



How to Get the Most From Your People Through the Seven Stages of A Business Lifecycle.

A White Paper by our HR specialists that for the first time brings together strategies and tips for managing your business at any and each of the seven stages of a business lifecycle from start up to sell up.

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Introduction

As an MD you probably started up your business because you had a great idea, you could see a gap in the market and you wanted to be the boss rather than working for others.

You realised that you may not have all the skills and knowledge yourself, and to generate the sort of revenues you were planning for, you needed to recruit people. Most of the time, you get it right yet you've discovered there are still plenty of challenges in employing others.

Some key challenges created by employing people are:

- Sharing the same goals
- Having the same work ethic
- Gaining and retaining the dream team
- Being fair
- Managing difference
- Dealing with change

Stages of Business growth

The HR services you need will in part depend on what stage of growth your company is experiencing. Therefore it is important to understand the typical business growth stages and to establish at any time where your company fits within the business life cycle.

The following list contains many of these stages, although the list is not completely exhaustive. Some businesses will experience all the stages and some just a few. Sadly, it is also possible that a number will only experience a couple of stages, going straight from concept to decline and eventual collapse.

The major stages of growth are as follows:

- Concept
- Start up
- Growth
- Consolidation
- Acquisition
- Exit Planning
- Company sale
- Decline

Which of these stages do you recognise and where is your business now?

Understanding where you are in the lifecycle of your business is only one part of the picture. You also need to have a clear view of the HR solutions and services available to you. In the first part of this paper we identify three elements to our approach whichever part of the lifecycle you are in. The second part of the paper offers our top tips for successfully managing your people at each stage. The third part of the paper maps typical HR solutions and services likely to be appropriate for each of the seven stages in the business lifecycle. The Appendix covers in more detail what is involved under each of the HR services.

HR solutions

In our work with SMEs we offer three elements in our approach.

Take a System Wide Approach

Inevitably when dealing with people issues there are always consequences to be managed. So it is useful to understand the range of HR solutions, and you will often find a combination of services may be required. We always advocate a system wide approach rather than dealing with something in isolation. A system-wide approach is important because people issues tend to touch on the 'soft' areas of an organisations culture. Actions in one area may have consequences in another, which need managing. So, for example, in a redundancy situation, one consequence is the careful management of the 'survivors' as well as those who will be leaving the company. Another example would be in the management of employee performance, there is not only your precedent to consider (ie what have you done before in a similar situation) but also what operational standards do you require on a daily basis, which have been breached and now need to be reinforced.

So the point is that although one intervention is appropriate to deal with the problem, other solutions and services may be required as well to manage the consequences.

Review Your Own Performance

Firstly, we recommend that you do an annual audit of your own performance – How have you done against the objectives you (the Board) have set? What has worked? What needs changing?

We would then encourage you to address any, and all, people issues as immediately as possible, some may have been known about for some time. Contrary to most MDs beliefs, these issues have a habit of hanging around and tend not to go away. Taking proactive steps now is usually cheaper and more beneficial for all concerned rather than waiting for the problem to go away. This doesn't necessarily mean a negative outcome, more the requirement for an honest conversation with a clear set of next steps.

The key to dealing with the people challenges is to be clear on your desired outcomes and the timeframes attached.

Part of the process of choosing an optimum course of action is to think about the risk and consequences of your preferred course of action and consider alternative options. You may need some specialist input to facilitate your thinking and help you create a plan for a successful outcome to be reached. One thing is certain, the sooner you deal with a problem, the easier it is to resolve.

Dealing with change

A feature often overlooked is the handling of the transition from one stage of the lifecycle to the next. Transition is a psychological change as much as changing elements in the system. Take the example of bringing in a senior manager, who has responsibility for a function or two, when previously these functions reported to the MD. Lets assume that through a robust recruitment process (described in the Appendix) an appropriate individual is hired. That is the change on the organisational structure. The transition – the psychological change – that needs to be managed is often overlooked. What is involved here is preparing for and managing the elements of the transition. So in the recruitment example - What does the MD need to let go of (running those two functions, answering queries from those members of staff)? How are the first three months going to be handled to embed the new senior manager into the company so that s/he takes over the reins yet the staff don't feel disenfranchised from not having contact with the MD? And looking forward - How is the MD going to measure the effectiveness of the new manager? What are the performance indicators going to be? How will this be managed through the functions? How is the MD going to feel if the new senior manager says he wants to sack two people for underperformance?

A similar transition occurs between different stages of a business life cycle. The process is the same – things need to be let go of; handling the uncertainty of the transition; and, planning for, and realising a new future are the core elements of transition. Yet often these elements are not managed.

This process starts with the MD as the company leader. It is being clear what is wanted both commercially and emotionally. Ignoring the latter will sabotage the former in often subtle ways – not letting managers manage, getting in the way in the interests of knowing what is going on are behaviours the MD may need to learn for the business to effectively move along the lifecycle.

Top Tips for managing the people challenges at the different stages of the lifecycle.

In our work at all different stages of the business life cycle, we have noticed what MDs do and don't do! This section covers our top tips for success in managing the people aspects at the different stages.

Concept stage: The person with the concept is naturally excited by his/her idea. Turning the idea into a business proposition is another matter

Top tips:

- Ensure all parties you speak to sign a non-disclosure agreement to give you some protection
- Consider your own skill set and ruthlessly identify where there are gaps – sadly you won't be great at everything
- When considering business partners, consider not only their skills but also their motivations and approach – are they congruent with yours. If not, find someone else.
- Consider how the gaps are to be plugged – do you really need a business partner or can some other flexible resource be used, which minimises your fixed costs in the early days and maintains your overall control
- Ensure you include salaries/fees in your business plan forecast including NI, holidays and other on-going costs

Start-up stage: Some funding may be in place, premises established (however virtual) and first business partners and staff are recruited/appointed

Top tips:

- Carefully consider what contractual terms you want to – part-time, fixed term, permanent, agency, consultancy, project-based
- Spend time on getting the employment contract terms right for your business – don't copy one off the internet as they are rarely fit for your purpose
- Consider your own management style and how this is likely to work when you employ/appoint people eg having a laid back style might be good for the flexibility needed in start up, but people might take advantage of you
- Consider some basic policies that cover discipline, grievance, absence due to sickness, leave, use of electronic media and IT
- Think carefully and specifically about what tasks you want people to do and formulate these into a job description. In the early days, the role definition/job description is the basis for recruitment, pay reviews and managing performance.
- Where people are not working out, deal with it early – it is unlikely to get better.
- Consider how pay can be performance related to reduce fixed costs

- Think carefully about the shareholder agreement to avoid diluting your share too early

Growth stage: The business is growing rapidly, Directors are increasingly stretched, and the organisational structure is organic

Top tips:

- Establish a few (no more than 3) KPIs that act as a rallying point for all members of staff. These can then be translated into departmental and individual objectives, performance against which can determine pay increases.
- Focus on recruiting the right person, rather than someone to do a job. If you can't find the right person, use temporary labour until you do.
- Take quarterly 'time outs' to work on the business rather than in the business
- Start to create a management structure where managers manage rather than just take on a manager job title
- Train managers in core management skills – setting objectives, reviewing performance, giving feedback
- Sharpen up your own leadership skills. Delegate to managers and learn to let go and focus on what you are good at
- As staff get used to growth, career prospects need to be considered as well as getting the job done.

Consolidation stage: Growth may be plateauing

Top tips:

- Are the people you set up the business with, now the right people to continue the business - are their strengths fully utilised - are yours? Consider recruiting at a senior level to plug the gaps and bring in new ideas
- Consider reviewing your business strategy – do you need to invest in new products and services to maintain growth?
- Conduct regular business requirement reviews to ensure the resources are right for optimum business delivery.

Acquisition stage: For whatever reason, the key to growth may be acquisition. Acquisition is more than a numbers game, more revenue, economies of scale; it is about the creation of something that is more than the sum of the parts

Top tips:

- Conduct a thorough due diligence of the staff in the organisation you are going to acquire

- Consider how you are going to integrate staff into your existing terms and conditions and the costs involved
- Not everyone will see a bigger company positively, identify your own key people and work out the messages you need to give them to try to ensure that they will remain with you
- Construct a transition plan to integrate the two organisations over a 12-15 month period that takes into account, amongst other things, expectations around pay reviews and salary differentials

Exit planning/management buy-out/company sale: The business has done well and you want to exit, or retirement looms or an unexpected offer has landed on the table.

Top tips:

- Regularly review your own position – if you are wanting to exit the business, and realise the value of the business, you need to start planning at least two years ahead
- Consider how you are going to lock in your key people through, for example, share options
- What terms do you want post sale - part of the value of the business is you, so the buyer may want to lock you in too
- Deal with any performance/absence issues quickly and conclusively ahead of any sale – get rid of as many skeletons in the cupboard as possible; leaving it is likely to inhibit you in maximising the value of your business

Decline stage: Regrettably, many companies, at some time or another, are likely to experience this stage, yet will hopefully come out the other side, fitter and stronger

Top tips:

- You may not think you do, but you know the real reason for the decline - talk to an independent business coach (not your partner or accountant) to really get to the bottom of what is going wrong
- Take a considered approach and then act decisively
- Don't throw the baby out with the bathwater – undertake a talent audit to ensure you keep breadth and flexibility in your team. Keep the smallest number of people who can work across all the disciplines and who will be the nucleus of the company when the good times return.
- Avoid keeping people out of loyalty – the smaller, leaner team that survives is out of business imperative not personal favour

Mapping HR services onto Stages of Growth

Putting the stages of growth together with HR solutions and services is not an exact science and there will be overlaps as our map indicates. However, in one diagram, it gives an MD a line of sight as to what is involved.

A more detailed explanation of what the HR services mean can be found in the Appendix.

	Concept	Start up	Growth	Consolidation	Acquisition	Sale
Employment contracts		#	#		#	#
Employment policies/handbooks		#	#	#	#	
Employment law advice	#	#	#	#	#	#
Recruitment		#	#	#	#	
Training			#	#	#	#
Coaching	#	#	#	#	#	#
Performance management			#	#	#	#
Psychometric assessment		#	#	#	#	#
Tribunal representation			#	#	#	#
Mediation			#	#	#	#
Redundancy			#	#	#	#
Investigation		#	#	#	#	#
Outsourced HR services		#	#	#	#	#
Organisational change			#	#	#	#
Facilitation	#	#	#	#	#	#
Remuneration	#	#	#	#	#	#
Due diligence					#	#

Specialist HR solutions and services for all types of business and Stages of Growth

Although governments are always promising to minimise red tape and regulation for business, the amount of employment legislation can be a minefield. However, at The Human Resource Centre, we pride ourselves on delivering practical advice that works, and being your business partner to achieve your objectives.

Our Directors are active in the local business community being members of:

- The Institute of Directors
- Connect2Innovation
- The Institute for Independent Business
- Surrey Business Advisers
- Surrey Chambers of Commerce
- London Chambers of Commerce
- The Chartered Institute of Personnel and Development
- The International Coach Federation

This means that we have a great network of trusted business contacts, who may also be able to help you in providing a wide range of business services from protecting your intellectual property, providing funding support, reviewing your business strategy, to providing marketing plans and business development support.

Give us a try!

APPENDIX

Definitions of HR solutions and services available

Employment contracts: A simple solution might be to pick a standard contract off the Internet on the assumption that a contract must be provided within two months of the employee's start date. This option gives little or no thought as to how the contract will work efficiently and effectively for your company. A much better approach is to get a template designed that includes the clauses you need to have, which can be used again and again for future hires. The same applies to fixed term contracts, consultancy agreements, agency agreements, Directors Service Agreements – each should be tailored to be right for you, your business and your growth plans.

Employment policies and handbooks: Legislation dictates that you must have a Discipline and Grievance policy and there are many other policies that together will give you a framework for establishing an agreed way of working in order to provide consistency and fairness throughout the business. For instance, we would suggest a sickness policy, leave and absence policy, and an IT and Communications policy as core for any business. Once established, further policies can be added. Again, these policies can be found on the Internet but they will not always be right for your business. It can get very costly when your policy is simply inappropriate, or inappropriately applied. To address this it is important that managers and staff are trained in policy relevance, application and management to improve staff performance and reduce the cost of common issues that arise.

Employment law advice: You will often come across issues associated with employment law and when this happens you may need some fast advice. One cost effective solution is to pay a small regular fee for a retained service. A good provider will aim to meet your needs through a helpline that can give you an immediate answer on the phone, or supporting you in conducting a 'difficult' meeting, or coaching you on what to say or do and provide a script/rehearsal.

Recruitment: Agencies may provide appropriate staff but rarely do they question the context of the role. Assuming that the role needs to be recruited for as opposed to merged into someone else's job, the context is just as important to ensure the role is what it says it is and the fit is right. The full recruitment process can be outsourced, or elements of it, to ensure the best person for the role in question. A full recruitment service would include writing the role definition, advertising, testing applicants, conducting interviews, preparing shortlists, sending out offers and contracts and chasing references. Or you might want interviewers to be trained to interview in a structured way or have your shortlisted candidates assessed to judge their fit into the job or the team.

Training: Sending people on external management courses often don't work to best advantage because the material is too general or inappropriate to the needs of the SME. You need a flexible provider to offer bespoke courses for a day or half day, or a

series of sessions, to build capability in the areas you seek to develop. Typical courses needed by SMEs include effective recruitment, presentation skills, time management and delegation, conducting effective appraisals, and managing performance.

Coaching: Is a powerful process whereby MDs, Directors and senior managers within SMEs work to simultaneously improve personal effectiveness and company performance. The presenting issue might be poor time management, stress, inappropriate management style or a dip in performance. Or, more positively, the presenting situation might be around managing the expansion of the business, getting the best out of the Director's team or growing the capability of a key employee. Coaching is all about behaviour change, which starts with defining the desired business and personal outcomes and then having 1-1 sessions every 2 weeks or so to create the motivation, space and pressure, for change.

Performance management and improvement: This might mean working with an MD to improve the performance of an individual employee, or where this is not possible, then to manage them out completely with the security of a compromise agreement. Or it might mean setting up a simple appraisal system, which focuses on achievement against objectives. As a start point the MD clarifies the business strategy, the people resource needed to drive it and then to drill down into key performance indicators that become the basis for measurement of people's performance. This has the additional benefit of aligning staff directly to the goals of the company.

Psychometric assessment: There are a host of psychometric instruments to measure human potential, strengths and preferences. Part of the skill is identifying which is most appropriate for the needs of an SME and making it relevant to the business situation. We offer a broad range of psychometric assessment from some of the leading providers in the world. We use various personality profiles from Criterion, SHL, Belbin and ASE for recruitment, personal and team development purposes; Myers Briggs for personal and team development; Strengths Deployment Inventory for personal and team development; Verax tools for personal, team and organisation development; Baron-EQI emotional intelligence tools to enhance relationships and understanding about people and situations. The focused nature of the assessment tool speeds up the identification of the issues that need to be managed in a positive and constructive way.

Tribunal representation: Claims can be made up to 3 months after an employee leaves a company. You might get an Employment Tribunal Claim form (ET1), which needs acting on promptly. Whereas employment lawyers can deal with these, there are other options, offering significant savings to engaging a solicitor. Using practical advisers, not afraid to tackle spurious claims but also wanting to negotiate a settlement at the soonest possible stage to avoid unnecessary cost and time causing distraction from business operations, can offer you a very practical alternative.

Mediation: Mediators seek to facilitate and settle disputes, whether between Directors or with staff. Once both parties agree to mediation the battle is often won because both sides have effectively said that they want to resolve the dispute. A mediator will work in a neutral way to seek to understand what the points of difference are and move people to working out a way forward. This can typically unlock intractable disputes between Directors, and Directors and key employees. Often it results in one party leaving the company but this outcome is managed appropriately.

Redundancy: Product lines may become redundant, turnover is shrinking, a change in business strategy resulting in site closure, a key employee leaves resulting in a department being unsustainable – whatever the reason, you want to manage the process as simply and as efficiently as possible. Redundancy can be very damaging to employee morale and so when working on a redundancy programme you need to have in place appropriate communication channels and other forms of support to minimise the impact of redundancy across the organisation.

Investigation: Occasionally internal grievances or disputes arise that require independent third parties to establish the facts and recommend an appropriate course of action, untainted by the emotions that are circulating within the organisation, but with a brief to resolve a dispute as quickly as possible. Investigations typically occur in response to grievances around equal pay, harassment, bullying, theft, drug abuse, and race and sexual discrimination. Depending on the issue, investigations might vary from 0.5 days to 10 days. The advantages to the MD are that the issue is investigated independently and in a timely fashion, actions are recommended and the situation is moved forward and dealt with.

Outsourced HR services: The challenge for SMEs is getting the expertise they need at a budget you can afford. Often relationships start with providing some practical advice on a staff matter that moves on to sorting other problems out, and then develops onto a relationship that effectively includes HR practitioners onto your management team, albeit as an external resource. HR services can be charged on an hourly basis, a project basis or on a retained basis that might be as much as 2 days a month if the organisation is going through a sustained period of change or at the size that requires a consistent HR presence.

Organisational change: For an SME this might mean managing the impact of a new senior employee joining the company, or improving the way the company operates realising that the systems that worked when the company was smaller are now inappropriate, or tensions are starting to emerge as workflows have increased and got more complex and the management structure may need to change. Whatever the situation, you need practical, bespoke solutions that achieve the change and manage the process of transition for the people affected.

Facilitation: Using a breadth of process skills, facilitators work with individuals or small groups on a range of issues where the organisation feels that a neutral third

party can manage the process, freeing up the MD to participate in the meeting. Examples of facilitation in an SME context are informally resolving disputes, aiding the discussion of the next stage in the development of the business, or running departmental awaydays and Board meetings.

Remuneration: MDs often ask what someone should be paid, whether salaries are competitive, or what should our pay policy be this year, or how to devise a bonus scheme that incentivises. We bring our corporate experience to this issue to advise on individual situations, undertake salary surveys and benchmarking, advise on differential pay increases or devise bonus schemes to meet your needs. You might also want to discuss employee share schemes as a means to linking longer-term staff reward to the success of the company.

Due diligence: Ahead of any acquisition, you need to quickly unearth skeletons in the potential acquired's cupboard. Depending on the size of the acquisition, a robust due diligence might take 2 days, to identify issues that may cause you to think again, revise the terms of your offer or go ahead with a plan of how to deal with some of the people issues. You also need to be aware of the TUPE minefield so that, at a practical level, the legal issues are managed at this critical stage.