



TEL EPISODE #039:

The Small Business Life Cycle with Charlie Gilkey

Show Notes: <http://www.theelpodcast.com/tel-039-small-business-life-cycle-charlie-gilkey/>

Welcome to The Entrepreneurs Library, the only book-centric podcast that reviews all the top-selling business books and shares author's perspective, firsthand. This is your resource to finding the next great book that will enable you to grow personally and professionally. Welcome your host, Wade Danielson.

WADE: Thank you for joining us today on The EL. Today we have Charlie Gilkey, author of *The Small Business Life Cycle*. Welcome, Charlie, and thank you for joining us on The Entrepreneurs Library.

CHARLIE: Thanks for having me.

WADE: Will you take just a moment to introduce yourself and tell us just a little bit about you personally?

CHARLIE: All righty. I am Charlie Gilkey. I founded and run the website called Productive Flourishing, which is really about helping creative people take their ideas and make something good happen in the world. The way I like to say it is it's not so much for the dreamer; it's for the inspired doer. We talk a lot about just being a change engine in the book at Productive Flourishing. I started that in 2007. Recently wrote a book called *The Small Business Life Cycle*, which I'm on the podcast to talk about.

Before starting Productive Flourishing, I was simultaneously completing my Ph.D. in Philosophy – still working on that – and I was an Army Joint Force Military Logistics Coordinator. So basically I made sure that Air Force and the Army were talking to each other and getting stuff where it needed to go and getting troops where they needed to go. I was on the Army side of things.

Those perspectives show up in both Productive Flourishing and in the book, and in the idea of like, hey guys, we're trying to go somewhere, but we can't go everywhere all at once. So we've got to figure out what steps to take at the right

time to make this change happen. So that's who I am and what both Productive Flourishing it about, but also what the book is about as well.

WADE: Thank you for sharing that, Charlie. Now let's jump right into your book that you were just talking about, *The Small Business Life Cycle*, which was originally made available for purchase on March 31st, 2013, and the second edition just came out earlier this year.

We're going to move fairly quickly, but here are some of the top questions our reader/listener wants to get answered. The first one is, what was the inspiration behind writing *The Small Business Life Cycle*?

CHARLIE: A lot of pain, to be honest. I'm a business coach, and I work with a range of people from the startup stage all the way to the full-fledged corporate large business. But one thing that happened over and over again is people would come to me and they were trying to do things that they were either told to do or things they read about that were just inappropriate for their business – either because it didn't fit the strategy, but what I found a lot was it was just too early in that business's life cycle for them to be focused on that.

For instance, I'll focus it on small businesses and entrepreneurship on this one; for instance, a lot of people want to over-systematize their business before they actually know what the business is. If you don't have enough customers, if you don't have a good idea of what your products and services are, it's really hard to build a really great system and processes and team around that. You've got a lot of figuring out to do before you can even spend time on that type of stuff, right?

Through the years of my working with entrepreneurs and small business owners, I started to chart the different life cycles of businesses and what stages life cycles were in. This is not a necessarily novel concept; other people have written about stages of business before. But I really focused on small businesses that were before that startup/takeoff stage and really wanted to focus it on agile businesses, like what we have going on – internet based, using social media, things like that.

That really poses two different problems. One problem is that you get a lot of information from a lot of different sources, and two, your business grows quickly, which can be quite confusing because you might think that your business is growing faster than it actually is. It might be growing faster customer size, but as far as strategy goes, maybe not so much.

So I started this book – well, this book actually came from speeches first. I was talking about this, I was trying to help entrepreneurs and small business owners really figure out where they were so they can take the appropriate next steps, and it eventually unfolded into a book where I started adding more material to it and fleshing out the concepts a bit more outside of the speaking arena.

So the inspiration was largely based upon observation and the amount of pain that people are in, just because they were doing the wrong things at the wrong time.

WADE: There are a ton of books written on entrepreneurship and small business; what would you say makes your book different, or what are some things that differentiate your book from the others?

CHARLIE: This book is the “What to Expect When You’re Expecting” for small business and entrepreneurs, right? We see a lot of books on small business, and a lot of books on small business, to be honest, are focused on sales. Sales and marketing, if you really want to get down to it, is about 60%, 70% of the small business market. Granted, sales and marketing are huge problems, but there’s more to business than marketing and sales. There’s more to business than just finding out how to get people to buy your stuff.

The fact that this really discusses how small businesses grow is one of the things that makes it really unique. There’s not a lot of people talking about this. We talked about how businesses, like we might want to know how Apple grows or how a corporation grows, but not necessarily about how small business grows. So I think that’s one key element.

And the other key element is it's not about so much the tactics, what to do globally, but it's really about "here's where you are; here's what you need to do to grow to these next steps." It's really focused on just those two concepts. It's an intentionally concise and short book. Because again, it provides a map for growth for your business, and that's really all it's meant to do.

WADE: How do you suggest the reader engage with your book? Is this the kind of book that they can jump around, utilize it as a resource? Or is it a book that's really designed to be read from beginning to end?

CHARLIE: It's both. From an author's point of view, that's what you want to say. You don't have to read it straight forward to back. But really what it does is because the overview gives an idea of what the different stages of the life cycle are, you can decide "You know what? This is where I am, and I just want to go read about that." You can do that.

What you can also do – and I've had plenty of reader feedback that said this is exactly what they've done, is they've identified what position that they're in, and then they've read up to that position and recognized that "Wait a second, I'm missing some fundamental steps that I need to go back and do so I can get out of the stage that I'm in right now." It's in that sense that it can be read linearly in that way.

WADE: Charlie, this is the most important part of the interview, and this is where I hand over the mic and basically just ask that you share, in its entirety, your book with our listener/reader. Will you take a couple minutes and actually take us through basically front to back on what your book's all about?

CHARLIE: Absolutely. As I mentioned earlier, The Small Business Life Cycle is the "What to Expect When You're Expecting" for small business owners and entrepreneurs. What it does is it talks about the five different stages, and rather than saying what it does, I'm going to tell you what the book's about. There we go.



There are five different stages to the business life cycle. There's Stage 0, which is the Aspirational Stage. That's the stage by which everyone who thinks about starting a business, they read about starting a business, they dream about starting a business, but they haven't fundamentally started a business, for different reasons.

Stage 1 is The Entry Stage. That person has moved to starting a business. They have a few customers, a few clients, a small number of services and products, but they are officially in business; you can give that business money.

Stage 2 is The Growth Stage. This is where the business has some more clients and customers, they have more products and services, but basically they are starting to take off. They've figured out the market-to-product fit that allows them to actually start growing and scaling. Stage 2, by the way, and I'll explain this in just a second, is the funnest part of the journey for so many entrepreneurs and small business owners. I'll explain why as we go on.

Stage 3 is what I call The Crucible Stage. At The Crucible Stage, you're at this position in which you can't keep going the way you've been going, and you've got to do something completely different to take that next step. Generally there's some type of catch-22. If you had more sales, you could hire more people; if you had more people, you could create more sales. If you had more capital, then you could invest in infrastructure; if you invested in infrastructure, you could get more capital. All these types of things where it seems like you're just stuck.

Largely what's happened is you've built the business up using what I like to call the Fred Flintstone method – your feet under the car in the old cartoon, right? For the car to go faster, your feet have to move faster, and at a certain point, you can't go faster. That's where the business starts to fall apart. Not fall apart – it gets stagnant, and many people find in Stage 3 that there's not nearly as much business under the business as they had thought.

Stage 4 is The Cruise Stage. The way I like to talk about The Cruise Stage is it's like you're a supersonic jet. You have your people, processes, systems, and positioning in place, and you can go really, really fast, but you can't turn. This is

where we see businesses that will pull in that good 3% to 10% growth every year. They're not making any radical changes, but it's a solid business; it runs well. The owner, if they have some sense of discernment and discipline, can actually sleep well at night. Things like that.

Now, this is a life cycle because what happens is, people will get at one point along the journey and largely go backwards. It's easier to go backwards than it is to go forwards. So they'll get to Stage 4 and they'll get burned or they'll get bored, or Apple will release a new product that they think radically changes their business, and so they'll start pivoting. Or they get to that point and someone asks them to write a book, and all of a sudden they become an author and speaker, which is a different business model than where they started. All these types of things.

Or sometimes what happens is a key player, the co-founder or maybe your operations manager, leaves. And all of a sudden, you slide backwards into Stage 3 or Stage 2, depending upon what that triggering event is. So you can go from Stage 4 to Stage 0 and Stage 1 pretty quickly. It's very hard to go from Stage 1 to Stage 4; that's the growth of the thing.

That is basically the life cycle. What I do in the book is systematically take each one of those stages and explain a little bit. Because see, each one of these stages have a certain amount of challenges; they have a certain amount of opportunities; they have an inconvenient truth; and they have a way forward.

When you're at Stage 1, for instance, the inconvenient truth at Stage 1 is it might not work. Whatever you think your business is, it might not work, and that's the inconvenient truth. Once you accept that your business might not work, you can actually start – your business idea might work, because you're still at the ideational stage. You can actually do the things that you need to do to start growing forward.

That's largely around finding a market. It's finding a market, finding a frustration, and then being willing to really start what I call your Beachhead Offer, which is focusing on one frustration with a particular market that you want to solve.

That's the way ahead as well. When you put all those things together, you can step into Stage 1. Inconvenient truth of Stage 1 is that you have no idea what you're doing, and that is perfectly okay. Actually, I'm going to stop here, because many people get stuck in Stage 1. We're talking about home-based businesses, we're talking about people that have been hanging out, dabbling in business, and they're stuck in Stage 1.

One of the reasons they're stuck in Stage 1 is they're so scared of failure and they're so scared to recognize and acknowledge the fact that they have no idea what they're doing. Look, if you've not run a business before, it's natural for you to have no idea what you're doing. It's like people would not get into an airplane and jump out of the plane and not feel any weirdness about that without having gone through the training for how to pack a parachute and so on and so forth. These are learned skills. Running a business is a learned skill.

Many people get stuck and afraid, and they feel really awkward and stay stuck in Stage 1 because they're not willing to fail fast and fail cheaply and fail often, which is really one of the names of the game in Stage 1.

And you know what? In Stage 1 – and Wade, I know I'm going a little bit over here, but I'm going to do it anyways – in Stage 1, the saving grace of that is nobody is watching. You can fail as much as you want. Really, it's going to be your partner, maybe you three cats that are looking at you, whatever that might be. You don't have a world stage looking at you for failure. And most people that you would really want to look up to actually understand failure better than you do. So you don't have to go to them and say, "Hey, I made a big mistake and I failed." They're like, "Yeah, of course you did. That's part of the journey."

Anyways, Stage 1. The catalytic moment in Stage 1 is something takes off. Some product, some service, some message, something in your business takes off; you move into Stage 2. Again, I did mention this earlier – I always do, but Stage 2 is like the ride the rocket stage. It's fun. It's just taking off, and your whole job in Stage 2 is to grow the business as fast as you can, because you eventually want to break it. I know that sounds really odd that you want to break your business, but



until you actually break your business, you can't figure out how to put it back together.

The inconvenient truth at Stage 2 is that you can't keep doing what you're doing. You can't keep riding the rocket the same way. You can't keep up with the Fred Flintstone method. That is eventually going to fall apart on you; you're going to run out of juice.

And when you run out of juice is when you end up in Stage 3, which is The Crucible Stage, where really the way to get through The Crucible Stage is to focus on your systems, your processes, your people, and your positioning – positioning just being what the marketplace knows you do and how they recognize your value. The name of the game in Stage 3 is to get those four things in alignment.

You can get stuck at Stage 3 for a long time. Many entrepreneurs and small business owners hate, hate, hate Stage 3. What I've found – this isn't in the book; this is follow-on work – what I've found is most businesses have about, when it comes down to it, a \$20,000 problem. I probably should write about this more, but hey, that's what following books are. This isn't that \$20,000 solves all your problems, but it injects enough cash that you can solve a short-term problem and keep it going if you do it intelligently.

Many businesses have this \$20,000 problem that's keeping their systems, positioning, and processes and people out of alignment. That could be hiring a manager for the first 3 months. You need \$20,000 or so to get that going. Or whatever it might be. There's just that tactical view of what needs to happen to get those systems, processes, people, and positioning in place.

The inconvenient truth in Stage 3 is that there wasn't as much business under the business as you thought. This is generally for small business and entrepreneurs, and remember I said earlier, this book is really for small business owners and entrepreneurs. This is the first time you have to invest in what we would call management. You either have to have managers, people coming in and doing that, or you have to focus a lot of your time on management procedures and systems. This is really the biggest thing, because at this point, the business has

enough customers and clients and market share that it can be successful, but it has to be able to be sustainable.

Once you get systems, processes, people, and positioning in place, you can move into Stage 4, which as I mentioned earlier, is The Cruise Stage. You can grow and scale at a good pace, but you can't do all of the turning and burning that you can do in the earlier stages. You have to really make strategic choices about who your customers are, who they're not – which is the important thing – what your products are, what key value propositions you have, and really focusing on the engine of your business that keeps it going.

In the 2nd edition, I actually included more information about the leadership challenges that happen between Stage 3 and Stage 4. I won't go into a lot of those there, but to make a long story very, very short, the bottleneck between Stage 3 and Stage 4, I've seen over and over again, is actually the founder and leadership team. As soon as they start letting it go and recognize that their job is not to be a technician, to use Michael Gerber's language, but to really be managers and leaders, is when the business can take off and do what it needs to do.

You can move from Stage 4 to Stage 1 again by radically adding new elements to your business model. Maybe you decide that you want to go from a single operation to a franchise, and that's a completely different model. Maybe you want to go international, which requires a lot of different things. Those are ways that you would start basically another spiral on the growth cycle of small businesses.

In a nutshell, that really is what the book's about. That's the order it goes in. It goes in a bit more depth about the ways forward for each one of those, but I figured you didn't want to hear me talk for the next hour about those things, so I wanted to give you an overview of what's in it. Wade, how's that?

WADE: That was perfect. You don't have to worry about timing. My focus is as long as I'm creating value, as long as this is valuable for our listener, then I'm game, and I think that they're game. We keep them fairly short because we know that the average drive can be anywhere from 20 to 23 minutes, I guess, in the U.S.

So we keep them at around that length, but as long as there's good value, then we keep on going.

Speaking of that, there was a ton of great content that you just talked about, and huge value bombs, and that's what I think makes this next question sometimes almost impossible to answer. That's if the reader could only take away one concept, principle, or action item out of your entire book, everything that you just talked about, what would you want that to be?

CHARLIE: I think it's the overarching concept of the book, which is figure out where you are in the business life cycle and focus on those things that matter now. The other stuff you can focus on later on, but do the stuff that matters now.

Because really, that's what prioritization is about. You can't do everything – well, you could do everything given enough time, but we don't have enough time. So you've got to do the right things at the right time in the right order. Very broad, I know, but that's what we don't figure out. We look externally and say "What are all the things I might do?" versus looking at our business and saying "Where am I? What are my priorities, and what are my next steps on those priorities?" That's what I would want everyone to walk away from this podcast and this book really thinking about.

WADE: Excellent. Charlie, this next question might be a little bit awkward, but basically I'm asking you as an author, do you have a favorite quote of yours from your book? And if you don't have one personally, maybe a quote that you've seen resonate throughout your audience, that maybe they've been tweeting out or sharing back with you?

CHARLIE: Yeah, I'm like a broken record on this one, Wade. The quote is "The more you understand where your business is, the more you can focus on taking meaningful action on the stuff that matters for your business now." It's not the snappiest quote, but it's the one that really is the difference maker, and that's really what I want everyone to walk away from the book and from their business journey saying "This is where I am. Here are my priorities. Let's start taking this to action now."

Because in the end, business building is like building a brick wall. Just one brick at a time, one brick at a time. And at some point you take a step back and you're like, "Wow, I built a wall," and then you keep stacking, and it's like, "Wow, I built the first floor," and you keep stacking, and it's like, "Wow, I built a second floor." But it's on the one hand knowing where your business is going, but on the other, staying focused, stacking those bricks, and doing it in a way that adds value to you as the business owner, your customers, and your team.

WADE: Charlie, I think your book is going to be a paradigm shift or be very impactful for those that read it. The next question has to do with that as well: what is a book outside of your own that you've read that created a paradigm shift in your life, and you'd like to bring it up and suggest it to our reader?

CHARLIE: That's a great one. This one has nothing directly to do with business, but it has so many business applications that I'll spend the rest of my life showing them, and that's the *Tao Te Ching* by Lao Tzu. So much about the *Tao Te Ching* that I see that shows up is about this duality between doing and not doing.

There's so much in business where we have to show up and really be focused on where we're going and taking those actions at the same time that we have to let go of where the business might go and not try to make our business future-proof, which is a concept I don't like. We should say future-ready, which means embracing a lot of possibilities.

And therein, from the business point of view and from the life point of view, we have to stand in this nexus between possibility and actuality and do the best we can to make the choices that are going to take us where we're trying to go. I think the *Tao Te Ching*, from a life perspective and general metaphysical perspective, but also in the different ways that show up in business, is a great book that gets people thinking about those concepts and how to work out what seems to be those apparent contradictions.

WADE: That's the first time we've had that book suggested, so I'll definitely have that in the show notes for our reader to check out.

CHARLIE: Derek Lin from SkyLight Press has a great translation.

WADE: Excellent. Charlie, before we depart, can you recommend the best way for our listeners to get more information on you and your book, *The Small Business Life Cycle*?

CHARLIE: Yeah, the best way to find me online is Productive Flourishing. I'm pretty sure if you Google me, I come up first – although there are some other Gilkeys who are philosophers, so that might be confusing. Of no relation. So Productive Flourishing is Rome; all roads lead there. Another place that I hang out a lot is Twitter, @charliegilkey. Those are two really good places. If you find either one of those, you'll find the book as well.

WADE: Charlie, thank you so much for coming on today and sharing your work, sharing your baby with our audience.

CHARLIE: Thanks so much for having me, Wade, and I really appreciate what you're doing here.

WADE: Thanks again for listening in today. If you would like to get your hands on *The Small Business Life Cycle* or any of the other resources mentioned by Charlie, just look at the show notes at TheELPodcast.com. And if there is a book you would love to hear reviewed by the author, please visit us on iTunes and leave us a review with the book title.

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