hurdle comes along when the business is required to move from cash accounting to GST accounting and to pay GST as you go when the work is done and not yet paid for. This can be the end of many businesses as the owner simply could not find hundreds of thousands of dollars to pay IRD for their precious GST and PAYE.



### **FAILURE TO PLAN IS A GUARANTEE TO FLIP FLOP & FAIL**

Did you know that the most common failure of business are caused by failure to plan ahead. They do not provide for taxation. They do not provide for overdraft. They do not provide for problems that are inevitable. They do not provide for turnover of staff and loss of expertise.

They do not avail any NZ Govt grants or subsidies for business growth as they are much too clever and do not need any help and they will simply demonstrate how clever they are.

They often enter into contracts that are beyond their abilities and then they end up in court and the cost of this plus all of the aggravation is more than they can take. They do not know their rights under the Companies Act and Commercial Contracts law.

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### **TEN TRAPS FOR THE UNWARY MANAGER**

1. Avoid compliance as it is very expensive and quite unnecessary. This is the normal modus operandi of 95% of NZ Managers. Compliance can be done at a profit if you do it in the right manner and at the right time.

2. Call the Lawyer but wait until it is too late and then he is sure to get annoyed. The lawyer would have charged enormous fees anyway so we avoided his fees.

3. Do not join any professional membership as they are expensive and waste of time. Some associations are expensive but most are reasonable and trustworthy.

4. Make sure you do not have an employment agreement as they only benefit workers. The fines for no contract are not great so we will take the risk.

5. Always work out your own schemes and ideas when it comes to human resources management and make sure you tell all of the workers that you are the boss and they will get fired if they don't do as they are told.

6. Do not value people and always be happy with the average dude and do not pay for high quality people that will build the company.

7. Structural waste is okay and it does not matter if we have a spare manager or two as they may pay their way some day in the future.

8. The 30% rule is only for the old timers from the last century and they will never make stupid rules for us ever again.

9. Don't worry about all of the ACC discounts and NZTE subsidies and other things that the NZ Govt wants to help us with. We don't need their help/

10. Don't worry about the Fire Regulations and all other Regulations as they are just a complete waste of time. Just grow the business until it becomes a travelling circus.

